

**HERAN**

Stock code: 5283

**HERAN Co., Ltd.**

**2024**

**Annual Report**

The URL of the website designated by the Financial Supervisory Committee of Executive Yuan for information declaration: <https://mops.twse.com.tw>

The URL of the website where the Company discloses relevant information: <https://www.heran.com.tw>

**Published on April 25, 2025**

**I. Name, title, telephone number, and e-mail address of the spokesman and acting spokesman**

Name of spokesman: Lei Chia-chun  
Title: Vice President of the Financial Division  
Tel: (03)396-1188 # 2910  
Email: [danny@heran.com.tw](mailto:danny@heran.com.tw)  
Acting spokesman: Hung Yao-hung  
Title: President of the Business Division  
Tel: (03)396-1188 # 2508  
Email: [jeffery@heran.com.tw](mailto:jeffery@heran.com.tw)  
Acting spokesman: Hsieh Hsiu-chen  
Title: Deputy Director of the Financial Division  
Tel: (03)396-1188 # 2915  
Email: [jean@heran.com.tw](mailto:jean@heran.com.tw)  
Acting spokesman: Hsieh Yu-chien  
Title: Deputy Section Chief of the Financial Division  
Tel: (03)396-1188 # 2904  
Email: [grace96@heran.com.tw](mailto:grace96@heran.com.tw)

**II. Address and telephone number of the Company's headquarters, branch offices, and factories**

Company Headquarters address: 9 F., No. 289, Wenhe Rd., Leshan Vil., Guishan Dist., Taoyuan City 333001, Taiwan (R.O.C.)  
Tel: (03)396-1188  
Fax: (03)396-1199  
Factory address: 7.9 F., No. 289, Wenhe Rd., Leshan Vil., Guishan Dist., Taoyuan City 333001, Taiwan (R.O.C.)  
Tel: (03)396-1188  
Fax: (03)396-1199  
Factory address: 4F, No. 29, Shangfa 6th Rd., Shangliao Vil., Daliao Dist., Kaohsiung City 831, Taiwan (R.O.C.)  
Tel: (07)963-1166  
Fax: (07)787-2966

**III. Name, address, e-mail address, and telephone number of the agency handling shares transfer**

Agency: The Stock Affairs Agent Department of MasterLink Securities Corporation  
Address: B1 Floor, No. 35, Ln. 11, Guangfu N. Rd., Songshan Dist., Taipei City 105410, Taiwan (R.O.C.)  
Website: <http://www.masterlink.com.tw>  
Tel: (02)2768-6668

**IV. Names of the certified public accountants who duly audited the annual financial report for the most recent fiscal year, and the name, address and telephone number of the accounting firm to which they belong**

Name of attesting CPAs: CPA Lee Li-huang; CPA Hsieh Chien-hsin  
Name of accounting firm: Deloitte & Touche  
Address: 20F, No. 100, Songren Rd., Xinyi Dist., Taipei City 110016, Taiwan (R.O.C.)  
Website: <http://www.deloitte.com.tw>  
Tel: (02)2725-9988

**V. Name of any exchanges where the Company's securities are traded offshore, and the method by which to access information on said offshore securities: N/A**

**VI. Company website: <https://www.heran.com.tw>**

## Table of Contents

One. Letter to Shareholders	1
Two. Corporate Governance Report	6
I. Information on the Company's directors, supervisors, president, vice presidents, associate vice presidents, and the heads of all the Company's divisions and branch units.....	6
II. Remuneration paid to directors, supervisors, president, and vice presidents for the most recent year .....	21
III. The state of the company's implementation of corporate governance:.....	28
IV. Information on the professional fees of CPAs .....	70
V. Information on the change of CPAs .....	71
VI. Where the company's chairperson, general manager, 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 CPA or at an affiliated enterprise of such accounting firm.....	72
VII. Any transfer of equity interests and/or pledge of or change in equity interests by a director, supervisor, 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 date of publication of the annual report .....	72
VIII. Relationship information, if among the company's 10 largest shareholders any one is a related party or a relative within the second degree of kinship of another .....	75
IX. The total number of shares and total equity stake held in any single enterprise by the company, its directors and supervisors, managerial officers, and any companies controlled either directly or indirectly by the company .....	77
Three. Fundraising status	78
I. Capital and shares.....	78
II. Issuance of corporate bonds.....	83
III. Issuance of preferred shares .....	83
IV. Issuance of global depository receipts. ....	83
V. Issuance of employee share subscription warrants. ....	83
VI. Issuance of employee restricted shares .....	83
VII. Issuance of new shares in connection with mergers or acquisitions or with acquisitions of shares of other companies. ....	83
VIII. Implementation of the company's capital allocation plans .....	83
Four. Overview of business operations	84
I. A description of the business .....	84
II. Market condition and production and sale overview.....	103
III. Employee Statistics for the Most Recent 2 Fiscal Years up to the Annual	

Report Publication Date.....	119
IV. Disbursements for environmental protection.....	119
V. Labor relations.....	119
VI. Cyber security management.....	121
VII. Important contracts .....	123
Five. Review and analysis of financial position and financial performance, and risks	125
I. Financial position .....	125
II. Financial performance .....	126
III. Cash flow .....	128
IV. Impacts of Major Capital Expenditures in the Most Recent Year to Financial Performance. ....	129
V. 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 .....	129
VI. Analysis and assessment of risks for the most recent year and the current year up to the publication date of this annual report .....	130
VII. Other important matters: None. ....	136
Six. Special items to be included	137
I. Summary of Affiliated Companies	137
II. Private placement of securities in the most recent year and the current year up to the publication date of this annual report .....	137
III. Other matters that require additional description .....	137
IV. Any of the situations listed in Article 36, Paragraph 3, Subparagraph 2 of the Securities and Exchange Act, which might materially affect shareholder equity or the price of the Company's securities .....	137

## One. Letter to Shareholders

Dear shareholders:

Firstly, I'd like to thank you for your taking time to participate in this Regular Shareholders' Meeting, and also for your support for the Company in the past year. I also want to thank all employees and the management team for their endeavor.

Below is the report on the 2024 business results and 2025 outlook:

### I. 2024 Business Report

#### (I) 2024 Business Plan Implementation Achievements

In 2024, the Company's consolidated operating revenue reached NT\$6,417,178 thousand, up 3.63% from NT\$6,192,134 thousand in 2023; the post-tax profit stood at NT\$467,497 thousand, down NT\$100,558 thousand from NT\$568,055 thousand in 2023. The increase in revenue was due to the growth in air conditioning and home appliance sales in 2024. The decrease in profit was due to rising raw material prices, a stronger US dollar leading to increased costs, and the clearance of long-stagnant inventory, resulting in a decline in gross profit.

(II) Budget execution status: The Company did not make a financial forecast for 2024.

(III) Income and expenses and profitability analysis

Unit: NT\$ thousand

Item			2024	2023
Income and expenses	Operating revenue		6,417,178	6,192,134
	Gross profit		2,037,075	2,075,774
	Pre-tax profit (loss), net		562,363	703,812
Profitability	Return on assets (%)		7.40	9.35
	Return on equity (%)		10.92	13.53
	As a percentage of paid-in capital (%)	Operating profit	60.42	83.35
		Pretax profit	77.04	96.41
	Net profit (loss) to sales		7.29	9.17
	Earnings (loss) per share (NT\$)		6.40	7.78

#### (IV) Research and Development Status

In terms of LCD displays:

With the evolution of smart display technology, LCD displays have upgraded from traditional single-display devices to intelligent control centers with multi-terminal interconnectivity. Cross-device streaming and multi-screen linkage technologies have progressively matured, accommodating both personal immersive entertainment ("Me Time") and family sharing experiences ("We Time"), strengthening smart home ecosystems. Through AIoT technology, these systems enhance appliance interconnectivity and, combined with door lock integration mechanisms, enable smart TVs to function as home security management hubs supporting facial recognition or mobile device unlocking. The integration of AR (Augmented Reality) interactive experiences, through visual enhancement technology, allows users to intuitively operate appliance settings, further improving the convenience of home digital applications.

Meanwhile, the Company continues to advance its Google TV series

products. In addition to enhancing display performance, AI picture quality calibration, and low power consumption design technologies, the Company will also introduce more intelligent voice interaction features, image enhancement processing, and personalized recommendation algorithms to create a smarter and more convenient home entertainment experience for consumers.

In terms of air conditioners:

1. Production of High-Efficiency Eco-Friendly Refrigerant for Split-Type Air Conditioners: 2.3kW~16.0kW residential air conditioners with improved lightweight installation design: Reduced copper piping specifications for indoor and outdoor units to facilitate installation in narrow environments and improve installation convenience, increasing installation willingness for our products.
2. Production of 14~16kW three-phase power lightweight compact outdoor units, compatible with wall-mounted, four-way cassette, concealed duct, and floor-standing indoor units, highly suitable for installation in shops, exhibition venues, or factory premises, targeting the light commercial installation market.
3. Development of a 14.0~16.0 kW light commercial single-pressure one-to-two ~ one-to-four (7.2kW \*2 ~ 4.1kW\*4) compact side-blow outdoor unit, suitable for installations with longer piping and limited installation space in residential and commercial projects, installed and used as a commercialized residential air conditioning unit.
4. Research and development of temperature and humidity dual-control function for residential air conditioners. In addition to using cooling and heating functions, consumers can also use a dedicated "dehumidification button" to set humidity levels. Users can select environmental temperature and humidity control to achieve a cooler and more comfortable sensory temperature.
5. In response to the government's continuous energy-saving transition and deep energy conservation program: Progressively developing energy-saving air conditioning monitoring and communication requirements, developing one-to-one to one-to-many series specifications that feature energy-saving monitoring and communication functions to facilitate market energy efficiency and meet national energy conservation and carbon reduction requirements.

In terms of home appliances:

In the home appliance sector, Heran freezers have established a market advantage. In 2024, the company will comprehensively upgrade to inverter freezing technology, reducing energy consumption and enhancing cooling efficiency to maintain market leadership. For the washing machine category, the Company further optimized its intelligent sensing washing technology, introducing AI load detection and adaptive washing modes to ensure optimal washing results for different fabric materials.

Small appliance products emphasize a multi-brand operation strategy, satisfying market demands across different channels through brand combinations including HERAN, Yamada, and Scion. Particularly in the post-pandemic era, health appliance demand has increased, with the Company expanding its lineup to include antibacterial UV dishwashers, negative hydrogen ion four-stage filtration instant hot water dispensers, and introducing intelligent air quality monitoring to enhance home health protection effectiveness. Furthermore, the Company is actively developing intelligent cleaning robots, combining AI automatic obstacle avoidance with multi-mode cleaning technology to further expand into the high-end market.

In response to the market demand, the Company will focus on smart home integration in the future, enabling household appliances to seamlessly connect with environmental sensors, access control systems, and energy management platforms. This will enhance the interconnected experience of smart appliances and provide appliance solutions that comply with smart building standards.

## II. 2024 Business Plan summary

### (I) Business strategy and important production and sale policy

1. Improve product quality and service efficiency to increase customer satisfaction.
2. Reduce product inventory and increase product turnover rate.
3. Accurately grasp the pulse of the market, continue to innovate and pursue product differentiation for continuous and stable growth of business performance.
4. The Company will establish a complete distribution channel and delivery and installation system.
5. Hope to take advantage of Taiwan's experience and see the world.

### (II) Estimated sales; estimation basis

HERAN has been deeply involved in the Taiwan market for many years and has won the favor of consumers. After the company's stock was listed on the stock exchange, the company's brand awareness also increased significantly. Over the years, the sales volume and market share of air conditioners have been continuously increasing. The Company has long been a leading player in the LCD display market, continuously maintaining a significant market share. In addition to sustaining the market share and growth rates of these products, the company has also successfully launched a series of household appliance products, which have achieved commendable sales results. Sales performance has consistently grown annually. Benefiting from the pandemic, the upright-style freezers from Heran have gained a solid reputation. Furthermore, the multi-brand strategy for small appliances has made substantial contributions through various channels, including major retailers and social media influencers. It is expected that the shipment volume and revenue of the Company's products will continue to grow in 2025.

## III. Future company development strategy; impact from external competition, legal environment, and overall business environment

### (I) Future development strategy

1. Improve product performance and customer experience:

In the smart display field, the Company will deepen AI image quality algorithm technology, strengthen image enhancement, ambient light sensing, dynamic compensation and other functions, and continue to develop voice recognition and natural language processing technologies to enhance user interaction experience. For high-end flagship models, the focus will be on 8K high-definition display, Mini LED backlight technology and 120Hz+ high refresh rate gaming display to meet the demands of the high-end consumer market. In addition, to expand market penetration, the Company will simultaneously maintain the supply of non-networked products, providing customized models that meet the needs of the project market to ensure product diversity and market competitiveness.

In terms of air-conditioning, in response to the sustainability of COP28 (United Nations Framework Convention on Climate Change) and in line with the government's 2050 net zero carbon emissions, the aggressive efforts are as follows:

- (1) Development of window-type air conditioners and portable air conditioners using natural refrigerant systems or R290

refrigerant, which has a GWP (Global Warming Potential) of approximately zero. Compared to current refrigerant systems, natural refrigerants are competitive in terms of efficiency and cost.

- (2) Reduce the development and use of products containing hydrofluorocarbons (HFCs) with GWP exceeding 750. Support energy conservation and carbon reduction by developing and using hydrocarbon (HC) refrigerants, which have the advantages of environmental protection, energy efficiency, near-zero carbon emissions, and high energy efficiency, to achieve the goal of green net-zero carbon emissions in air conditioning implementation. The development and use of hydrocarbon (HC) refrigerants facilitates energy saving and carbon reduction, featuring benefits such as environmental protection, energy efficiency, near-zero carbon emissions, and high energy performance. This allows for the realization of green net-zero carbon emissions development goals in air conditioning systems.
- (3) Develop AI smart energy saving for household air conditioners by integrating AI technology with air conditioning technology to interactively learn complex and changing user environments, utilizing algorithms to dynamically adjust the operating mode of air conditioners and select the optimal energy-saving control strategy.

2. Establish an open-type innovation ecosystem:

To promote the development of the smart home industry, the Company will integrate AIoT and multi-modal sensing technologies, advancing intelligent environmental sensing and adaptive control, while introducing next-generation communication protocols including Zigbee, Matter, and Wi-Fi 6E to ensure seamless interaction between household appliances. Simultaneously, the Company is actively collaborating with domestic and international chip manufacturers to develop high-performance edge computing modules for various application scenarios, enhancing the independent computing capabilities of smart appliances, reducing cloud dependency, and achieving more efficient device coordination.

3. Strengthen information security and privacy protection:

With the further proliferation of smart home appliances, personal data security and privacy protection have become critical issues. The Company will strictly comply with international data privacy standards such as GDPR, CCPA, and establish comprehensive data encryption, access control, and remote update mechanisms to ensure device information security. Furthermore, the Company will implement blockchain verification mechanisms to ensure that smart appliance firmware updates and user data cannot be tampered with, further enhancing consumer trust in the products.

(II) Impact from external competition, legal environment, and overall business environment:

In addition to the competition from local brands, Taiwan's home appliance market must also face the entry of brands from Japan, South Korea, Europe, America, and China. Therefore, the market competition is quite fierce. In addition, we also have to deal with the need for higher awareness towards environmental protection and energy conservation and in line with the government's 2050 net zero carbon emission goal. The only way for the Company



to stay true to the market is to keep on innovating and changing. The Company will continue to deliver the HERAN brand marketing strategy, which aims to evoke a sense of quality and high added value for products; to evolve product quality; and to develop quality, differentiated products to differential the Company from competitors, thereby grasping the key competitive advantages.

Lastly,  
I wish every shareholder  
a good health and good luck!

Chairman: Tsai, Po-i   President: Lin, Chin-hung   Accounting Supervisor: Lei, Chia-chun

## Two. Corporate Governance Report

### I. Information on the Company's directors, supervisors, president, vice presidents, associate vice presidents, and the heads of all the Company's divisions and branch units

#### (I) Information of directors

##### 1. The name, education (experience), shareholding and nature of the directors

April 5, 2025 Unit: Shares, %

Title	Nationality or place of registration	Name	Gender and age	Date selected	Term	Date first elected	Shares held upon selection		Shares currently held		Shares held by spouse and minor children		Shares held under the name of other person		Major work experience and academic qualifications	Position concurrently held in the Company or other company	The departmental head, director, or supervisor who is a spouse or a relative within the second degree of kinship			Note
							Shares	Shareholding	Shares	Shareholding	Shares	Shareholding	Shares	Shareholding			Title	Name	Relationship	
Chairman of the Board	R.O.C	Heran Tech Co., Ltd.	-	June 2, 2023	3 years	June 2, 2020	6,529,446	8.94	-	-	-	-	-	-	-	None	None	None	None	None
	R.O.C	Tsai Po-i	Male Aged 41~50	June 2, 2023	3 years	September 1, 2004	1,518,574	2.08	768,574	1.05	-	-	22,211,008	30.42	Master of Science, University of Technology Sydney (UTS) HERAN Co., Ltd. -Regional President	HERAN Co., Ltd. Chairman of the Board Ranso Co., Ltd. Chairman of the Board HERTEC. Co., Ltd. Chairman of the Board Her Hsiung Co., Ltd. Chairman of the Board SHAH AIR TECH CORPORATION - Chairman of the	None	None	None	None

																Board Heran Tech Co., Ltd. - Chairman of the Board Hefa Enterprise Co., Ltd. Chairman of the Board Yahong Investment Co. Ltd. Chairman of the Board JOWIN CO., LTD. - Chairman of the Board Bolikim Co., Ltd Chairman of the Board Yongri Enterprise Co., Ltd. Chairman of the Board Pao Li Hung Hsin Co., Ltd Chairman of the Board Ho Ya International Investment Co., Ltd.				
Director (Note 1)	R.O.C	Heran Tech Co., Ltd.	-	June 2, 2023	3 years	June 2, 2020	6,529,446	8.94	6,529,446	8.94	-	-	-	-	-	None	None	None	None	None
	R.O.C	Lei Chia- chun	Male Aged 51~60	July 30, 2024	3 years	July 30, 2024	33,100	0.05	33,100	0.05	-	-	-	-	MA, Graduate Institute of Finance, National Yunlin University of	Heran Tech Co., Ltd., Chief Financial Officer HERAN Co., Ltd., Corporate Governance	None	None	None	None

															Science and Technology Department of Accounting, Tunghai University Deloitte & Touche - Manager of the Audit Department	Officer HERAN Co., Ltd. Sustainable Development Committee, committee member				
Director	R.O.C	Xiezhi Investm ent Co. Ltd.	-	June 2, 2023	3 years	June 2, 2020	661,815	0.91	661,815	0.91	-	-	-	-	-	None	None	None	None	None
	R.O.C	Wu Ching-hu	Male Aged 71~80	June 2, 2023	3 years	June 2, 2020	-	-	-	-	-	-	-	-	Department of Crime Prevention and Corrections, Central Police University Tainan City Police Department - Deputy Commissioner Taoyuan Police Department - Deputy Commissioner	Ho Hua Construction Co., Ltd. - Chairman of the Board	None	None	None	None
Director	R.O.C	Xiezhi Investm ent Co. Ltd.	-	June 2, 2023	3 years	June 2, 2020	661,815	0.91	661,815	0.91	-	-	-	-	-	None	None	None	None	None
	R.O.C	Chan Chien-	Male Aged	June 2, 2023	3 years	June 13, 2017	-	-	-	-	-	-	-	-	PhD in Accounting,	President, Soochow University	None	None	None	None

		lung	61~70												Nova University, USA Director of Accounting Research Institute, Soochow University	Dean of the School of Business and Vice President for Academic Affairs, Soochow University Taiwan Semiconductor Company Limited--Independent Director, member of the Remuneration Committee Asia Optical Co., Ltd. - Independent Director; member and convener of the Remuneration Committee Excelsior Medical Co., Ltd.- Independent Director, member of the Remuneration Committee				
Director	R.O.C	Hefa Enterprise Co., Ltd.	-	June 2, 2023	3 years	June 2, 2023	9,500,000	13.01	9,500,000	13.01	-	-	-	-	-	None	None	None	None	None
	R.O.C	Tiao Chien-Sheng	Male Aged 71~80	June 2, 2023	3 years	June 2, 2023	-	-	-	-	-	-	-	-	Master's degree in Political Department, National Taiwan University Central Police University - Chairman	Taishin Construction Manager Co., Ltd. - Chairman of the Board Taishin Sports Entertainment Co., Ltd. - Chairman of the Board	None	None	None	None

																Taishin Asset Management Co., Ltd. - Director				
Director	R.O.C	Hefa Enterprise Co., Ltd.	-	June 2, 2023	3 years	June 2, 2023	9,500,000	13.01	9,500,000	13.01	-	-	-	-	-	None	None	None	None	None
	R.O.C	Lin Chin-hung	Male Aged 61~70	June 2, 2023	3 years	June 2, 2020	61,200	0.08	61,200	0.08	-	-	-	-	Department of Business Administration, National Chung Hsing University MBA, University of Southern Queensland (USQ), Australia	Ranso Co., Ltd. President; Supervisor HERTEC. Co., Ltd. President; Supervisor Her Hsiung Co., Ltd. President; Supervisor SHAHER AIR TECH CORPORATION - President; Supervisor HERAN Co., Ltd. Sustainable Development Committee, committee member	None	None	None	None
Independent Director	R.O.C	Huang Tien-chang	Male Aged 71~80	June 2, 2023	3 years	June 13, 2017	-	-	-	-	-	-	-	-	Institute of Public Finance, National Chengchi University Taiwan Business Bank Co., Ltd. - President; Chairman of the Board	Yi Jinn Industrial Co., Ltd. - Independent Director; member of the Remuneration Committee Director - The First Leasing Corporation FOCI - Independent Director; member of the Remuneration Committee GOMAJI Corp. LTD. - Independent Director; member of the	None	None	None	None

																Remuneration Committee				
Independent Director	R.O.C	Chen Jung-lung	Male Aged 61~70	June 2, 2023	3 years	June 2, 2020	-	-	-	-	-	-	-	-	Doctor of Philosophy, Fu Jen Catholic University - Fu Jen Catholic University Executive Vice President; Dean of College of Law	GOMAJI Corp. LTD. - Independent Director; member of the Remuneration Committee - HERAN Co., Ltd. Sustainable Development Committee, committee member	None	None	None	None
Independent Director	R.O.C	Lin Chien-Cheng	Male Aged 71~80	June 2, 2023	3 years	June 2, 2023	-	-	-	-	-	-	-	-	MBA, University of Southern Queensland (USQ), Australia Taiwan Business Bank Insurance Agent Co., Ltd. - President	I-Te Long-Term Care Center, incorporated foundation - Director	None	None	None	None

Note 1: Mr. Lei Chia-chun was appointed as the representative of Heran Tech Co., Ltd. on July 30, 2024.

## 2. Major shareholders of corporate shareholders

April 5, 2025

Name of corporate shareholder	Major shareholder of corporate shareholders	Shareholding (%)
Heran Tech Co., Ltd.	Yo Cheng Enterprise Co., Ltd.	18.79
	Li Fu Enterprise Co., Ltd.	18.79
	Bolikim Co., Ltd	19.00
	Hui Yung trading Co., Ltd.	17.70
	Yongri Enterprise Co., Ltd.	12.18
	Yahong Investment Co. Ltd.	10.00
	Tsai Po-i	3.54
Xiezhi Investment Co., Ltd.	Tsai Pei-jung	99.90
Hefa Enterprise Co., Ltd.	Yongri Enterprise Co., Ltd.	99.99

Note 1: Fill in the name of the major corporate shareholder (whose shareholding ratio is among the top 10) and its shareholding ratio.

Note 2: The above information is provided by the corporate shareholder. The Company only discloses the information provided by the corporate shareholder.

## 3. Major shareholders of a corporate shareholder whose major shareholders are corporations

Name of corporate shareholder	Major shareholder of corporate shareholders	Shareholding (%)
Bolikim Co., Ltd	Tsai Po-i	99.98
Hui Yung trading Co., Ltd.	Hefa Enterprise Co., Ltd.	100.00
Yongri Enterprise Co., Ltd.	Tsai Po-i	99.96
Yahong Investment Co. Ltd.	Tsai Po-i	99.22

Note 1: Fill in the name of the major corporate shareholder (whose shareholding ratio is among the top 10) and its shareholding ratio.

Note 2: The above information is provided by the corporate shareholder. The Company only discloses the information provided by the corporate shareholder.



#### 4. Directors' professional knowledge, director diversity policy, and independence

##### (1) Professional qualifications of directors and the disclosure of independence of independent directors:

April 5, 2025

<div> <div>Criterion</div> <div>Name</div> </div>	Professional qualifications and work experience	State of independence	Number of public companies for which he/she concurrently served as an independent director
Chairman of the Board Heran Tech Co., Ltd. Representative: Tsai Po-i	Mr. Tsai has more than 5 years of experience that the Company requires, is currently the Company's Chairman of the Board, and possesses operational management capability, innovative capability, and leadership capability.	N/A (Note 2)	None
Director Heran Tech Co., Ltd. Representative: Lei Chia-chun (Note 1)	Mr. Lei has more than 5 years of relevant work experience, he is currently the company's CFO, with a professional background in finance, financial management, and investment management.		None
Director Representative of Xiezhi Investment Co., Ltd.: Wu Ching-hu	Mr. Wu has more than 5 years of experience that the Company's business requires; currently serving as the President of Hehua Construction Co., Ltd. is an expert in law.		None
Director Representative of Xiezhi Investment Co., Ltd.: Chan Chien-lung	Mr. Chan has more than 5 years of experience that the Company requires, is currently a professor at Soochow University, and an independent director of Taiwan Semiconductor Co., Ltd., Asia Optical Co., Ltd., and EXCELSIOR MEDICAL CO., LTD. He's an expert in financial accounting.		3
Director Representative of Hefa Enterprise Co., Ltd.: Tiao Chien-sheng	Mr. Tiao has more than 5 years of experience that the Company requires, is currently the Chairman of the Board of Taishin Construction Manager Co., Ltd., and the director of Taishin Asset Management Co., Ltd. He's an expert in law.		None
Director Representative of Hefa Enterprise Co., Ltd.: Lin Chin-hung	Mr. Lin has over 5 years of experience relevant to the Company's business requirements. He is currently serving as the President of the Company and has extensive experience in management and administration, as well as a strong practical background in market strategic alliances and business promotion.		None
Independent Director Huang Tien-chang	Mr. Huang has more than 5 years of experience that the Company requires, is currently an independent director of Yi Jinn Industrial Co., Ltd. and a director of The First Leasing Corporation. He has more than 20 years of experience in the financial industry. He is an expert in finance and investment management.	(Note 2) and (Note 3)	1

Name \ Criterion	Professional qualifications and work experience	State of independence	Number of public companies for which he/she concurrently served as an independent director
Independent Director Chen Jung-lung	Mr. Chen has more than 5 years of experience that the Company requires. He is an expert in law.		None
Independent Director Lin Chien-Cheng	Mr. Lin has more than 5 years of experience that the Company requires and is currently a director of I-Te Long-Term Care Center. He has more than 20 years of experience in the financial industry. He is an expert in finance and investment management.		None

Note 1: Mr. Lei Chia-chun was appointed as the representative of Heran Tech Co., Ltd. on July 30, 2024.

Note 2: None of the circumstances under Article 30 of the Company Act are applicable to Board members.

Note 3: All independent directors meet the following independence requirements:

- (1) Not acting in the capacity of a government agency or corporation or a representative of either in accordance with Article 27 of the Company Act.
  - (2) The person and his/her spouse or relatives within the second degree of kinship are not the directors, supervisors or employees of the Company or any of its affiliates.
  - (3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate of one percent or more of the total number of issued shares of the company or ranking in the top 10 in holdings.
  - (4) A director, supervisor, or employee of another company who is controlled by the same person for a majority of the Company's director seats or shares with voting rights and those of that other company.
  - (5) A director, supervisor, or employee of a corporate shareholder directly holding 5% or more of the total number of issued shares of the Company, or among the top 5 in shareholdings, or designating its representative to serve as a director or supervisor of the Company under Article 27, Paragraph 1 or 2 of the Company Act.
  - (6) A director, supervisor, or employee of another company who is controlled by the same person for a majority of the Company's director seats or shares with voting rights and those of that other company.
  - (7) A director, supervisor, or employee of the other company or institution whose spouse is the Chairman, general manager or equivalent positions of the Company.
  - (8) A director, supervisor, managerial officer, or shareholder holding 5% or more of the shares of a specific company or institution that has a financial or business relationship with the Company.
  - (9) A professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides auditing services to the company or any affiliate of the company, or that provides commercial, legal, financial, accounting or related services to the company or any affiliate of the company for which the provider in the past 2 years has received cumulative compensation exceeding NT\$500,000, or a spouse thereof. provided, this restriction does not apply to a member of the remuneration committee, public tender offer review committee, or special committee for merger/consolidation and acquisition, who exercises powers pursuant to the Securities and Exchange Act or to the Business Mergers and Acquisitions Act or related laws or regulations.
- (2) The diversity policy for the Board of Directors:
- A. The Company's "Corporate Governance Best Practice Principles" stipulates the diversity policy of the Board of Directors:
- The composition of the Board of Directors shall be determined by taking diversity into consideration. It is advisable that an appropriate policy on diversity based on the Company's business operations, operating dynamics, and development needs be formulated and include, without being limited to, the following two general standards:
- a. Basic requirements and values: Gender, age, nationality, and culture.
  - b. Professional knowledge and skills: A professional background (e.g., law, accounting, industry, finance, marketing, and technology), professional skills, and industry experience.

B. All members of the board shall have the knowledge, skills, and experience necessary to perform their duties. To achieve the ideal goal of corporate governance, the Board of Directors shall possess the following abilities: Ability to make operational judgments, ability to perform accounting and financial analysis, ability to conduct management administration, ability to conduct crisis management, international market perspective, understanding of international markets, ability to lead, and ability to make policy decisions.

C. Implementation status of the diversity policy for the Board of Directors:

Diversified core item Name of director	Gender	Age	Make operati onal judgm ents	Accou nting and finance	Manag ement admini stratio n	Crisis manag ement	Knowl edge of the industr y	Interna tional market perspe ctive	Ability to lead	Ability to make policy decisio ns
Heran Tech Co., Ltd. Representative: Tsai Po-i	Male	41-50	V	-	V	V	V	V	V	V
Heran Tech Co., Ltd. Representative: Lei Chia- chun (Note 1)	Male	51-60	V	V	V	V	V	V	V	V
Xiezhi Investment Co. Ltd. Representative: Wu Ching-hu	Male	61-70	V	-	V	V	-	V	V	V
Xiezhi Investment Co. Ltd. Representative: Chan Chien-lung	Male	61-70	V	V	V	V	V	V	V	V
Hefa Enterprise Co., Ltd. Representative: Tiao Chien-Sheng	Male	71-80	V	-	V	V	V	V	V	V
Hefa Enterprise Co., Ltd. Representative: Lin Chin- hung	Male	61-70	V	V	V	V	V	V	V	V
Huang Tien-chang	Male	71-80	V	V	V	V	-	V	V	V
Chen Jung-lung	Male	61-70	V	V	V	V	-	V	V	V
Lin Chien-Cheng	Male	71-80	V	V	V	V	-	V	V	V

Note 1: Mr. Lei Chia-chun was appointed as the representative of Heran Tech Co., Ltd. on July 30, 2024.

(3) Policy for independence of the Board of Directors:

The Board of Directors consists of 9 members, including 3 independent directors (representing 33.33%). The tenure of independent directors shall not exceed 3 terms; none of them is a spouse or a relative within the second degree of kinship of other directors, and that there are no violations against Article 26-3, Paragraphs 3 and 4 of the Securities and Exchange Act.

Company directors shall exercise a high degree of self-discipline. If a director or a juristic person represented by the director is an interested party with respect to any proposal for a board meeting, the director shall state the important aspects of the interested party relationship at the meeting. When the relationship is likely to prejudice the interests of the Company, the director may not participate in discussion or voting on that proposal and shall enter recusal during the discussion and voting. The director also may not act as another director's proxy to exercise voting rights on that matter. (Please refer to page 32: Implementation of recusals of independent directors with respect to any motions with which they may have a conflict of interest).

## (II) Information on the president, vice presidents, associate vice presidents, and the heads of all the Company's divisions and branch units

April 5, 2025 Unit: Shares, %

Title	Nationality	Name	Gender	Date elected	Shareholding		Shares held by spouse and minor children		Shares held under the name of other person		Major work experience and academic qualifications	Position concurrently held in other company	Other managerial officer(s) with which the person has a relationship of spouse or relative within the second degree			Note
					Shares	Share holding	Shares	Share holding	Shares	Share holding			Title	Name	Relationship	
President	R.O.C	Lin Chin-hung	Male	October 01, 2009	61,200	0.08	-	-	-	-	Department of Business Administration, National Chung Hsing University MBA, University of Southern Queensland (USQ), Australia	Ranso Co., Ltd. President; Supervisor HERTEC. Co., Ltd. President; Supervisor Her Hsiung Co., Ltd. President; Supervisor SHAHER AIR TECH CORPORATION - President; Supervisor HERAN Co., Ltd. Sustainable Development Committee, committee member	None	None	None	None
Regional President (Note)	R.O.C	Tsai Po-i	Male	November 13, 2002	768,574	1.05	-	-	22,211,008	30.42	Master of Science, University of Technology Sydney (UTS) HERAN Co., Ltd. Regional President	HERAN Co., Ltd. Chairman of the Board Ranso Co., Ltd. Chairman of the Board HERTEC. Co., Ltd. Chairman of the Board Her Hsiung Co., Ltd.	None	None	None	None

Title	Nationality	Name	Gender	Date elected	Shareholding		Shares held by spouse and minor children		Shares held under the name of other person		Major work experience and academic qualifications	Position concurrently held in other company	Other managerial officer(s) with which the person has a relationship of spouse or relative within the second degree			Note
					Shares	Share holding	Shares	Share holding	Shares	Share holding			Title	Name	Relationship	
												Chairman of the Board SHAHER AIR TECH CORPORATION - Chairman of the Board Heran Tech Co., Ltd. - Chairman of the Board Hefa Enterprise Co., Ltd. Chairman of the Board Yahong Investment Co. Ltd. Chairman of the Board JOWIN CO., LTD. - Chairman of the Board Bolikim Co., Ltd Chairman of the Board Yongri Enterprise Co., Ltd. Chairman of the Board Pao Li Hung Hsin				

Title	Nationality	Name	Gender	Date elected	Shareholding		Shares held by spouse and minor children		Shares held under the name of other person		Major work experience and academic qualifications	Position concurrently held in other company	Other managerial officer(s) with which the person has a relationship of spouse or relative within the second degree			Note
					Shares	Share holding	Shares	Share holding	Shares	Share holding			Title	Name	Relationship	
												Co., Ltd Chairman of the Board Ho Ya Investment Co., Ltd.				
President of the Business Division	R.O.C	Hung Yao-hung	Male	June 7, 2007	33,100	0.05	-	-	-	-	EMBA, School of Business, Soochow University Daistar Home Appliance Co., Ltd. - Manager of the Marketing Department	None	None	None	None	None
Vice President of the Financial Division	R.O.C	Lei Chia-chun	Male	July 30, 2010	33,100	0.05	-	-	-	-	MA, Graduate Institute of Finance, National Yunlin University of Science and Technology Department of Accounting, Tunghai University Deloitte & Touche - Manager of the Audit Department	Heran Tech Co., Ltd., Chief Financial Officer HERAN Co., Ltd., Corporate Governance Officer HERAN Co., Ltd. Sustainable Development Committee, committee member	None	None	None	None
Vice President of the Marketing	R.O.C	Kao Chien-fa	Male	October 01, 2009	25,325	0.03	-	-	-	-	EMBA, School of Business, Soochow University Department of	None	None	None	None	None

Title	Nationality	Name	Gender	Date elected	Shareholding		Shares held by spouse and minor children		Shares held under the name of other person		Major work experience and academic qualifications	Position concurrently held in other company	Other managerial officer(s) with which the person has a relationship of spouse or relative within the second degree			Note
					Shares	Share holding	Shares	Share holding	Shares	Share holding			Title	Name	Relationship	
Division											Commerce, National Taiwan University Solarix System Inc. Supervisor					
Business Division, Associate Vice President	R.O.C	Wu Zai-yao	Male	October 01, 2009	17,325	0.02	-	-	-	-	Electrical Engineering Department, National Pei-Kang Agricultural & Industrial Vocational High School Sales director, Kolin Inc.	None	None	None	None	None
Business Division, Associate Vice President (Note)	R.O.C	Wu Ping-hsien	Male	October 01, 2024	325	0.00	-	-	-	-	Hujiang High School GRAINEW Corporation, Sales Section Manager	None	None	None	None	None
Manager of the Audit Office	R.O.C	Chen Ming-tsung	Male	May 24, 2010	46,325	0.06	-	-	-	-	Department of Business Administration, Tatung University Ho Tung Chemical Corp. - Assistant general manager	None	None	None	None	None
Vice President of the	R.O.C	Li Hsiu-an	Male	June 21, 2021	3,000	0.00	-	-	-	-	Doctor of Philosophy, Chinese Culture University	None	None	None	None	None

Title	Nationality	Name	Gender	Date elected	Shareholding		Shares held by spouse and minor children		Shares held under the name of other person		Major work experience and academic qualifications	Position concurrently held in other company	Other managerial officer(s) with which the person has a relationship of spouse or relative within the second degree			Note
					Shares	Share holding	Shares	Share holding	Shares	Share holding			Title	Name	Relationship	
Administrative Department											Assistant Professor (Military officer) of the Central Police University					

Note: Mr. Tsai Po-i, Chairman, will step down as Regional President on December 17, 2024. Mr. Wu Ping-hsien, Associate General Manager of the Sales Division, was promoted on October 1, 2024.



## II. Remuneration paid to directors, supervisors, president, and vice presidents for the most recent year

### (I) Remuneration to directors (including independent directors)

Unit: NT\$ thousand

Title	Name	Directors' remuneration								Sum of A+B+C+D and ratio to net income (%)		Remuneration received by directors for concurrent service as an employee								Sum of A+B+C+ D+E+F+G and ratio to net income (%)		unerati receive from inve enterpri other th subsidi or from paren compa
		Base compensation (A)		Retirement pay and pension (B)		Director profit- sharing compensation (C)		Expenses and perquisites (D)				Salary, rewards, and special disbursements (E)		Retirement pay and pension (F)		Employee profit-sharing compensation (G)						
		The Compa ny	All cons olida ted entiti es	The Company	All consol idated entitie s	The Compan y	All consoli dated entities	The Compa ny	All cons olida ted entiti es			The Company	All consoli dated entities	The Compa ny	All cons olidat ed entiti es	The Compa ny	All cons olida ted entiti es	The Company				
										Amo unt in cash	Amo unt in stock							Amo unt in cash	Amo unt in stock			
Chairma n of the Board	Representativ e of Heran Tech Co., Ltd.: Tsai Po-i	-	-	-	-	4,079	4,079	-	-	0.87	0.87	2,927	2,927	20	20	-	-	-	-	1.50	1.50	None
Director	Representativ e of Heran Tech Co., Ltd.: Lei Chia- chun (Note 1)	-	-	-	-	1,100	1,100	-	-	0.24	0.24	2,689	2,689	84	84	480	-	480	-	0.93	0.93	None
Director	Representativ e of Xiezhi Investment Co., Ltd. Wu Ching-hu	-	-	-	-	1,100	1,100	-	-	0.24	0.24	1,259	1,259	39	39	-	-	-	-	0.51	0.51	None
Director	Representativ e of Xiezhi Investment Co., Ltd. Chan Chien- lung	-	-	-	-	1,100	1,100	-	-	0.24	0.24	-	-	-	-	-	-	-	-	0.24	0.24	None

Title	Name	Directors' remuneration								Sum of A+B+C+D and ratio to net income (%)		Remuneration received by directors for concurrent service as an employee								Sum of A+B+C+ D+E+F+G and ratio to net income (%)		uneration receive from inve enterpri other th subsidia or from paren compa
		Base compensation (A)		Retirement pay and pension (B)		Director profit- sharing compensation (C)		Expenses and perquisites (D)				Salary, rewards, and special disbursements (E)		Retirement pay and pension (F)		Employee profit-sharing compensation (G)						
		The Compa ny	All consolida ted entiti es	The Company	All consolida ted entitie s	The Compan y	All consoli dated entities	The Compa ny	All consolida ted entiti es	The Company	All consoli dated entities	The Compa ny	All consolida ted entiti es	The Compa ny	All consolida ted entiti es	The Company		All consolidated entities		The Compa ny	All consolida ted entiti es	
Amo unt in cash	Amo unt in stock															Amo unt in cash	Amo unt in stock					
Director	Representativ e of Hefa Enterprise Co., Ltd.: Tiao Chien- sheng	-	-	-	-	1,100	1,100	-	-	0.24	0.24	-	-	-	-	-	-	-	-	0.24	0.24	None
Director	Representativ e of Hefa Enterprise Co., Ltd.: Lin Chin-hung	-	-	-	-	1,100	1,100	-	-	0.24	0.24	4,337	4,337	108	108	660	-	660	-	1.33	1.33	None
Independ ent Director	Huang Tien- chang	-	-	-	-	1,100	1,100	-	-	0.24	0.24	-	-	-	-	-	-	-	-	0.24	0.24	None
Independ ent Director	Chen Jung- lung	-	-	-	-	1,100	1,100	-	-	0.24	0.24	-	-	-	-	-	-	-	-	0.24	0.24	None
Independ ent Director	Lin Chien- Cheng	-	-	-	-	1,100	1,100	-	-	0.24	0.24	-	-	-	-	-	-	-	-	0.24	0.24	None

Title	Name	Directors' remuneration								Sum of A+B+C+D and ratio to net income (%)		Remuneration received by directors for concurrent service as an employee								Sum of A+B+C+ D+E+F+G and ratio to net income (%)		uneration received from inve enterpri other th subsidia or from paren compa
		Base compensation (A)		Retirement pay and pension (B)		Director profit- sharing compensation (C)		Expenses and perquisites (D)				Salary, rewards, and special disbursements (E)		Retirement pay and pension (F)		Employee profit-sharing compensation (G)						
		The Compa ny	All cons olida ted entiti es	The Company	All consol idated entitie s	The Compan y	All consoli dated entities	The Compa ny	All cons olida ted entiti es	The Company	All consoli dated entities	The Compa ny	All cons olidat ed entiti es	The Compa ny	All cons olida ted entiti es	The Company		All consolidated entities		The Compa ny	All cons olida ted entiti es	
																Amo unt in cash	Amo unt in stock	Amo unt in cash	Amo unt in stock			
<p>1. Please describe the payment policy, system, standard and structure of the remuneration to independent directors, and the association of their responsibility, risk, and time devoted with the amount of the remuneration paid:</p> <p>Except as otherwise provided by laws and regulations and the Articles of Incorporation, the duties of independent directors of the Company are in accordance with the "Rules Governing the Scope of Powers of Independent Directors" of the Company. The Articles of Incorporation of the Company stated that, a transportation allowance may be given to the Company’s directors; additionally, salary shall be given to the directors carrying out their duties. The Board of Directors is authorized to determine the salary standard by referencing a director’s extent of participation in the Company’s operations, the value of a director’s contribution to the Company, and the prevailing industry standard.</p> <p>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 non-employee of the parent company/all companies listed in the financial statements/invested enterprises, etc.) in the most recent year: None.</p> <p>Note 1: Mr. Lei Chia-chun was appointed as the representative of Heran Tech Co., Ltd. on July 30, 2024.</p>																						

(II) Supervisors' remuneration: The Company set up the Audit Committee on June 13, 2017. As such, the Company did not distribute supervisors' remuneration.

### (III) Remuneration for president and vice presidents

Unit: NT\$ thousand

Title	Name	Salary (A)		Retirement pay and pension (B)		Rewards and special disbursements (C)		Employee profit-sharing compensation (D)				Sum of A+B+C+D and ratio to net income (%)		Remuneration received from investee enterprises other than subsidiaries or from the parent company
		The Company	All consolidated entities	The Company	All consolidated entities	The Company	All consolidated entities	The Company		All consolidated entities		The Company	All consolidated entities	
								Amount in cash	Amount in stock	Amount in cash	Amount in stock			
President	Lin Chin-hung	1,879	1,879	108	108	2,458	2,458	660	-	660	-	1.09	1.09	None
Regional President (Note)	Tsai Po-i	1,227	1,227	20	20	1,700	1,700	-	-	-	-	0.63	0.63	None
President of the Business Division	Hung Yao-hung	1,215	1,215	86	86	1,584	1,584	560	-	560	-	0.74	0.74	None
Vice President	Lei Chia-chun	1,283	1,283	84	84	1,406	1,406	480	-	480	-	0.69	0.69	None
Vice President	Kao Chien-fa	1,003	1,003	60	60	1,350	1,350	400	-	400	-	0.60	0.60	None
Vice President	Li Hsiu-an	1,066	1,066	70	70	680	680	150	-	150	-	0.42	0.42	None

Note: Mr. Tsai Po-i, Chairman, will step down as Regional President on December 17, 2024.

(IV) Name of managerial officers to which employee remuneration is distributed, and the distribution status

December 31, 2024; Unit: NT\$ thousand

	Title	Name	Amount in stock	Amount in cash	Total	Total amount as a ratio to net income (%)
Managerial officer	President	Lin Chin-hung	-	2,838	2,838	0.61
	Regional President(Note)	Tsai Po-i				
	President of the Business Division	Hung Yao-hung				
	Vice President of the Financial Division	Lei Chia-chun				
	Vice President of the Marketing Division	Kao Chien-fa				
	Business Division, Associate Vice President	Wu Zai-yao				
	Business Division, Associate Vice President (Note)	Wu Ping-hsien				
	Head of the Audit Office	Chen Ming-tsung				
	Vice President of the Administrative Department	Li Hsiu-an				
	President	Lin Chin-hung				

Note: Mr. Tsai Po-i, Chairman, will step down as Regional President on December 17, 2024. Mr. Wu Ping-hsien, Associate General Manager of the Sales Division, was promoted on October 1, 2024.

(V) Separately compare and describe total remuneration, as a percentage of net income, as paid by this company and by each other company included in the consolidated financial statements during the past 2 fiscal years to directors, supervisors, presidents, and vice presidents, and analyze and describe remuneration policies, standards, and packages, the procedure for determining remuneration, and its linkage to operating performance and future risk exposure.

1. Analysis of the total remuneration paid to the Company's director, supervisor, presidents, and vice presidents in the past two years by the Company and all consolidated entities as a ratio to net income:

Unit: NT\$ thousand

Item \ Year	2023		2024	
	The Company	All consolidated entities	The Company	All consolidated entities
Ratio of directors' remuneration to net income (%)	3.21	3.21	5.47	5.47
Ratio of presidents' and vice presidents' remuneration to net income (%)	3.80	3.80	4.17	4.17

2. Remuneration policies, standards, and packages, the procedure for determining remuneration, and its linkage to operating performance and future risk exposure.

(1) Remuneration policies, standards, and packages:

Compensation paid to directors is subject to the Company's Articles of Incorporation. No more than 5% of such earnings shall be appropriated as director remuneration, subject to a resolution from the Board of Directors. The proposals to distribute remuneration to directors shall be reported at the Shareholders' Meeting. Remuneration of the President and Vice Presidents, including salary, bonus, employee dividends, is determined by the position they assume, by the responsibility they undertake, by the extent of contribution they make to the Company, and by referencing the standards prevailing among industry peers.

(2) Procedures for determining remuneration:

According the Company's Articles of Incorporation, if the Company has earnings in a given year, no less than 1% of such earnings shall be appropriated as employee remuneration, either in cash or shares, subject to a resolution from the Board of Directors; the Company shall also distribute no more than 5% of such earnings as director remuneration, subject to a resolution from the Board of Directors. The proposals to distribute remuneration to employees and directors shall be reported at the Shareholders' Meeting. However, if the Company is still in losses, an amount equal to such losses shall be reserved before such earnings can be distributed as employee remuneration and director remuneration in the proportion mentioned above. Expenses and perquisites shall be given to the directors carrying out their duties. The Board of Directors is authorized to determine the salary standard by referencing a director's extent of participation in the Company's operations, the value of a director's contribution to the Company, and the prevailing industry standard.

(3) Its linkage to operating performance and future risk exposure:

The review on the remuneration policy and payment standard and system of

the Company are determined in consideration of the overall business status of the Company, and the payment standard is approved depending on the performance achievement rate and the contribution in order to improve the performance of the entire organization team of the Board of Directors and the manager department. The remuneration standards of other companies in the industry are also taken into account to ensure the remuneration to the management of the Company is competitive and thus retain outstanding management talents. Evaluation of performance and remuneration of the Company's managers are by reference to the payout standard prevailing among industry peers, and based on operating results and their extent of contribution to the Company, taking into account the amount of remuneration, payment method, and future risks facing the Company, and thus are highly correlated with the operating responsibility they assume and overall performance.

### III. The state of the company's implementation of corporate governance:

(I) The state of operations of the board of directors

There were 5 (A)Board of Directors meetings in 2024, with the attendance as follows:

Title	Name	No. of meetings attended in person (B)	No. of meetings attended by proxy	In-person attendance rate (%) (B/A)	Note
Chairman of the Board	Representative of Heran Tech Co., Ltd.: Tsai Po-i	5	-	100	None
Director	Representative of Heran Tech Co., Ltd.: Lei Chia-chun	3	-	100	Change of corporate director's representative on July 30, 2024
Director	Representative of Xiezhi Investment Co., Ltd. Wu Ching-hu	5	-	100	None
Director	Representative of Xiezhi Investment Co., Ltd.: Chan Chien-lung	5	-	100	None
Director	Representative of Hefa Enterprise Co., Ltd.: Tiao Chien-Sheng	5	-	100	None
Director	Representative of Hefa Enterprise Co., Ltd.: Lin Chin-hung	4	1	80	None
Independent Director	Huang Tien-chang	5	-	100	None
Independent Director	Chen Jung-lung	5	-	100	None
Independent Director	Lin Chien-Cheng	5	-	100	None
Other information required to be disclosed:					
I. If any of the following circumstances exists, specify the board meeting date, meeting session number, content of the motion(s), the opinions of all the independent directors, and the measures taken by the Company based on the opinions of the					



independent directors:

(I) Any matter under Article 14-3 of the Securities and Exchange Act: N/A, the Company has established an Audit Committee and the matters referred to in Article 14-5 of the Securities and Exchange Act shall apply.

(II) In addition to the matters referred to above, any dissenting or qualified opinion of an independent director that is on record or stated in writing with respect to any board resolution: None. No objection or qualified opinion was raised by the independent director this year.

II. The status of implementation of recusals of directors with respect to any motions with which they may have a conflict of interest: specify the director's name, the content of the motion, the cause for recusal, and whether and how the director voted:

Date of Board of Directors meeting	Proposal involved	Directors who recused themselves
August 12, 2024	(1) Proposal on the appointment of members to the Sustainable Development Committee	Director Lin Chin-hung Director Lei Chia-chun Independent Director Chen Jung-lung
December 17, 2024	(1) Proposal on the principles for distributing year-end bonus to managerial officers, and on special bonus distribution amount for 2024. (2) Proposal on distribution of employee remuneration for 2023.	Director Lin Chin-hung Director Lei Chia-chun

III. The state of implementation of evaluation of the Board of Directors:

Evaluation cycle	Evaluation period	Evaluation scope	Evaluation method	Evaluation content
Annually	January 1, 2024 to December 31, 2024	Board performance evaluation	Internal self-evaluation of the Board of Directors	Five aspects including the degree of participation of the Board of Directors in the Company's operations, improvement in the quality of decision making by the Board of Directors, the composition and structure of the Board of Directors, election and continuing education of the directors, and internal control.

Annually	January 1, 2024 to December 31, 2024	Evaluation of the performance of individual director	Self-evaluation of directors	Six aspects including alignment of the goals and missions of the company, awareness of the duties of a director, participation in the operations of the company, management of internal relationship and communication, the director's professionalism and continuing education, and internal control.
Annually	January 1, 2024 to December 31, 2024	Audit Committee Performance Evaluation	Audit Committee self-performance evaluation questionnaire	Five aspects including participations in the operation of the company, awareness of the duties of the functional committee, improvement of quality of decisions made by the functional committee, composition of the functional committee and election of its members, and internal control.
Annually	January 1, 2024 to December 31, 2024	Remuneration Committee Performance Evaluation	Remuneration Committee self-performance evaluation questionnaire	

IV. An evaluation of targets for strengthening the functions of the board during the current and immediately preceding fiscal years

1. The goal of enhancing the Board of Directors' function: The Company has formulated the "Regulations Governing Procedure for Board of Directors Meetings" through an approval from the Board of Directors, aiming to effectively establish a Board-based governance system, enhance the Board's supervisory function, and strengthen the Board's management function.
2. The Company's Board of Directors has two functional committees, namely, the Audit Committee and the Remuneration Committee. In 2024, 5 Audit Committee meetings and 2 Remuneration Committee meetings were convened; the manner in which the meetings were convened and proposal were discussed and voted was in accordance with the "Regulations Governing the Exercise of Powers by Audit Committees of Public Companies" and the "Securities and Exchange Act".
3. Assessment of implementation status: Upholding the principles of transparent operations, the Company uploaded important resolutions onto the MOPS immediately after the completion of the Board of Directors meeting in order to maintain shareholders' rights and interests.
4. Continuing education of directors: The Company invites instructors to give lessons at the Company every year, so as to furnish directors with new knowledge and

promote interaction among them.

5. To protect directors and managers from the risks they face when implementing their duties, the Company purchases the “directors and managers liability insurance” for all directors and managers every year.

(II) The state of operations of the Audit Committee

1. There were 5 (A) Audit Committee meetings in 2024, with the attendance of independent directors as follows:

Title	Name	No. of meetings attended in person (B)	No. of meetings attended by proxy	In-person attendance rate (%) (B/A)	Note
Independent Director	Huang Tien-chang	5	-	100	Convener
Independent Director	Chen Jung-lung	5	-	100	None
Independent Director	Lin Chien-Cheng	3	-	100	None

Other information required to be disclosed:

I. If any of the following circumstances exists, specify the Audit Committee meeting date, meeting session number, content of the motion(s), the resolutions of the Audit Committee, and the measures taken by the Company based on the opinions of the Audit Committee:

(I) Any matter under Article 14-5 of the Securities and Exchange Act: Proposals in 2024 were passed unanimously by all presenting members of the Audit Committee without objection, and submitted to the Board of Directors for unanimous approval, unanimously agreed by all directors present at the meeting. Please refer to the annual implementation status of the Audit Committee for the content of the proposal.

(II) In addition to the matters referred to above, any matter that was not approved by the Audit Committee but was approved by a two-thirds or greater majority resolution of the Board of Directors: None.

II. Implementation of recusals of independent directors with respect to any motions with which they may have a conflict of interest: None.

III. Communication between the independent directors and the chief internal audit officer and the CPAs that serve as external auditor:

(I) When the planned audit items are completely carried out, the chief internal audit officer submits an audit report to the independent directors on a monthly basis as required by law; the communication between them is good so far and no independent director has a dissenting opinion.

(II) When independent directors are reviewing proposals in relation to the jobs of CPAs, the CPAs discuss with the independent directors in writing or in person, so as to immediately facilitate independent directors' understanding of the Company's financial status. The interaction between them and topics discussed by them in 2024 are excerpted as follows:

Date	Communication subject matter	Communication/implementation result
March 6, 2024	2023 Business Report and Financial Statements. Proposal on the independence of,	Reviewed and approved, and submitted to the Board of Directors for a resolution.

		and compensation for, the Company's CPAs for 2024.	
May 10, 2024	Proposal on the 2024/Q1 Consolidated Financial Statements.	Reviewed and approved, and submitted to the Board of Directors for a resolution.	
August 12, 2024	Proposal on the 2024/Q2 Consolidated Financial Statements.	Reviewed and approved, and submitted to the Board of Directors for a resolution.	
November 11, 2024	Proposal on the 2024/Q3 Consolidated Financial Statements.	Reviewed and approved, and submitted to the Board of Directors for a resolution.	
December 17, 2024	Proposal on the 2024/Q4 appointment and independence of CPAs of the Company.	Reviewed and approved, and submitted to the Board of Directors for a resolution.	
December 17, 2024	Discussion about the key audit matters of the independent auditor's report of a new format	Identified a key audit matter: (1) Revenue recognition	

## 2. The annual operation focus and operation of the Audit Committee

### (1) The matters to be reviewed mainly include:

Establishment or amendment of the internal control system, internal control system effectiveness assessment, the formulation or amendment of handling procedures for financial or operational actions of material significance, such as acquisition or disposal of assets, derivatives trading, extension of monetary loans to others, or endorsements or guarantees for others, a matter bearing on the personal interest of a director, a material asset or derivatives transaction, a material monetary loan, endorsement, or provision of guarantee, the offering, issuance, or private placement of any equity-type securities, the hiring, discharge, or compensation of an attesting CPA, the appointment or discharge of a financial, accounting, or internal auditing officer, annual and semi-annual financial reports, and any other material matter so required by the Company or the competent authority.

### (2) The state of operations of the Audit Committee:

Date of the Audit Committee meeting	Motion content	Any matter under Article 14-5 of the Securities and Exchange Act.	Resolution of the Audit Committee and how the Company handles the Audit Committee's opinions
March 6, 2024 3rd term 4th meeting	The Company's 2023 Business Report and Financial Statements.	V	It was unanimously agreed by all presenting members of the Audit Committee
	Earning Distribution Proposal on the 2nd half of 2023.	V	
	Proposal on the independence of, and compensation for, the Company's CPAs for 2024.	V	

Date of the Audit Committee meeting	Motion content	Any matter under Article 14-5 of the Securities and Exchange Act.	Resolution of the Audit Committee and how the Company handles the Audit Committee's opinions
	Proposal on the 2023 internal control system effectiveness assessment and internal control statement.	V	without objection and unanimously agreed by all presenting directors without objection.
	Proposal on the amendment to the Company's "Regulations Governing Procedure for Board of Directors Meetings."	V	
	Proposal on the amendment to the Company's "Regulations Governing the Evaluation of Performance of Board of Directors and Functional Committees."	V	
	Proposal on the amendment to the Company's "Regulations Governing the Exercise of Powers by Audit Committees."	V	
	Proposal on the intention to enter into a forward exchange contract for US\$50 million.	V	
	Approval for the Company's application for an investment of NT\$500 million in financial instruments.	V	
	Approval for the subsidiary, Ranso Co., Ltd., to apply for an investment of NT\$300 million in financial instruments.	V	
	Proposal on the Company's 2024/Q1 Consolidated Financial Statements.	V	
May 10, 2024 3rd term 5th meeting	The motion for pre-approval review of non-assurance services to be provided by CPAs in 2024.	V	
	Proposal on the establishment of the "Sustainable Development Committee Organizational Charter."	V	
	Proposal on the amendment to the Company's "Authority Authorization Regulations".	V	
	Proposal on the Company's 2024/Q2 Consolidated Financial Statements.	V	
August 12, 2024	Proposal on the Company's 2024/Q2 Consolidated Financial Statements.	V	

Date of the Audit Committee meeting	Motion content	Any matter under Article 14-5 of the Securities and Exchange Act.	Resolution of the Audit Committee and how the Company handles the Audit Committee's opinions
3rd term 6th meeting	Proposal on the formulation of the Company's "Compilation and Verification Procedures for ESG Reports".	V	
	Proposal on the Company's intention to launch a follow-on offering for its subsidiary "Shaher Air Tech Corporation".	V	
	Proposal on the intention of the subsidiary Ranso Co., Ltd. to enter into a forward exchange contract for US\$70 million.	V	
November 11, 2024 3rd term 7th meeting	Proposal on the Company's 2024/Q3 Consolidated Financial Statements.	V	
	Proposal on the Company to apply for engaging in the trading of credit-linked financial products (NT\$300 million).	V	
	Proposal on the Company's amendment to the general principles of the internal control system and addition of "Internal Control System - Management of Sustainability Information".	V	
	Proposal on the 2025 Audit Plan.	V	
December 17, 2024 3rd term 8th meeting	Proposal on the 2024/Q4 appointment and independence of CPAs of the Company.	V	
	The Company Earning Distribution Proposal for the 1st half of 2024.	V	
	Proposal on the amendment to the "Internal Control System - Information Management" of the Company.	V	
	Proposal on the amendment to the Company's "Personal Data Security Maintenance Regulations".	V	
	Proposal on the amendment to the Company's "Authority Authorization Regulations".	V	
March 10, 2025	The Company's 2024 Business Report and Financial Statements.	V	

Date of the Audit Committee meeting	Motion content	Any matter under Article 14-5 of the Securities and Exchange Act.	Resolution of the Audit Committee and how the Company handles the Audit Committee's opinions
3rd term 9th meeting	Proposal on the 2024 Earning Distribution Proposal.	V	
	Proposal on the independence of, and compensation for, the Company's CPAs for 2024.	V	
	The Company's motion for pre-approval review of non-assurance services to be provided by CPAs in 2025.	V	
	Proposal on the 2024 internal control system effectiveness assessment and internal control statement.	V	
	Proposal on the Company's amendment to the "Internal Control System - Salary/Work Cycle".	V	
	Proposal on the Company's intention to enter into a forward exchange contract for US\$50 million.	V	
	Proposal on the Company's investment in and purchase of TWSE/TPEX listed company stocks and securities in the amount of NT\$300 million.	V	
	Proposal on the Company's investment in and purchase of high-performing overseas financial products in the amount of NT\$300 million.	V	
	Proposal on the investment and purchase of TWSE/TPEX listed company stocks and securities in the amount of NT\$300 million by the Company's subsidiary, Ranso Co., Ltd.	V	
April 18, 2025 3rd term 10th meeting	Capitalization of common stock through earnings for 2024.	V	
	Proposal on the Company's intention to set up a new subsidiary through investment.	V	



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

Evaluation item	Implementation status			Reasons for Deviations from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description	
I. Has the Company established and disclosed its Corporate Governance Best-Practice Principles based on the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies?	V		The Company has established the "Corporate Governance Best Practice Principles" and disclosed it on the Market Observation Post System and the Company's website. Company website: <a href="https://www.heran.com.tw/">https://www.heran.com.tw/</a>	No deviation.
II. Shareholding Structure and Shareholders' Rights (I) Does the Company have Internal Operation Procedures for handling shareholders' suggestions, concerns, disputes and litigation matters. If yes, have these procedures been implemented accordingly?	V		(I) The Company convenes the Shareholders' Meeting in the manner specified in the Company Act, and has formulated the "Rules of Procedure for Shareholders Meetings", by which resolutions at the Shareholders' Meeting are passed; the Company also allows shareholders to give their speech, and their speech content and the Company's response thereto are all recorded in the Shareholders' Meeting minutes. In addition, the Company has set up a spokesperson system to deal with relevant matters.	No deviation.
(II) Does the Company know the identity of its major shareholders and the parties with ultimate	V		(II) The Company, through its share registrar, keeps track of the shareholding status of its directors, managers, and major	

Evaluation item	Implementation status			Reasons for Deviations from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description	
<p>control over the major shareholders?</p> <p>(III) Has the Company built and implemented a risk management system and a firewall between the Company and its affiliates?</p> <p>(IV) Has the Company established internal rules prohibiting insider trading of securities based on undisclosed information?</p>	V		<p>shareholders holding 5% or more of the shares at all times, and files monthly reports accordingly.</p> <p>(III) All transactions between the Company and affiliated enterprises are carried out in accordance with the “Regulations Governing Transactions between Specific Company, A Group of Companies, and Related Parties”.</p> <p>(IV) The Company has formulated the “Procedures for Handling Material Inside Information” for reporting and disclosure of material insider information, and stipulates in the “Ethical Corporate Management Best Practice Principles” that no person may exploit their duties to gain personal interests.</p>	
<p>III. Composition and Responsibilities of the Board of Directors</p> <p>(I) Have diversity policy and specific management objectives been adopted for the board and have they been fully implemented?</p>	V		<p>(I) Currently the 8th Board of Directors has 9 directors (including 3 independent directors), of whom 3 concurrently serve as a manager (accounting for 33.33%). Independent directors constitute 33.33% of the Board</p>	No deviation.

Evaluation item	Implementation status			Reasons for Deviations from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description	
(II) Has the Company voluntarily established other functional committees in addition to the remuneration committee and the audit committee?	V		<p>of Directors (1 independent director has a seniority of less than 3 years, 2 independent directors have a seniority of more than 3 years.)</p> <p>All directors have industry experience and are an expert in finance, accounting or law.</p> <p>(II) The Company has established its Remuneration Committee and Audit Committee according to the requirements, and meetings are convened regularly according to laws and regulations. In addition, to promote and enhance sustainability strategies and respond to the material issues of concern to various stakeholders, the establishment of the "Sustainable Development Committee" was resolved and approved at the 7th meeting of the 8th Board of Directors held on August 12, 2024.</p>	
(III) Has the Company established rules and methodology for evaluating the performance of its Board of Directors, implemented the performance evaluations	V		<p>(III)The Company passed the Regulations Governing the Evaluation of Performance of Board of Directors and Functional Committees on March 18, 2019. The “Board of Directors Performance Self-</p>	

Evaluation item	Implementation status			Reasons for Deviations from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description	
<p>on an annual basis, and submitted the results of performance evaluations to the board of directors and used them as reference for determining salary/compensation for individual directors and their nomination and additional office terms?</p> <p>(IV) Does the Company regularly evaluate its external auditors' independence?</p>	V		<p>evaluation Questionnaire” for 2024 was taken care of by the meeting unit under the unit responsible for Board of Directors performance evaluation and submitted to the Board of Directors on March 10, 2025.</p> <p>(IV)The Company's Audit Committee evaluates the independence and suitability of its CPAs annually. The most recent evaluation was reviewed and completed by the Audit Committee on March 10, 2025, and subsequently submitted to the Board of Directors for resolution and approval. For this evaluation, the CPAs were required to provide "Declarations of Independence" and "Audit Quality Indicators (AQIs)", and the assessment was conducted based on standards for important aspects of auditor independence and the 13 AQI indicators. Following confirmation that, aside from fees for audit and tax engagements, the CPAs have no other financial interests or</p>	

Evaluation item	Implementation status			Reasons for Deviations from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description	
			business relationships with the Company, and that their family members also comply with independence requirements, it was determined that all parties meet the Company's standards for auditor independence and suitability, and are therefore deemed qualified to serve as the Company's CPAs.	
IV. Does the TWSE/TPEX listed company have in place an adequate number of qualified corporate governance officers and has it appointed a chief corporate governance officer with responsibility corporate governance practices (including but not limited to providing information necessary for directors and supervisors to perform their duties, aiding directors and supervisors in complying with laws and regulations, organizing board meetings and annual general meetings of shareholders as required by law, and compiling minutes of board meetings and annual general meetings)?	V		<p>On March 14, 2023, the Company's Board of Directors approved Lei Chia-chun, Vice President of Financial Division, to serve as the Corporate Governance Officer on a part-time basis. His main corporate governance-related responsibilities are outlined below:</p> <ol style="list-style-type: none"> <li>1. Handling matters relating to board meetings and shareholders' meetings according to laws. Prepare the minutes of board meetings and shareholders' meetings, and distribute them to the directors after the meeting.</li> <li>2. Assisting directors in complying with various laws, regulations, and best practice principles, and hold annual director training courses; external auditors are invited to attend at least 4 board meetings each year to communicate and discuss with directors matters concerning the</li> </ol>	No deviation.

Evaluation item	Implementation status			Reasons for Deviations from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description	
			annual report, quarterly reports, and the impact of updates to International Financial Reporting Standards and related laws.	
V. Has the Company established channels for communicating with its stakeholders (including but not limited to shareholders, employees, customers, suppliers, etc.) and created a stakeholders section on its company website? Does the Company appropriately respond to stakeholders' questions and concerns on important corporate social responsibility issues?	V		The Company's website has a stakeholders' zone, at which contact information is provided to stakeholders so that they can contact with our dedicated personnel to have matters addressed.	No deviation.
VI. Has the Company appointed a professional shareholder services agent to handle matters related to its shareholder meetings?	V		The Company commissioned MasterLink Securities Corporation, a professional stock agency, to handle matters relating to the Company's stock affairs and shareholders' meeting.	No deviation.
VII. Information Disclosure (I) Has the Company established a corporate website to disclose information regarding its financials, business, and corporate governance status?	V		(I) Company website: <a href="https://www.heran.com.tw/">https://www.heran.com.tw/</a> Here's where users may search for the Company's financials and business information.	No deviation.
(II) Does the Company use other information	V		(II) Aside from the said website, the Company's financials and	

Evaluation item	Implementation status			Reasons for Deviations from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description	
disclosure channels (e.g., maintaining an English-language website, designating staff to handle information collection and disclosure, appointing spokespersons, webcasting investors conference etc.)?  (III) Does the company publish and report its annual financial report within two months after the end of the fiscal year, and publish and report its financial reports for the first, second, and third quarters as well as its operating statements for each month before the specified deadlines?		V	business information and corporate governance information are also disclosed on the “Market Observation Post System (MOPS)” (website: <a href="http://mops.twse.com.tw">http://mops.twse.com.tw</a> ).  (III) The Company has announced and filed the financial statements for the first, second, and third quarters and the monthly operation status prior to the regulated deadline. However, given the operating time at this stage, it is impossible to announce and file the financial statements within two months after the end of the fiscal year. In the future, the financial statements will be announced and filed in accordance with the relevant laws and regulations when necessary, depending on the governance situation.	
VIII. Has the Company disclosed other information to facilitate a better understanding of its corporate governance practices (including but not limited to employee rights,	V		(I) Employee rights and wellness: Aside from setting up the Employee Welfare Committee, the Company also sets aside retirement fund as required by the Labor Standards Act, and holds communication meetings	No deviation.

Evaluation item	Implementation status			Reasons for Deviations from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description	
employee wellness, investor relations, supplier relations, rights of stakeholders, directors' and supervisors' continuing education, the implementation of risk management policies and risk evaluation standards, the implementation of customer relations policies, and purchasing liability insurance for directors and supervisors)?			<p>with employees regularly. In doing so, our relationship with the employees is good.</p> <p>(II) Investor relations: The Company has a spokesperson and an acting spokesman, values investors' opinions and properly responds to such opinions, and regularly discloses the Company's operating and financial information.</p> <p>(III) Supplier relations: The Company has maintained long-term close cooperative relations with suppliers to ensure that there is no shortage of material sources.</p> <p>(IV) The Company has established the "Regulations Governing Procedure for Board of Directors Meetings". Presence and attendance at the Board of Directors meetings has been good. Directors recuse themselves from any matters that involve their interests which might contradict the interests of the Company, and from any voting thereon.</p> <p>(V) Continuing education of directors and supervisors: The Company periodically gathers information about the corporate governance courses organized by</p>	



Evaluation item	Implementation status			Reasons for Deviations from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description	
			<p>organizations recognized by the competent authority, and arranges for directors to attend such courses for a number of hours required by the competent authority. Please refer to Note 1 for the state of continuing education of directors in 2024.</p> <p>(VI) Please refer to Note 2 for the state of continuing education of the Company's Corporate Governance Officer in 2024.</p> <p>(VII) Please refer to Note 3 for the state of continuing education of managerial officers and their substitutes.</p> <p>(VIII) implementation of risk management policies and risk evaluation standards: As required by regulations for the internal control system, the Company has its various departments conduct a self-assessment and self-test, which are then checked and reviewed by the Company's audit personnel, so as to lower operational risks.</p> <p>(IX) Implementation of customer relations policies: The Company has maintained a good relationship with various distribution channels and distributors to jointly make</p>	

Evaluation item	Implementation status			Reasons for Deviations from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description	
			profits; the Company also provides product after-sales service. (X) The Company has purchased liability insurance for all directors.	
<p>IX. Please describe improvements that have already been made based on the Corporate Governance Evaluation results released for the most recent fiscal year by the Corporate Governance Center of Taiwan Stock Exchange, and specify the priority enhancement objectives and measures planned for any matters still awaiting improvement:</p> <p>The Company's priority areas for improvement for unscored items are as follows:</p> <p>(I) Disclosure of the results of the Company's external Board performance evaluation and the related improvement plan.</p> <p>(II) Implementation status of the diversity policy for the Board of Directors.</p> <p>(III) Ongoing evaluation of improvement measures for unscored items in the corporate governance evaluation.</p>				

Note 1. State of continuing education of directors

Title	Name	Date of continuing education	Organizer	Course name	Continuing education hours
Director	Tsai Po-i	September 24, 2024	Securities and Futures Institute	AI Development and Information Security Risks	3
				Understanding and Connotation of Corporate ESG and Sustainable Governance - Global Net-Zero Carbon Trend and Corporate Response Strategies	3
Director	Wu Ching-hu	September 24, 2024	Securities and Futures Institute	AI Development and Information Security Risks	3
				Understanding and Connotation of Corporate ESG and Sustainable Governance - Global Net-Zero Carbon Trend and Corporate Response Strategies	3
Director	Chan Chien-lung	September 24, 2024	Securities and Futures Institute	AI Development and Information Security Risks	3
				Understanding and Connotation of Corporate ESG and Sustainable Governance - Global Net-Zero Carbon Trend and Corporate Response Strategies	3
Director	Lin Chin-hung	September 6, 2024	Securities and Futures Institute	2024 Insider Trading Prevention Conference	3
		November 22, 2024		2024 Insider Equity Transaction Legal Compliance Education Seminar	3
Director	Tiao Chien-Sheng	September 24, 2024	Securities and Futures Institute	AI Development and Information Security Risks	3
				Understanding and Connotation of Corporate ESG and Sustainable Governance - Global Net-Zero Carbon Trend and Corporate Response	3

				Strategies	
Director	Lei Chia-chun	September 24, 2024	Securities and Futures Institute	AI Development and Information Security Risks	3
				Understanding and Connotation of Corporate ESG and Sustainable Governance - Global Net-Zero Carbon Trend and Corporate Response Strategies	3
		December 31, 2024	Accounting Research and Development Foundation	Latest Regulatory Updates and Analysis concerning the "Preparation of Annual Reports, Sustainability Information, and Financial Statements," and Internal Control Management Practices	6
Independent Director	Huang Tien-chang	September 24, 2024	Securities and Futures Institute	AI Development and Information Security Risks	3
				Understanding and Connotation of Corporate ESG and Sustainable Governance - Global Net-Zero Carbon Trend and Corporate Response Strategies	3
Independent Director	Chen Jung-lung	September 24, 2024	Securities and Futures Institute	AI Development and Information Security Risks	3
				Understanding and Connotation of Corporate ESG and Sustainable Governance - Global Net-Zero Carbon Trend and Corporate Response Strategies	3
Independent Director	Lin Chien-Cheng	November 6, 2024	Accounting Research and Development Foundation	Practical Aspects of Corporate Fraud Investigation and Case Study Analysis	6

Note 2. State of continuing education of the Corporate Governance Officer

Title	Name	Date of continuing education	Organizer	Course name	Continuing education hours
Corporate Governance Officer (Vice President)	Lei Chia-chun	September 20, 2024	Securities and Futures Institute	2024 Insider Trading Prevention Conference	3
		November 22, 2024		2024 Insider Equity Transaction Legal Compliance Education Seminar	3
		December 3, 2024	Accounting Research and Development Foundation	Latest Revisions to the “Regulations Governing Establishment of Internal Control Systems” and Practical Compliance with Related Internal Audit and Control Regulations for Financial Reporting Preparation	6

Note 3. State of continuing education for managerial officers and their substitutes

Title	Name	Date of continuing education	Organizer	Course name	Continuing education hours
Principal Accounting Officer (Vice President)	Lei Chia-chun	November 4, 2024~November 5, 2024	Accounting Research and Development Foundation	Class of Continuing Education for the Principal Accounting Officers of Issuers, Securities Dealers, and Stock Exchanges	12
Principal Accounting Officer Job substitute	Hsieh Hsiu-chen	July 16, 2024	Accounting Research and Development Foundation	Latest Regulatory Updates and Analysis concerning the "Preparation of Annual Reports, Sustainability Information, and Financial Statements," and Internal Control Management Practices	6
		December 3, 2024		Latest Revisions to the “Regulations Governing Establishment of Internal Control Systems” and Practical Compliance with Related Internal Audit and Control Regulations for Financial Reporting Preparation	6

Head of the Audit Office (Manager)	Chen Ming-tsung	June 14, 2024	Accounting Research and Development Foundation	Latest Regulatory Updates and Analysis concerning the "Preparation of Annual Reports, Sustainability Information, and Financial Statements," and Internal Control Management Practices	6
		July 4, 2024		Latest Revisions to the “Regulations Governing Establishment of Internal Control Systems” and Practical Compliance with Related Internal Audit and Control Regulations for Financial Reporting Preparation	6
Head of the Audit Office Job substitute	Chang Yu-lin	October 24, 2024	Accounting Research and Development Foundation	How Internal Auditors Apply Digital Forensics to Trade Secret Protection and Investigation	6
		December 4, 2024		Information Security Audit and Control Practices for Internal Auditors	6

(IV) The state of operations of the Remuneration Committee

1. Information on Remuneration Committee Members

Capacity	Criterion Name	Professional qualifications and work experience	State of independence	Number of other public companies at which the person concurrently serves as remuneration committee member
Independent Director (Convener)	Chen Jung-lung	Mr. Chen has more than 5 years of experience that the Company requires. He is an expert in law.	Please refer to page 13 to 15 of this annual report for professional qualifications of directors and the independence of independent directors.	1
Independent Director	Huang Tien-chang	Mr. Huang is currently an independent director of Yi Jinn Industrial Co., Ltd. and a director of The First Leasing Corporation. He has more than 20 years of experience in the financial industry. He is an expert in finance and investment management.		3
Independent Director	Lin Chien-Cheng	Mr. Lin is currently a director of I-Te Long-Term Care Center. He has more than 20 years of experience in the financial industry. He is an expert in finance and investment management.		-

2. Duties of the Remuneration Committee members

The Committee shall exercise the care of a good administrator to faithfully perform the following duties and present its recommendations to the board of directors for discussion:

- (1) Establishing and periodically reviewing the annual and long-term performance goals, and the policies, systems, standards, and structure for the remuneration of the directors and managers.
- (2) Periodically assessing the degree to which performance goals for the directors and managers of the Company have been achieved, and setting the types and amounts of their individual remuneration.

3. Operation of the Remuneration Committee

- (1) The Company's Remuneration Committee has a total of 3 members.
- (2) The term of the current members is from August 11, 2023 to June 1, 2026.

The number of 2024 Remuneration Committee meetings held in the most recent fiscal year was 2 (A). The attendance by the members was as follows:

Title	Name	No. of meetings attended in person (B)	No. of meetings attended by proxy	In-person attendance rate (%) (B/A)	Note
Convener	Chen Jung-lung	2	-	100	None
Committee member	Huang Tien-chang	2	-	100	None
Committee member	Lin Chien-Cheng	2	-	100	None

Other information required to be disclosed:

- I. If the board of directors does not accept, or amends, any recommendation of the remuneration committee, specify the board meeting date, meeting session number, content of the recommendation(s), the outcome of the resolution(s) of the board of directors, and the measures taken by the Company with respect to the opinions given by of the remuneration committee: None.
- II. With respect to any matter for resolution by the remuneration committee, if there is any dissenting or qualified opinion of a committee member that is on record or stated in writing, specify the remuneration committee meeting date, meeting session number, content of the motion, the opinions of all members, and the measures taken by the Company with respect to the members' opinion, shown as follows:

Date of the Remuneration Committee meeting	Motion content	Resolution Result	Measures taken by the Company based on the opinions of the Remuneration Committee
March 6, 2024 5th term - 2nd meeting	Proposal on the distribution of the Company's employees' and directors' remuneration for 2023.	The motion was unanimously agreed by all presenting members without objection	It was unanimously agreed by all presenting members of the Remuneration Committee without objection and unanimously agreed by all presenting
December 17, 2024 5th term - 3rd meeting	Review the proposal on the Company's principles for distributing year-end bonus to managerial officers, and on special bonus distribution amount for 2024.		
	Proposal on the distribution of the Company directors' remuneration for 2023.		



		Proposal on distribution of employee remuneration to the Company's managerial officers for 2023.		directors without objection.	
		Proposal on the Company's R&D Supervisor personnel adjustment.			
		Proposal on the retroactive approval of "manager" personnel adjustment.			

(V) Promotion of Sustainable Development – Implementation Status and Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons:

Evaluation item	Implementation status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Summary description	
I. Has the Company established a governance framework for promoting sustainable development, and established an exclusively (or concurrently) dedicated unit to be in charge of promoting sustainable development? Has the board of directors authorized senior management to handle related matters under the supervision of the board?	V		In addition, the establishment of the "Sustainable Development Committee" was resolved and approved at the 7th meeting of the 8th Board of Directors held on August 12, 2024 to advance sustainability-related plans.	No significant deviation.
II. Does the company conduct risk assessments of environmental, social and corporate governance (ESG) issues related to the company's operations in accordance with the materiality principle, and formulate relevant risk management policies or strategies?	V		The Company has established its "Risk Management Best Practice Principles for Listed Companies" on November 9, 2022, and the 4th-time amendment to the "Sustainable Development Best Practice Principles" was passed at the 10th meeting of the 7th Board of Directors on March 10, 2022. On August 12, 2024, the 7th meeting of the 8th Board of Directors approved the establishment of "Compilation and Verification Procedures for ESG Reports". On the environment front, after our assessment of the issue of "climate change", the Company intends to have suppliers formulate an emergency response plan and reduce their greenhouse gas (GHG) emissions. On the social front, after assessing the risk item "Product quality and competitiveness",	No significant deviation.

Evaluation item	Implementation status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Summary description	
			the Company adopts a strategy that aims to actively recruit talent and implement quality improvement projects. On the corporate governance front, we have set up a Corporate Governance Officer and implemented the internal control mechanism, so as to ensure that all of the Company's personnel abide by applicable laws and regulations.	
<p>III. Environmental Issues</p> <p>(I) Has the Company set an environmental management system designed to industry characteristics?</p>	V		<p>(I) The Company has an environmental protection policy in place and has obtained ISO 9001 certification. In addition, the Company also implements environmental management and promote the concept of environmental protection and energy conservation, so as to fully avert environmental pollution.  Certification type:  ISO 9001: 2015 /CNS 12681:2016  Original registration date: March 08, 2017  Date of certificate issuance: April 19, 2023  Expiry date: April 18, 2026</p>	Relevant systems will be established depending on the Company's needs in the future.
<p>(II) Does the Company endeavor to use energy more efficiently and to use renewable materials with low environmental impact?</p>	V		<p>(II) The Company continues to promote activities such as garbage sorting and resource recycling.</p>	

Evaluation item	Implementation status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Summary description	
<p>(III) Has the Company evaluated the potential risks and opportunities posed by climate change for its business now and in the future and adopted relevant measures to address them?</p> <p>(IV) Did the company collect data for the past two years on greenhouse gas emissions, volume of water consumption, and the total weight of waste, and establish policies for greenhouse gas reduction, reduction in water consumption, or management of other wastes?</p>		V	<p>(III) To fulfill its responsibilities as a social citizen, the Company continues to strengthen the promotion of various energy-saving and carbon-reduction measures.</p> <p>(IV) The Company has set up the Occupational Safety Office, which is in charge of maintaining environmental safety and will follow the strategy for achieving energy conservation and carbon reduction as much as possible. The Company carries out the following concrete actions to conserve energy:</p> <ul style="list-style-type: none"> <li>* Turn off lights when leaving.</li> <li>* Fix the air-conditioned temperature at 26 degree Celsius.</li> <li>* Conserve water.</li> <li>* Reuse recycled paper and reduce the use of paper.</li> <li>* Use one's own drinking cup to reduce the use of paper cup.</li> </ul>	
<p>IV. Social Issues</p> <p>(I) Has the company formulated relevant management policies and procedures in accordance with relevant laws and regulations and international human rights conventions?</p>	V		<p>(I) The Company fully abides by labor laws; it also appoints and dismisses an employee and determines employee remuneration in accordance with its internal control system, and</p>	No significant deviation.

Evaluation item	Implementation status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Summary description	
(II) Has the Company established and implemented reasonable employee welfare measures (include salary/compensation, leave, and other benefits), and are business performance or results appropriately reflected in employee salary/compensation?	V		regular convenes labor-management meetings, so as to ensure employees' basic rights.  (II) The Company has established regulations governing salary management, promotion and transfer, and reward and punishment.	
(III) Does the Company provide employees with a safe and healthy working environment, and implement regular safety and health education for employees?	V		(III) The Company regularly organizes health checks for employees so that they are aware of their physical conditions, and continues to educate and train them so as to reduce occupational accidents.	
(IV) Has the Company established effective career development training programs for employees?	V		(IV) The Company formulates an education and training plan every year. In addition to making available channels for internal promotion and transfer, the Company also allows employees to discuss their expectations for their career in the future; they will be offered internal and external training courses to enhance their critical occupational competencies for a long term.	

Evaluation item	Implementation status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Summary description	
(V) Does the company comply with the relevant laws and international standards with regards to customer health and safety, customer privacy, and marketing and labeling of products and services, and implement consumer protection and grievance policies?	V		(V) The Company has been complying with environmental laws and international standards since as early as at the design stage. In addition to formulating the “Customer Complaints Handling Procedures” in the hope to archive a win-win situation with customers, the Company also discloses the complaint filing channels and contact information on its website for the use by suppliers and customers.	
(VI) Has the company formulated supplier management policies requiring suppliers to comply with relevant regulations on issues such as environmental protection, occupational safety and health, or labor rights, and what is the status of their implementation?	V		(VI) The Company maintains a good relationship with its suppliers. Prior to doing business with suppliers, the Company informs them of its “Ethical Corporate Management Best Practice Principles”, and will consider whether they have a record of unethical conduct and, if they do, avoid doing business with them. The contract entered into with them shall contain clauses which stipulate that the contract be terminated or rescinded upon occurrence of any unethical conduct.	

Evaluation item	Implementation status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Summary description	
V. Does the company refer to international reporting standards or guidelines when preparing its sustainability report and other reports disclosing non-financial information? Does the company obtain third party assurance or certification for the reports above?		V	By law, the Company so far does not have to compile a corporate sustainability report; however, it may do so in the future if circumstances require.	No significant deviation.
<p>VI. If the Company has adopted its own sustainable development best practice principles based on the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies, please describe any deviation from the principles in the Company's operations:</p> <p>The Company has its "Sustainable Development Best Practice Principles" amended through an approval at the Board of Directors meeting dated March 28, 2013 in order to align with the amendment to the "Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies". The Company amended the best practice principles at the Board of Directors meeting dated December 25, 2014, March 21, 2017, March 31, 2020, and March 10, 2022. The Company will regularly review the implementation results and make improvement therein. No deviation has been found since the start of the implementation.</p>				
<p>VII. Other important information to facilitate better understanding of the company's promotion of sustainable development:</p> <p>(I) The Company's production process complies with laws and regulations and has not caused any environmental pollution.</p> <p>(II) The Company pursues profit growth and shares such profit with employees and shareholders, and complies with laws and regulations in all respects; in doing so, it has fully demonstrated its commitment to sustainable operations and social responsibilities.</p>				

(VI) Ethical Corporate Management – Implementation Status and Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons:

Evaluation item	Implementation status			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Summary description	
I. Establishment of ethical corporate management policies and programs				No significant deviation.
(I) Does the company have an ethical corporate management policy approved by its Board of Directors, and bylaws and publicly available documents addressing its corporate conduct and ethics policy and measures, and commitment regarding implementation of such policy from the Board of Directors and the top management team?	V		(I) The Company has had the amendment to its “Ethical Corporate Management Best Practice Principles” passed by the Shareholders’ Meeting dated June 2, 2020; such principles are fully aligned with those of the laws and regulations promulgated by the government, contain provisions strangulating compliance by employees, and are fully complied with by the Board of Directors and the management.	
(II) Whether the company has established an assessment mechanism for the risk of unethical conduct; regularly analyzes and evaluates, within a business context, the business activities with a higher risk of unethical conduct; has formulated a program to prevent unethical conduct with a scope no less than the activities prescribed in Article 7, paragraph 2 of the Ethical Corporate Management Best Practice Principles for TWSE/TPEX	V		(II) Articles 10~13 of the Company’s “Ethical Corporate Management Best Practice Principles” contain provisions which prohibit the conduct of certain the matters listed under Article 7, Paragraph 2 or the “Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies” as well as other business activities, and which contain control mechanisms.	



Evaluation item	Implementation status			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Summary description	
Listed Companies?				
(III) Does the company clearly set out the operating procedures, behavior guidelines, and punishment and appeal system for violations in the unethical conduct prevention program, implement it, and regularly review and revise the plan?	V		(III) The Company stipulates in the Code of Ethical Conduct that no conduct involving bribing a transaction counterparty or a government official for business purposes may be allowed.	
II. Ethical Management Practice				
(I) Does the company assess the ethics records of those it has business relationships with and include ethical conduct related clauses in the business contracts?	V		(I) The Company investigates customers' credit record, evaluates suppliers, and prohibits employees from accepting or demanding any gifts of value when they perform their duties.	No significant deviation.
(II) Has the company set up a dedicated unit to promote ethical corporate management under the board of directors, and does it regularly (at least once a year) report to the board of directors on its ethical corporate management policy and program to prevent unethical conduct and monitor their implementation?		V	(II) The Company has yet to establish a unit exclusively dedicated to promoting matters relating to ethical corporate management.	
(III) Has the company established policies to prevent conflict of interests, provided appropriate	V		(III) Article 11 of the Company's "Ethical Corporate Management Best Practice Principles" requires that	

Evaluation item	Implementation status			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Summary description	
communication and complaint channels, and properly implemented such policies?			directors or managers recuse themselves from a board of directors meeting or a remuneration committee meeting in case of a conflict of interest.	
(IV) Does the company have effective accounting and internal control systems in place to enforce ethical corporate management? Does the internal audit unit follow the results of unethical conduct risk assessments and devise audit plans to audit compliance with the systems to prevent unethical conduct, or hire outside accountants to perform the audits?	V		(IV) The Company formulates an audit plan every year, implements the audit tasks as planned, and reports the implementation results to the Board of Directors, and files the audit implementation status with the competent authority as required.	
(V) Does the company provide internal and external ethical corporate management training programs on a regular basis?	V		(V) The Company formulates an education and training plan every year, and arranges for directors and managers to attend such education and training. For the records of the directors' continuing education, please refer to "The state of the company's implementation of corporate governance" and "Other matters that require additional description" in the Company's annual report.	

Evaluation item	Implementation status			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Summary description	
<p>III. Implementation of Complaint Procedures</p> <p>(I) Has the company established specific whistle-blowing and reward procedures, set up conveniently accessible whistle-blowing channels, and appointed appropriate personnel specifically responsible for handling complaints received from whistleblowers?</p> <p>(II) Has the company established standard operation procedures for investigating the complaints received, follow-up measures taken after investigation, and mechanisms ensuring such complaints are handled in a confidential manner?</p> <p>(III) Has the company adopted proper measures to protect whistleblowers from retaliation for filing complaints?</p>	V		<p>(I) Article 21 of the Company's "Ethical Corporate Management Best Practice Principles" has stipulated the provision of reporting channels. The Company also has an employee opinion box available. Once any violation of ethical conduct regulations is spotted, the Company will dish out severe punishment and file a lawsuit in accordance with law.</p> <p>(II) This has been prescribed in Article 21 of the Company's "Ethical Corporate Management Best Practice Principles"; so far, the Company has not received any reporting.</p> <p>(III) The Company has the reported matters handled by dedicated personnel, so as to fulfill its commitment to protecting the whistleblower and keeping the reporting content confidential.</p>	No significant deviation.
<p>IV. Strengthening Information Disclosure</p> <p>(I) Does the company disclose its</p>	V		Aside from disclosing	No significant deviation.

Evaluation item	Implementation status			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Summary description	
ethical corporate management policies and the results of their implementation on its website and the Market Observation Post System (MOPS)?			information on corporate governance, the Company's website also connects to the Market Observation Post System and discloses its financials thereon, so as to provide a basis for ethical corporate management. Information about the Company is currently available on the Company's website and the Market Observation Post System. Company website: <a href="https://www.heran.com.tw/">https://www.heran.com.tw/</a>	
V. If the company has adopted its own ethical corporate management best practice principles based on the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies, please describe any deviations between the principles and their implementation: The Company has formulated its "Ethical Corporate Management Best Practice Principles", sees sustainable development as its core values, and regards integrity, passion, pragmatism, pursuing excellence, and giving back to society as its missions.				
VI. Other important information to facilitate a better understanding of the status of operation of the company's ethical corporate management policies (e.g., the company's reviewing and amending of its ethical corporate management best practice principles): (I) The Company abides by the Company Act, Securities and Exchange Act, Business Entity Accounting Act, regulations governing TWSE- and TPEX-listed companies, and laws and official directory concerning business conduct, so as to gain a basis for implementing ethical corporate management. (II) The Company has formulated the "Regulations for Prevention of Insider Trading", which specifies that a director, supervisor, manager, or employee with knowledge of material inside information of the Company may not divulge the information to others, inquire about or collect any non-public material inside information of the Company not related to their individual duties from a person with knowledge of such information, or disclose to others any non-public material inside information of the Company of which they become aware for reasons other than the performance of their duties. (III) There is an interest recusal system for directors in the Company's "Rules of Procedure for Board of Directors Meetings", which specifies that if any director or a juristic person represented by a director is an interested party with respect to any				

Evaluation item	Implementation status			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Summary description	
agenda item and such a condition is likely to prejudice the interests of the Company, the director may not participate in discussion or voting on that agenda item, and further, shall enter recusal during discussion and voting on that item and may not act as another director’s proxy to exercise voting rights on that matter.				

(VII) Any other material information that would afford a better understanding of the status of the company's implementation of corporate governance may also be disclosed:

The Company maintains an Investor Relations section on its website, <https://www.heran.com.tw/>, which provides information on corporate governance and includes the corporate governance regulations for reference by internal and external parties. Additionally, the Company promptly discloses material information to the public; please refer to the Market Observation Post System (MOPS). <http://mops.twse.com.tw/>.

(VIII) State of implementation of internal control

1. Internal Control Statement

HERAN Co., Ltd.

Internal Control Statement

Date: March 10, 2025

This Internal Control Statement is issued based on the self-assessment results of the Company for the year 2024:

- I. The Company is fully aware that the establishment, implementation, and maintenance of its internal control system is the responsibility of the Board of Directors and managers, and the Company has established such an internal control system in this regard. The purpose of such an internal control system is to provide reasonable assurance that the following three objectives will be met: effectiveness and efficiency of operations (including profitability, performance, and asset security safeguards), reliability, timeliness, transparency, and compliance of reporting, and compliance with regulations, laws, and bylaws.
- II. An internal control system has inherent constraints; however perfectly designed, an effective internal control system can only provide reasonable assurance that the three objectives stated above will be met. Furthermore, the effectiveness of an internal control system might be impacted by changes to the environment or circumstances. Nevertheless, the Company's internal control system does incorporate a self-supervision mechanism that will enable the Company to take swift action to rectify a deficiency as soon as it is identified.
- III. The Company judges the effectiveness of the design and implementation of its internal control system by the judgment criteria set forth in the "Regulations Governing Establishment of Internal Control Systems by Public Companies" (hereinafter referred to as "the Regulations"). The judgment criteria set forth in the Regulations can be categorized by control procedure into the following five components: 1) Control environment; 2) Risk assessment; 3) Control activities; 4) Information and communication; and 5) Monitoring activities. Each component further comprises several items. For the aforesaid items, please refer to the Regulations.
- IV. The Company has adopted the above mentioned criteria to assess the effectiveness of the design and implementation of its internal control system.
- V. Based on the aforementioned assessment, the Company concludes that the Company's internal control system (including management and supervision of subsidiaries) as at December 31, 2024 can reasonably assure the achievement of the aforementioned goals, namely the effectiveness and efficiency of operations, the reliability, timeliness, transparency, and compliance of reporting, and the compliance with regulations, laws, and bylaws.
- VI. This Statement shall constitute a major component of the Company's annual report and prospectus, and shall be disclosed. Any misrepresentation or concealment in this Statement shall be subject to the legal consequences under Articles 20, 32, 171, and 174 of the Securities and Exchange Act.
- VII. This Statement was passed unanimously by all 9 of The Company's directors present at the board of directors meeting dated March 10, 2025.

HERAN Co., Ltd.

Chairman: Tsai Po-i

President: Lin Chin-hung

2. Where a CPA has been hired to carry out a special audit of the internal control system, furnish the CPA audit report: N/A.

(XI) Material resolutions of a shareholders meeting or a board of directors meeting during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report:

1. Implementation of resolutions of the 2024 Regular Shareholders' Meeting

Resolutions	Status of implementation
Acceptance of the 2023 Business Report and Financial Statements.	The relevant reports have been filed with the competent authority for reference and announced and filed in accordance with the Company Act and other relevant laws and regulations.
Proposal on the 2023 Earning Distribution Proposal.	Approved through a resolution.
Approved the amendments to the Company's "Rules of Procedure for Shareholders Meetings".	Amendments have been approved according to the resolution and announced on the Company's website.

2. Important resolutions of the Board of Directors:

Date	Meeting	Motion content
March 4, 2024	2024 1st meeting	Proposal on the by-election of the Chairman of the Board.
March 6, 2024	2024 2nd meeting	The Company's 2023 Business Report and Financial Statements.
		Proposal on the 2024 Earning Distribution Proposal.
		Proposal on the cash distribution from capital surplus.
		Proposal on the distribution of the Company's employees' and directors' remuneration for 2023.
		Proposal on the independence of, and compensation for, the Company's CPAs for 2024.
		Proposal on the Company's 2023 internal control system effectiveness assessment and internal control statement.
		Proposal on the statement.
		Proposal on the amendment to the Company's "Regulations Governing Procedure for Board of Directors Meetings."
		Proposal on the amendment to the Company's "Regulations Governing the Evaluation of Performance of Board of Directors and Functional Committees."
		Proposal on the amendment to the Company's "Regulations Governing the Exercise of Powers by Audit Committees."
		Proposal on convening the Company's 2024 Annual General Meeting.
		Proposal on the Company's intention to enter into a forward exchange contract for US\$50 million.
		Proposal on the approval for the Company's application for a quota of investment of NT\$500 million in financial

		instruments.
		Proposal on the approval for the subsidiary, Ranso Co., Ltd., to apply for an investment of NT\$300 million in financial instruments.
		Proposal on the credit limit.
May 10, 2024	2024 3rd meeting	Proposal on the Company's 2024/Q1 Consolidated Financial Statements.
		The Company's non-assurance service checklist and independence evaluation for 2024.
		Proposal on the establishment of the "Sustainable Development Committee Organizational Charter."
August 12, 2024	2024 4th meeting	Proposal on the Company's 2024/Q2 Consolidated Financial Statements.
		Proposal on the ex-dividend base date for the earnings for the 2nd half of 2023.
		Proposal on the appointment of members to the Sustainable Development Committee.
		Proposal on the formulation of the Company's "Compilation and Verification Procedures for ESG Reports".
		Proposal on the Company's intention to launch a follow-on offering for its subsidiary "Shaher Air Tech Corporation".
		Proposal on the intention of the subsidiary Ranso Co., Ltd. to enter into a forward exchange contract for US\$70 million.
November 11, 2024	2024 5th meeting	Proposal on the Company's 2024/Q3 Consolidated Financial Statements.
		Proposal on the Company to apply for engaging in the trading of credit-linked financial products (NT\$300 million).
		Proposal on the amendment to the general principles of the internal control system and addition of "Internal Control System - Management of Sustainability Information".
		Proposal on the 2025 Audit Plan.
December 17, 2024	2024 6th meeting	Proposal on the 2024/Q4 appointment and independence of CPAs of the Company.
		Earning Distribution Proposal for the 1st half of 2024.
		Proposal on the amendment to the Company's "Internal Control System - Information Management".
		Proposal on the amendment to the Company's "Personal Data Security Maintenance Regulations".
		Proposal on the amendment to the Company's "Authority Authorization Regulations".
		Proposal on the principles for distributing year-end bonus to managerial officers, and on special bonus distribution amount for 2024.
		Proposal on the distribution of directors' remuneration for 2023.
		Proposal on distribution of employee remuneration for 2023.
		Proposal on the retroactive approval of "manager" personnel adjustment.



		Proposal on the 2025 operating budget.
		Proposal on the Company's R&D Supervisor personnel adjustment.
March 10, 2025	2025 1st meeting	The Company's 2024 Business Report and Financial Statements.
		Earning Distribution Proposal on the 2nd half of 2024.
		Proposal on the distribution of the Company's employees' and directors' remuneration for 2024.
		Proposal on the suitability, independence of, and compensation for, the Company's CPAs for 2025.
		The motion for pre-approval review of non-assurance services to be provided by CPAs in 2025.
		Proposal on the Company's 2024 internal control system effectiveness assessment and internal control statement.
		Proposal on amendment to the Company's "Articles of Incorporation".
		Proposal on the Company's amendment to the "Internal Control System - Salary/Work Cycle".
		Proposal on the Company's definition of grassroots employees.
		Proposal on the Company's intention to enter into a forward exchange contract for US\$50 million.
		Proposal on the Company's intention to invest in and purchase TWSE/TPEX listed company stocks and securities in the amount of NT\$300 million.
		Proposal on the Company's intention to invest in and purchase high-performing overseas financial products in the amount of NT\$300 million.
		Proposal on the intention to invest in and purchase TWSE/TPEX listed company stocks and securities in the amount of NT\$300 million by the Company's subsidiary, Ranso Co., Ltd.
		Proposal on convening the Company's 2025 Annual General Meeting.
April 18, 2025	2025 2nd meeting	Capitalization of common stock through earnings for 2024.
		Proposal on the Company's intention to set up a new subsidiary through investment.

(X) Where, during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report, a director or supervisor has expressed a dissenting opinion with respect to a material resolution passed by the board of directors, and said dissenting opinion has been recorded or prepared as a written declaration, disclose the principal content thereof: N/A.

#### IV. Information on the professional fees of CPAs:

- (1) The Company shall disclose the amount of audit fees and non-audit fees paid to the CPAs, their firm, and affiliates, and the nature of non-audit services:

Unit: NT\$ thousand

Name of accounting firm	Name of CPA	Period covered by the CPA audit	Audit fees	Non-audit fees (Note)	Total	Remarks
Deloitte & Touche	Lee Li-huang	October 1, 2024~December 31, 2024	2,340	2,465	4,805	
	Chih Jui-chuan	October 1, 2024~September 30, 2024				
	Hsieh Chien-Hsin	January 1, 2024~December 31, 2024				

Note: Including fees of 100 thousand for tax documents attestation, a business tax of 155 thousand by means of direct deduction, fees of 470 thousand for transfer pricing report, and fees of 240 thousand for the English translation of the consolidated and parent only financial statements, as well as fees of 1,500 thousand for system consultation.

1. 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: N/A
  2. When the audit fees paid for the current fiscal year are lower than those for the previous fiscal year by 15 percent or more, the reduction in the amount of audit fees, reduction percentage, and reason(s) therefor shall be disclosed: N/A.
- (2) Audit fees, as referred to in the preceding item, means the fees paid by the Company to the CPAs for the audit, review, subsequent review, and financial forecast review of financial reports.

## V. Information on the change of CPAs:

### (I) About the former CPA

Change date	Approved by the Board of Directors on December 17, 2024		
Description of reasons for the change:	In response to the internal job rearrangement of Deloitte & Touche, in 2024 Q4 onwards, the Company’s replaced its CPAs Chih Jui-chuan and Hsieh Chien-hsin with Lee Li-huang and Hsieh Chien-hsin.		
Description of whether the appointment was terminated or declined by the Company or the CPA.	Counterparty		Termination of appointment
	Situation	CPA	
	by the Company	N/A	N/A
	No longer accepted (continued) appointment	N/A	N/A
Other issues (except for unqualified issues) in the audit reports within the last two years	N/A		
Differences with the Issuers	Yes		Accounting principles or practices
			Disclosure of financial statements
			Audit scope or steps
			Others
	None	V	
	Description: N/A		
Other disclosures (Those that should be disclosed according Article 10, Paragraph 6, item 1-4 to item 1-7 of this Standards)	None		

### (II) About the succeeding CPA

Name of accounting firm	Deloitte & Touche
Name of CPA	CPA Lee Li-huang, CPA Hsieh Chien-hsin
Date of appointment	Approved by the Board of Directors on December 17, 2024
Consultation results and opinions on accounting treatments or principles with respect to specified transactions and the	None
Succeeding CPA's written opinion of disagreement toward the former CPA	None

### (III) Reply of former CPAs on item 1 and item 2-3 of Paragraph 6 of Article 10 of this Standards.

**VI. Where the company's chairperson, general manager, 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 CPA or at an affiliated enterprise of such accounting firm: N/A.**

**VII. Any transfer of equity interests and/or pledge of or change in equity interests by a director, supervisor, 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 date of publication of the annual report**

(I) Transfer of equity interests and/or pledge of or change in equity interests by a director, supervisor, managerial officer, or shareholder with a stake of more than 10 percent:

Unit: shares.

Title	Name	2023		Year-to-date through May 16	
		Increase (or decrease) in shares held	Increase (or decrease) in shares pledged	Increase (or decrease) in shares held	Increase (or decrease) in shares pledged
Chairman and major shareholder	Representative of Heran Tech Co., Ltd.: Tsai Po-i	-	-	-	-
Director and Head of Finance and Principal Accounting Officer	Representative of Heran Tech Co., Ltd.: Lei Chia-chun	-	-	-	-
Director	Representative of Xiezhi Investment Co., Ltd. Wu Ching-hu	(20,000)	-	-	-
Director	Representative of Xiezhi Investment Co., Ltd. Chan Chien-lung	-	-	-	-
Director and President	Representative of Hefa Enterprise Co., Ltd.: Lin Chin-hung	-	-	-	-

Title	Name	2023		Year-to-date through May 16	
		Increase (or decrease) in shares held	Increase (or decrease) in shares pledged	Increase (or decrease) in shares held	Increase (or decrease) in shares pledged
Director	Representative of Hefa Enterprise Co., Ltd.: Tiao Chien-Sheng	(21,000)	-	(4,000)	-
Independent Director	Huang Tien-chang	-	-	-	-
Independent Director	Chi Te-chang	-	-	-	-
Independent Director	Chen Jung-lung	(4,000)	-	-	-
Major shareholder	Hefa Enterprise Co., Ltd.	-	8,600,000	-	-
Vice President	Hung Yao-hung	-	-	-	-
Vice President	Kao Chien-fa	-	-	-	-
Associate Vice President	Wu Zai-yao	-	-	-	-
Associate Vice President (Note 2)	Wu Ping-hsien	-	-	-	-
Manager	Chen Ming-tsung	3,000	-	(4,000)	-
Vice President	Li Hsiu-an	-	-	-	-

Note1: Mr. Lei Chia-chun was appointed as the representative of Heran Tech Co., Ltd. on July 30, 2024.

Note2: Mr. Wu Ping-hsien, Associate General Manager of the Sales Division, was promoted on October 1, 2024.

- (II) Where the counterparty with which a director, supervisor, manager, or major shareholders holding 10% or more of the Company shares trade their shares is a related party: None.

(III) Where the counterparty with which a director, supervisor, manager, or major shareholders holding 10% or more of the Company shares pledge their shares is a related party:

Name	Reasons for pledge changes	Date of change	Counterparty	Relationship between the counterparty and the Company, directors, supervisors and shareholders holding more than 10 percent of the shares	Shares	Shareholding %	Pledge ratio (%)	Amount of pledge (redemption)(NT\$ thousand)
Hefa Enterprise Co., Ltd.	Borrowings	2025.4.08	HUA NAN COMMERCIAL BANK, LTD Chengdong Branch	Director Tsai Po-i held shares in the name of another person.	3,100,000	4.25	32.63	150,000
	Borrowings	2025.4.11	Land Bank of Taiwan Zhongxiao Branch	Director Tsai Po-i held shares in the name of another person.	3,200,000	4.38	33.68	90,000
	Borrowings	2025.4.16	TAIPEIFUBON COMMERCIAL BANK CO., LTD Taoyuan Branch	Director Tsai Po-i held shares in the name of another person.	2,300,000	3.15	24.21	-

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

April 5, 2025 Unit: Shares

Name	Shares held in person		Shares held by spouse and minor children		Shares held under the name of other person		Specify the name of the entity or person and their relationship to any of the other top 10 shareholders with which the person is a related party or has a relationship of spouse or relative within the 2nd degree of kinship		Note
	Shares	Shareholding	Shares	Shareholding	Shares	Shareholding	Name	Relationship	
Hefa Enterprise Co., Ltd.	9,500,000	13.01	-	-	-	-	Tsai Po-i	Chairman of the company	None
Heran Tech Co., Ltd.	6,529,446	8.94	-	-	-	-	Tsai Po-i	Chairman of the company	None
Chang Hsing Enterprise Co., Ltd.	4,614,097	6.32	-	-	-	-	Tsai Pei-jung	Chairman of the company	None
Pao Hung Hsin Co., Ltd.	4,614,097	6.32	-	-	-	-	Tsai Po-i	Chairman of the company	None
Li Fu Enterprise Co., Ltd.	4,398,471	6.03	-	-	-	-	Tsai Pei-jung	Held under the name of other person	None
Yo Cheng Enterprise Co., Ltd.	4,398,471	6.03	-	-	-	-	Tsai Pei-jung	Held under the name of other person	None
Hung Chuang Enterprise Co., Ltd.	2,362,000	3.24	-	-	-	-	Chen Wei-chih	Chairman of the company	None
							Chen Ying-chu	Spouse of the Company's chairman	
Changgu Investment Co. Ltd.	2,029,053	2.78	-	-	-	-	Tsai Pei-jung	Chairman of the company	None
							Tsai Po-i	Older brother and younger	

Name	Shares held in person		Shares held by spouse and minor children		Shares held under the name of other person		Specify the name of the entity or person and their relationship to any of the other top 10 shareholders with which the person is a related party or has a relationship of spouse or relative within the 2nd degree of kinship		Note
	Shares	Shareholding	Shares	Shareholding	Shares	Shareholding	Name	Relationship	
								sister of the Chairman of the Company	
Chi Yung Enterprise Co., Ltd.	2,017,000	2.76	-	-	-	-	Chen Ying-chu Chen Wei-chih	Chairman of the company Spouse of the Company's chairman	None
Bolikim Co., Ltd.	1,102,000	1.51	-	-	-	-	Tsai Po-i Tsai Pei-jung	Chairman of the company Older brother and younger sister of the Chairman of the Company	None



**IX. The total number of shares and total equity stake held in any single enterprise by the company, its directors and supervisors, managerial officers, and any companies controlled either directly or indirectly by the company**

December 31, 2024 Unit: Shares; %

Investee enterprise	Investment by the Company		Investment by the Directors, Supervisors, Managerial Officers and Directly or Indirectly Controlled Entities of the Company		Total investment	
	Shares	Shareholding (%)	Shares	Shareholding (%)	Shares	Shareholding (%)
Ranso Co., Ltd.	36,500,919	100.00	-	-	36,500,919	100.00
HERTEC. Co., Ltd.	8,000,000	100.00	-	-	8,000,000	100.00
Her Hsiung Co., Ltd.	5,000,000	100.00	-	-	5,000,000	100.00
SHAHER AIR TECH CORPORATION	8,000,000	100.00	-	-	8,000,000	100.00
Taiwan Gree Co., Ltd.	16,500,000	27.27	-	-	16,500,000	27.27

### Three. Fundraising status

#### I. Capital and shares

(I) Source of capital stock:

1. Capital formation process:

Unit: NT\$ thousand; thousand shares

Year and month	Issue price	Authorized capital		Paid-in capital		Remarks		
		Shares	Amount	Shares	Amount	Source of capital	Capital paid in by assets other than cash	Others
2002.05	10	49,800	498,000	28,000	280,000	Authorized capital upon incorporation NT\$280,000 thousand	None	Note 1
2007.07	10	49,800	498,000	43,000	430,000	Follow-on offering NT\$150,000 thousand	None	Note 2
2007.12	10	49,800	498,000	49,020	490,200	Recapitalization of earnings NT\$60,200 thousand	None	Note 3
2009.08	10	50,000	500,004	50,000	500,004	Recapitalization of earnings NT\$9,804 thousand	None	Note 4
2010.09	10	100,000	1,000,000	55,500	555,004	Recapitalization of earnings NT\$55,000 thousand	None	Note 5
2010.09	15	100,000	1,000,000	56,810	568,100	Follow-on offering NT\$13,096 thousand	None	Note 5

Year and month	Issue price	Authorized capital		Paid-in capital		Remarks		
		Shares	Amount	Shares	Amount	Source of capital	Capital paid in by assets other than cash	Others
2010.12	40	100,000	1,000,000	57,835	578,350	Follow-on offering NT\$10,250 thousand	None	Note 6
2016.10	10	100,000	1,000,000	60,726	607,268	Recapitalization of earnings NT\$28,918 thousand	None	Note 7
2017.09	10	100,000	1,000,000	66,799	667,994	Recapitalization of earnings NT\$60,726 thousand	None	Note 8
2019.06	10	100,000	1,000,000	76,000	760,004	Follow-on offering NT\$92,010 thousand	None	Note 9
2020.09	10	100,000	1,000,000	73,000	730,004	Capital reduction through retirement of treasury stocks NT\$30,000 thousand	None	Note 10

Note: 1. Approved by the Ministry of Economic Affairs (MOEA), as indicated on the official letter Jing Shou Shang Zi No. 09101158470 dated May 6, 2002.

2. Approved by the Ministry of Economic Affairs (MOEA), as indicated on the official letter Jing Shou Zhong Zi No. 09632403820 dated July 9, 2007.

3. Approved by the Ministry of Economic Affairs (MOEA), as indicated on the official letter Jing Shou Zhong Zi No. 09633269510 dated December 17, 2007.

4. Approved by the Ministry of Economic Affairs (MOEA), as indicated on the official letter Jing Shou Shang Zi No. 09801187550 dated August 27, 2009.

5. Approved by the Ministry of Economic Affairs (MOEA), as indicated on the official letter Jing Shou Shang Zi No.09901216840 dated September 28, 2010.

6. Approved by the Ministry of Economic Affairs (MOEA), as indicated on the official letter Jing Shou Shang Zi No.09901274330 dated December 8, 2010.
7. Approved by the Ministry of Economic Affairs (MOEA), as indicated on the official letter Jing Shou Shang Zi No.10501245740 dated October 24, 2016.
8. Approved by the Ministry of Economic Affairs (MOEA), as indicated on the official letter Jing Shou Shang Zi No.10601134590 dated September 20, 2017.
9. Approved by the Ministry of Economic Affairs (MOEA), as indicated on the official letter Jing Shou Shang Zi No.10801064320 dated June 11, 2019.
10. Approved by the Ministry of Economic Affairs (MOEA), as indicated on the official letter Jing Shou Shang Zi No.10901172880 dated September 14, 2020.

## 2. Type of shares

December 31, 2024 Unit: Shares

Type of shares	Authorized capital			Note
	Outstanding shares	Unissued shares	Total	
Common shares	73,000,425	26,999,575	100,000,000	Shares of a TWSE-listed company

3. Information Relating to the Shelf Registration System: N/A.

- (II) List of major shareholders: List all shareholders with a stake of 5 percent or greater, or shareholders who rank in the top 10 in terms of shareholding percentage

April 5, 2025

Name of major shareholder	No. of shares held	Shareholding percentage (%)
Hefa Enterprise Co., Ltd.	9,500,000	13.01
Heran Tech Co., Ltd.	6,529,446	8.94
Chang Hsing Enterprise Co., Ltd.	4,614,097	6.32
Pao Hung Hsin Co., Ltd.	4,614,097	6.32
Li Fu Enterprise Co., Ltd.	4,398,471	6.03
Yo Cheng Enterprise Co., Ltd.	4,398,471	6.03
Hung Chuang Enterprise Co., Ltd.	2,362,000	3.24
Changgu Investment Co. Ltd.	2,029,053	2.78
Chi Yung Enterprise Co., Ltd.	2,017,000	2.76
Bolikim Co., Ltd	1,102,000	1.51

## (III) Company's dividend policy and implementation thereof

### 1. Dividend policy adopted in the company's articles of incorporation

In the event of surplus earnings after closing of annual accounts, due taxes shall be paid in accordance with the law, and losses incurred in previous years shall be compensated. Upon completion of the preceding actions, 10% of the remainder surplus shall be allocated as legal reserve. However, in the event that the accumulated legal reserve is equivalent to or exceeds the Company's total paid-in capital, such

allocation may be exempted. The remainder may be set aside or reversed as special surplus reserve in accordance with laws and regulations. If there are remainder earnings, the Board of Directors shall draft a earnings distribution proposal regarding the remainder of the earnings as well as accumulated undistributed earnings for approval at the shareholders' meeting, at which the allocation of shareholders' dividends shall be decided.

If the dividends, bonus, legal reserves, and capital surplus said in the preceding paragraph are to be distributed in cash, such a distribution shall be resolved by a majority vote at a Board of Directors meeting attended by more than two thirds of the Directors, and shall be reported at the shareholders' meeting.

The Company is in a mature industry. To achieve stable business growth in the future, maintain the requirements for long-term operational planning, and uphold shareholders' interests, the Company adopts a balanced dividend policy in which earnings are distributed in both cash and dividends. Of the total dividends distributed in the given year, cash dividends shall constitute no less than 15%.

## 2. Dividend distributions proposed at the most recent shareholders' meeting

The Company's Earnings Distribution Proposals for the 1st and 2nd half of 2024, which are listed as follows, were approved at a Board of Directors meeting:

	Unit: NT\$ thousand	
	July 1 to December 31, 2024	January 1 to June 30, 2024
Board of Directors resolution date	March 10, 2025	December 17, 2024
Legal reserve	\$ <u>30,010</u>	\$ <u>16,801</u>
Special reserve	\$ <u>98</u>	\$ <u>-</u>
Cash dividend	\$ <u>-</u>	\$ <u>-</u>
Stock dividend	\$ <u>73,001</u>	\$ <u>73,000</u>
Stock dividend per share (NT\$)	\$ <u>1</u>	\$ <u>1</u>

## 3. The Company doesn't expect a significant change in dividend policy in the future.

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

(V) Remuneration of employees, directors, and supervisors:

1. The percentages or ranges with respect to employee and director compensation, as set forth in the company's articles of incorporation

The Company shall distribute earnings or compensate for losses every half fiscal year. To do so, the Board of Directors shall prepare the documents and proposal stated in Article 27, which shall be submitted to and audited by the Audit Committee, and then be submitted to the Board of Directors for resolution.

Before distributing earnings, taxes and duties and employee remuneration and director remuneration shall be estimated and reserved in the first place, and then losses shall be compensated for, a legal reserve provided, and a special reserve provided or reversed according to law. The provision of a legal reserve may be exempted if the current legal reserve has reached the paid-in capital. As for earnings mentioned in this paragraph, they are subject to a resolution, either from the Board of Directors if they are to be distributed in cash, or from the Shareholders' Meeting if they are to be distributed in shares.

According to Article 29 of the Company's Articles of Incorporation, if the Company has earnings in a given year, no less than 1% of such earnings shall be appropriated as employee remuneration, either in cash or shares, subject to a resolution from the Board of Directors; the Company shall also distribute no more than 5% of such earnings as director remuneration, subject to a resolution from the Board of Directors. The proposals to distribute remuneration to employees and directors shall be reported at the Shareholders' Meeting.

However, if the Company is still in losses, an amount equal to such losses shall be reserved before such earnings can be distributed as employee remuneration and director remuneration in the proportion mentioned above.

Employees entitled to the Company's employee treasury stocks, employee stock options, employee's subscription right to new stocks, and employee restricted stocks may include employees of a controlled or affiliated company who meet certain criteria.

2. The basis for estimating the amount of employee, director, and supervisor remuneration, 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, for the current period.

The differentials between the estimated amount and distributed amount are recognized in profit or loss for the following year.

3. Remuneration distribution approved by the Board of Directors:

- (1) The amount of remuneration distributed to employees, directors, or supervisors, either in cash or in stocks. If there is any discrepancy between that amount and the estimated figure for the fiscal year these expenses are recognized, the discrepancy, its cause, and the status of treatment shall be disclosed:

The Company's employee remuneration and director remuneration for 2024 were passed through a resolution at the Board of Directors meeting dated March 10, 2025, with the employee remuneration being NT\$29,269,844 and the director remuneration being NT\$12,878,732. The amount of said employee remuneration and director remuneration is the same as the estimated amount recognized as expenses in the year in which they occurred.

- (2) The amount of any employee remuneration distributed in stocks, and the size of that amount as a percentage of the sum of the after-tax net income stated in the parent company only financial reports or individual financial reports for the current period and total employee remuneration: N/A.

4. The actual distribution of employee, director, and supervisor remuneration for the previous fiscal year (with an indication of the number of shares, monetary amount, and stock price, of the shares distributed), and, if there is any discrepancy between the actual distribution and the recognized employee, director, or supervisor remuneration, additionally the discrepancy, cause, and how the discrepancy is treated:

Item	Estimated amount on the 2023 financial statements	Distributed amount	Differentials
Distribution status			
(1) Employees' remuneration	NT\$23,818,357	NT\$23,818,357	No difference
(2) Directors' remuneration	NT\$8,661,221	NT\$8,661,221	

(VI) Status of a company repurchasing its own shares: N/A.

**II. Issuance of corporate bonds: N/A.**

**III. Issuance of preferred shares: N/A.**

**IV. Issuance of global depository receipts: N/A.**

**V. Issuance of employee share subscription warrants: N/A.**

**VI. Issuance of employee restricted shares: N/A.**

**VII. Issuance of new shares in connection with mergers or acquisitions or with acquisitions of shares of other companies: N/A.**

**VIII. Implementation of the company's capital allocation plans: N/A.**

## Four. Overview of business operations

### I. A description of the business

#### (I) Business scope

1. Major lines of business
  - (1) LCD Manufacturing.
  - (2) Wholesale of Household Appliance
2. Operational weight of each major lines of business

Unit: NT\$ thousand; %

Year Major lines of business	2023		2024	
	Operating revenue	Operational weight	Operating revenue	Operational weight
LCD	655,067	10.58	704,420	10.98
Air conditioner	4,260,752	68.81	4,386,114	68.35
Others (Note)	1,276,315	20.61	1,326,644	20.67
Total	6,192,134	100.00	6,417,178	100.00

Note: Other products include household appliances and after-sale service repair parts, raw materials, etc.

#### 3. The company's current products and services

- (1) LCD
- (2) Air conditioner
- (3) Washing machines, refrigerators and freezers
- (4) Small appliances

#### 4. New products (services) intended to be developed

The Company's LCD product line now features the Google TV platform. The WHALE 3.0 TV smart display program integrates AI voice assistant, smart home link technology, and improves user convenience. Meanwhile, the Company uses 4k, quantum point, MiniLED, and MicroLED display technology to satisfy the needs of consumers in the mid-to-low-end consumer group with diverse product lines. The Company will introduce the related technologies and certifications of Dolby Audio, Dolby Atmos and Dolby Vision to the LCD products of HERAN to offer premium audio-video experience. The Company is also committed to developing smart products centered on the Internet of Things (IoT), applying artificial intelligence (AI) technology, and strengthening voice recognition capabilities. Not only supports the recognition of Chinese and Taiwanese languages, but also incorporates acoustic features to identify users' identity, further improving recognition accuracy and responsiveness. Furthermore, the Company is actively expanding its AR interactive entertainment capabilities, positioning smart TVs as the centerpiece of home entertainment by supporting virtual sports coaching, gaming scenarios, and AR content display to deliver an unprecedented interactive experience.

Heran's first-class inverter AC fully adopted R32 green refrigerant, surpassed the efficacy standard of 2025 ahead of schedule. It is equipped with "bog gas protection 2.0" to improve the overall protection function by nearly 30%. Heran once again achieves the window-type air conditioner with the smallest enclosure structure in the market ahead of schedule. Heran achieves the new national level-1 efficacy standard of window-type air conditioner for 2025 ahead of schedule. Meanwhile, the Company has enhanced its 14.0 and 16.0 kW production lines and introduced the industry's most compact casing, along with specialized 3-phase 220V and 380V power specifications, to accommodate the unique installation needs



of various government agencies. In March 2025, the company officially completed the downsizing project for the 14.0 and 16.0 kW air-conditioning models, transitioning from dual-fan to single-fan casings. This change reduced material usage by over 25% and significantly lowered transportation and storage cost. For our household air conditioners, products across the entire 2.3KW to 16.0KW capacity range feature reduced installation pipe diameters. Notably, our 10.0~11.2KW models are the industry's only offering with a 1/4 inch and 5/8 inch pipe design, which significantly lowers installation costs and minimizes material waste. Additionally, the Company launched the first "full-inverter concealed duct dehumidifier" in the industry, this year. The main design structure of the product uses an inverter compressor, an inverter module and a DC motor to achieve the goal of lower power consumption, using an inverter system also greatly reduces the noise during operation, and the dehumidification capacity is more efficient. The inverter system can be connected with air ducts to achieve the effect of whole-room dehumidification. We no longer need to pour water often and this product does not take up space. Both of them are common problems for the traditional dehumidifiers. With its performance outstripping domestic brands and its pursuit of innovation and evolution in R&D, Heran showcased a series of AC products that fully embody the virtue of "energy saving, environmental protection, cleanliness, high energy efficiency, and high quality". At the same time, the Company will launch YAMADA air conditioners and act as the agency of Japanese SHARP air conditioners to meet the needs of different customer segments, which is believed to be helpful to the overall performance growth.

The Company always pursues the goals of "health, peace of mind, and energy conservation." Aside from LCDs and air conditioners, the Company wishes to transcend itself to become the Taiwan-based manufacturer which offers a full range of home appliances. Refrigerators come in a full range of models and are readily available, from small refrigerators to electronic coolers, and from one-door refrigerators to multiple-door refrigerators. To pursue products of a higher quality, the Company also launched the Japanese-style multi-door inverter refrigerator. New products were also introduced in 2024. Heran launched the domestically-made 578L large three-door inverter level 1 inverter refrigerator. Upholding the concept of environmental protection and energy saving, Heran refrigerator features the EcoPower energy-saving mode to achieve power-saving life. The new large freezer design allows the freezing space to account for up to 30% of the total capacity. Besides providing the smallest inverter freezer with an energy-saving label on the market (142L), Heran will launch the largest upright inverter freezer (600L). To advocate the energy saving subsidy policy of the government, Heran is committed to obtaining the certificate and energy-saving label for its inverter freezer. At present, the entire series of products have been delivered for testing. The living space in Taiwan is limited. Therefore, for washing machines, except for the two models of rotary drum washing machines that we initially focused on for promotion (WIFI smart rotary drum washing machine and steam rotary drum washing machine), Heran also launched 17kg inverter foam washing machines that use delicate foam to reinforce the washing and stain removal effects and adopt multi-phase warm water washing for high-temperature sterilization to protect the life of cleanliness of families. We also launched the brand-new 6.5KG and 7.5KG small-sized washing machines to provide a perfect solution for consumers with less space.

Heran small appliances also gradually show innovative and product power.

Heran launched the first slim dishwasher in the industry, significantly reducing the difficulty for installing the dish washer in a Taiwanese kitchen. In addition, the new independent hot-wind drying function caused extensive impacts in the market. Apart from constant innovations, fan products continued to maintain the leading position in the market in 2022, and the performance of other popular products, including hand-held vacuum cleaners, dehumidifiers, and electric heaters, continued to grow constantly. The Mood Light Fan, recipient of the 2024 Taiwan Excellence Award; the newly launched automatic dust-collection vacuum cleaner, 80% smaller in volume than competing products; the second-generation floor washer; and the hot-selling coffee machine series have emerged as new growth drivers for sales. In addition, differentiated brands and products such as the YAMADA ultra-high-speed stylish hair dryer and beauty appliances, the Scion fabric cleaner with 100°C high-temperature sterilization, and a range of espresso machines, have expanded the Company's opportunities across diverse market segments and price ranges. Besides small appliances, Heran branched out into home appliances such as electric clothes hangers and smart locks. For small appliances, Heran adhered to the philosophy of creating maximum happiness for consumers and continued to provide the most comprehensive and worry-free products in the market for consumers.

Committing to be intensely engaged in Taiwan, the Company continuously dedicates itself to the R&D and has successively developed some differentiated products to achieve market segmentation. The Company will also continue to introduce more AIoT-related products, aiming to provide "customer-satisfied products and services" and realize the ideal of a smart home. The Company will build a full range of product lines, including the four major home appliances, namely, air conditioner, LCD, washing machine, and refrigerator, as well as other small appliances, to gather the momentum for growth in the future, thereby consolidating the Company's industrial position. The Company has also extensively established service centers, adding new locations in Changhua and Sanchong to enhance service efficiency, complementing its comprehensive online and brick and mortar sales channels. Doing so also will yield immense benefits for future operations.

In addition, the Company spares no efforts in corporate social responsibility. Upholding the spirit of "Take from society, give back to society", we care more about the development of this land of Taiwan and the cultivation of talent. In 2021, we collaborated with the New Taipei City government and sponsored its adult baseball team, which was later named after the Company and dubbed as "New Taipei City Baseball Team", a name that has been used for 3 years. Through such a public-private partnership, the Company jointly promotes the baseball development of New Taipei City, cultivates players with innovative ideas, optimizes equipment, and thus improves the players' competitiveness. In addition, the Company also offers players consultation on job change and arranges a job matching for them to have an opportunity to work at any of HERAN Co., Ltd.'s affiliated company; this allows baseball players in New Taipei City to deliver their best performance on the baseball fields while having an alternative choice after they retire from their career.

## (II) Overview of the industry

### 1. The current status and development of the industry

#### (1) LCD

The development of liquid crystal displays in Taiwan dates back to the 1960s,

a time when the displays under manufacturing were mainly those made of black and white picture tubes. In the 1970s, Taiwan was dubbed as the kingdom of black and white LCD sets. With technological progress and foreign investment in production, the assembly and production of color LCD sets edged up, and hit a record high in the 1980s. In 1985, up to 93.1% of households in Taiwan had a color LCD set. In early 1990s, large size (10” and larger) LCDs had come into commercial use, typically for PC products, with the advantages of being thin and having low radiation. However, they bore a high price at first and thus did not replace the picture-tube displays to a larger extent; their price plummeted due to declining panel price as a result of booming panel production capacity. This pushed up consumers’ willingness to buy. As a result, LCD sales grew substantially, making them the mainstream products.

According to data from the Ministry of Finance's Financial Statistics Database (see Figure 1), after the stay-at-home economy boom fueled by the 2020/2021 pandemic windfall, which had already accelerated market demand, the market saw a decline in sales volume during 2022~2023. Since 2024, although major TV manufacturers have positioned 4K smart and large-screen TVs as key sales drivers and have diversified their product lines with OLED, Quantum Dot, and Mini LED technologies, overall market momentum remains limited. While large-screen TV sales received a modest boost during the Olympic viewing period, some brands have turned to offering channel subsidies to help clear aging inventory. On the other hand, given the high domestic TV penetration rate and persistently elevated inflation, the industry's sales revenue in Taiwan is projected to decline in 2024 compared to 2023.

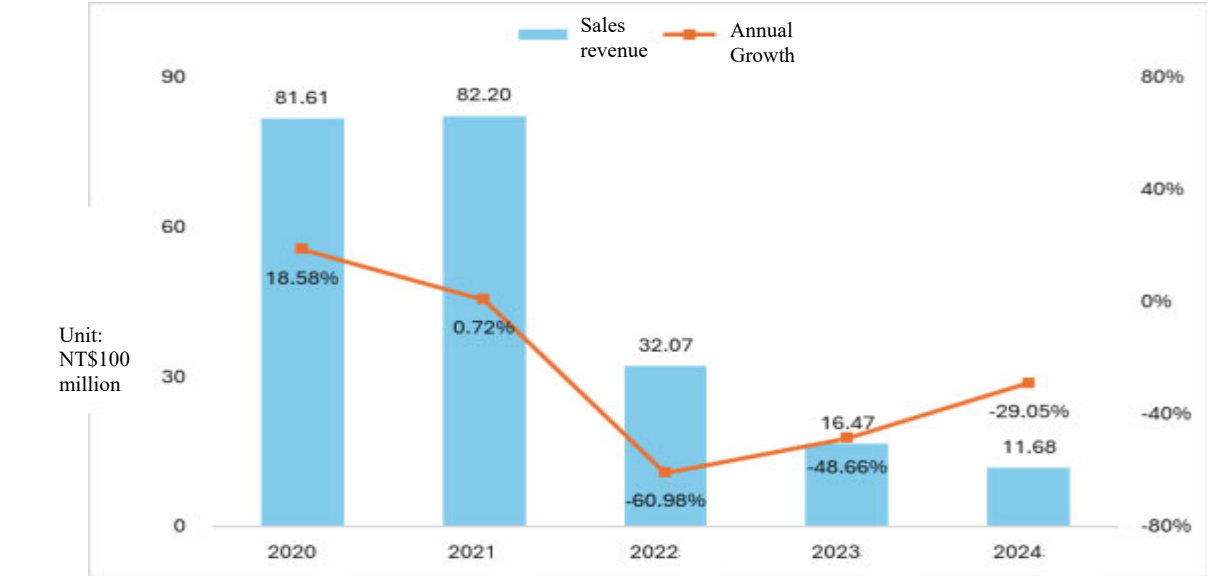
According to panel price data from market research firm WitsView (see Figure 2), LCD TV panel prices in 2024 experienced an increase in the first half of the year, followed by a decline in the second half. Nevertheless, panel manufacturers managed supply through build-to-order strategies and production cuts during annual maintenance periods. At the same time, inventory buildup for international sporting events, China’s 618 shopping festival, and other promotional activities, coupled with China’s “trade-in” policy, helped alleviate oversupply pressures. As a result, the average price of LCD TV panels across all sizes in 2024 still recorded a year-on-year increase of 5% to 18%.

In 2025, panel manufacturers are expected to continue adopting a build-to-order strategy to manage production capacity. Coupled with the ongoing implementation of China’s “trade-in” policy and TV brands anticipating potential developments related to U.S. tariffs, brands are likely to front-load shipments to build inventory. This heightened procurement activity is projected to drive up demand for LCD TV panels, thereby pushing panel prices higher. As a result, the manufacturing costs of complete TV sets are expected to continue rising.

The overall outlook for Taiwan’s TV manufacturing industry performance in

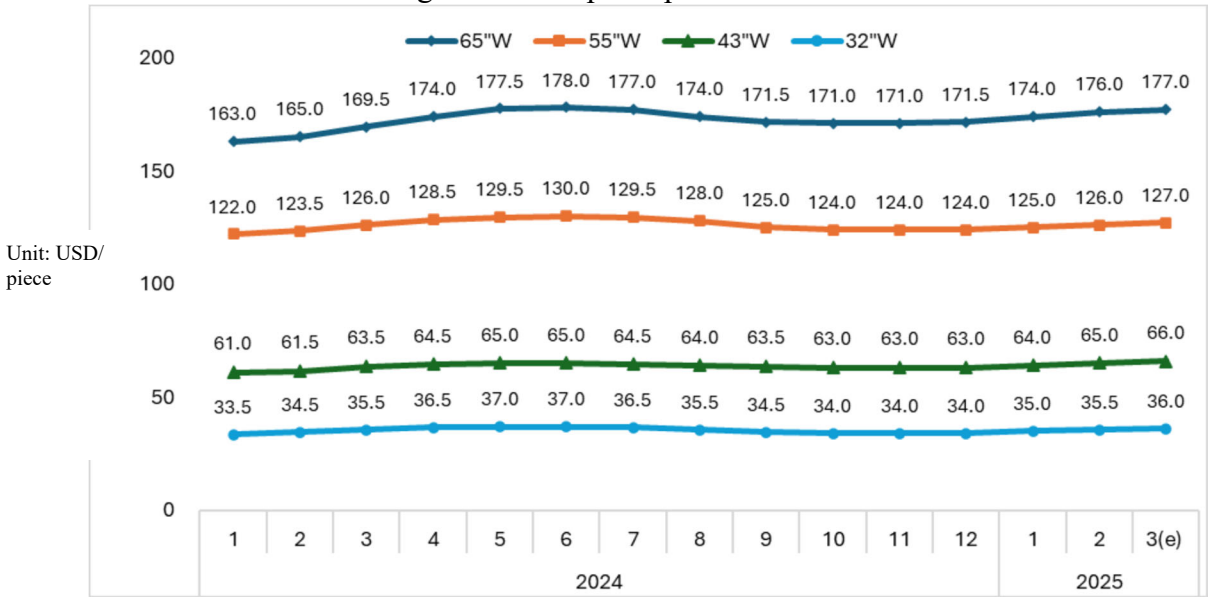
2025 is linked to macroeconomic factors. These include the policies of the new US government and changes in the international geopolitical landscape, which continue to impact the global economic outlook. According to international forecasting firm S&P Global, the global economic growth rate is estimated at 2.5% in 2025, slightly lower than the 2.7% in 2024. Although Taiwanese manufacturers' standing in the global TV OEM/ODM market is declining, they are nonetheless vigorously enhancing supply chain stability. Consequently, business performance in 2025 is expected to experience a slight downturn compared to 2024.

Figure 1: Overview of Taiwan's TV manufacturing industry sales revenue



Source credit: Compiled from the Ministry of Finance Financial Statistics Database and Taiwan Industry Economics Services database (March 2025).

Figure 2: LCD panel price trend



- Note: 1. Before 2024, data represent the average of quotes from the first and second halves of each month. Starting in 2025, data represents the quotes from the second half of the month. The March value is a forecast.
2. The quoted product specifications are: 65"W 3840x2160 50/60Hz Open-Cell, 55"W 3840x2160 50/60Hz Open-Cell, 43"W 1920x1080 50/60Hz Open-Cell, 32"W 1366x768 50/60Hz Open-Cell.

Source credit: Compiled from Witsview and the Taiwan Industry Economics Services database (March 2025).

## (2) Air conditioner

Taiwan sits in the sub-tropical area. With economic development and increasing urbanization, air conditioners have become one of the daily necessities. By application type, air conditioners can be classified into those for household, those for small business premises/luxurious house use, and those for commercial and industrial use (see Figure 3). The Company's air conditioners are mainly medium- and small-size ones for use in household, small business premises/luxurious house; if categorized by product type, they comprise the window type, split type, package type, embedded four-way type, ceiling concealed fan type, and portable type.

Figure 3: Air conditioners product type and application

	For use in the household	For use in small business premises/luxurious house	For commercial use	For industrial use
Air conditioner	<ul style="list-style-type: none"> <li>Window type</li> <li>Ductless split type</li> <li>Mini VRF</li> <li>Portable type</li> </ul> Tons: 0.5~3.5	<ul style="list-style-type: none"> <li>Package type (Floor Mounted AC; ductless split)</li> <li>VRF</li> </ul> Tons: 3.5~80	<ul style="list-style-type: none"> <li>Packaged water chillers</li> <li>Packaged air chillers</li> <li>Packaged absorption chillers</li> </ul> Tons: 80~400	<ul style="list-style-type: none"> <li>Packaged water chillers</li> <li>Packaged absorption chillers</li> </ul> Tons: above 400

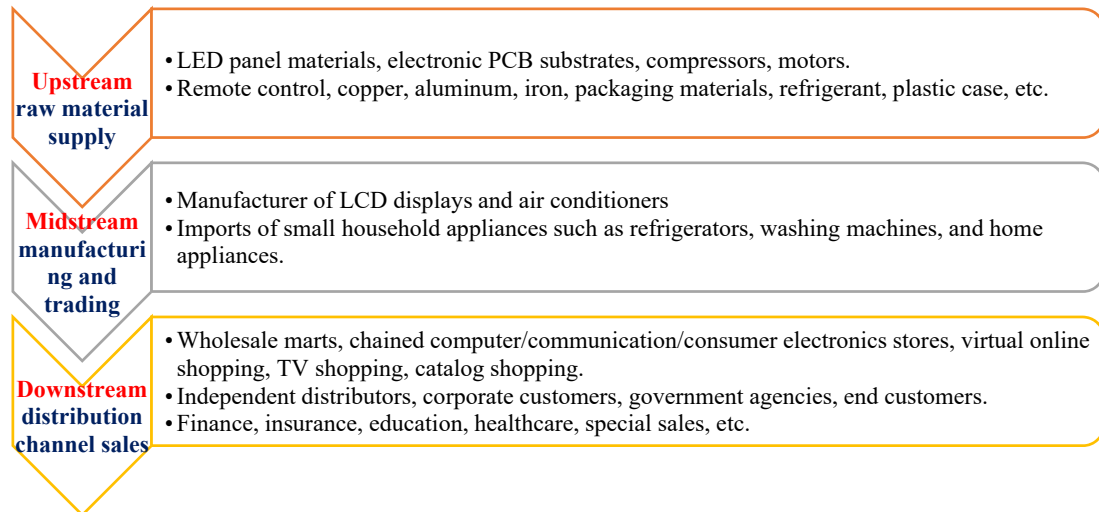
Source credit: ITRI Industrial Economics and Knowledge Center (IEK)

According to statistics from IEK industrial economics data, the global economy remained in recovery during 2024. Although emerging markets and developing economies demonstrated improvement compared to 2023, this was still unable to offset the weakening economic trends in the US and China. The main factors affecting air conditioner demand are climate and economic conditions. In 2024, while the economy had not fully recovered, industry demand remained robust, driven by regulations and climate change. Strict international carbon emission regulations make energy-saving and low-carbon HVAC systems more appealing.

## 2. The links between the upstream, midstream, and downstream segments of the industry supply chain

The Company purchases assembly parts instead of developing molds by itself; this reduces the molds amortization expenses and thus production costs, thereby making its products cost competitive. The Company mainly collaborates with worldly renowned brands, or professional manufacturers in the industry which are richly experienced in this trade. In addition, the Company also makes use of the

software developed by HERAN Co., Ltd. itself, turns creativity into the development of differentiated products, and has a professional marketing team which sells products to each distribution channel. The Company further increases its competitiveness by offering the products and services that satisfy customers' needs. The political stability of the region, national policies, exchange rate trends, etc. will affect the overall profitability of HERAN Co., Ltd. As such, having a good grasp of international situation and implementing hedging operation have become even more important.



### 3. Development trends and competition for the company's products

#### (1) Display

AIoT models have been generally accepted by consumers. Also, the smart control and applications of home appliances may be achieved through the combination of calculators, sensors, network, applications, and other components, and the combination with OTT services (over-the-top media services; for example, Netflix and Disney+) enriches the IoT applications.

With the development of artificial intelligence (AI), brands are keen to integrate AI into LCDs, e.g., using WIFI or Bluetooth to connect LCDs with other peripherals such as robot vacuum cleaners, air conditioners, cleaners, washing machines, smart lighting, and smart speakers, in which case users use simply their voice and gesture to command such peripherals via LCDs. This will make LCDs the central control center of a smart home.

#### (2) Air conditioners

All air-conditioning products have passed the 2025 National Energy Efficiency Level 1 standard. The CSPF (Cooling Seasonal Performance Factor) value has achieved, 18%, exceeding the current energy efficiency. The biogas protection coating on the side of the product most vulnerable to damage has been reinforced, the overall protective effect was further increased by 30%. The "Femtoe Fresh" one-click activation immediately reflected the "Femtoe Fresh, full-range pandemic prevention" function. Tested by Texcell, a French laboratory, Femtoe Fresh effectively inhibited 99.999% of COVID-19 virus. The new generation

"Double Cleanliness" technology creates a healthy comfort zone at home.

For light commercial air conditioners, we launched 28kW three-phase 220V inverter level 1 floor standing packaged air conditioners that comply more with market specifications, and 16kW single-pipe multi-split type air conditioners with refined size and specifications and meet more with market environment needs. With cassette type air conditioners or concealed duct air conditioners, these air conditioners offer more flexibility for installation locations. The energy efficiency of this one-and-only full-inverter concealed duct dehumidifier in the market is 330% higher than the national level 1 energy efficiency standard. Meanwhile, this inverter has high dehumidification capacity up to 40L/day (RH60%). Heran is committed to providing products of "energy-saving, environmental protection, clean, high-efficacy, and high-quality," and we have surpassed our energy policy and launched air conditioner products that comply with the new efficacy standards in 2025.

### (3) Implementation of ESG net-zero policy

With the continual development of net-zero and carbon dioxide reduction issues in recent years, the net-zero transition has become a part of ESG, and sustainability and net-zero shall be considered for the decision-making and objectives.

Energy efficiency has the title of honor of "first fuel." At COP26, there were joint initiatives related to energy efficiency, such as the "Super-Efficient Equipment and Appliance Deployment initiative" established by the Clean Energy Ministerial that calls for improvement in the doubled energy-use efficiency for major home appliances (i.e., air conditioners, refrigerators, motors, and lighting) by 2030.

The ITRO applied the concept of behavioral economics and performed a survey for the net-zero and sustainable living behaviors of nationals from 18 to 64. It is found that among the net-zero and sustainable living behaviors "adopted" by citizens being interviewed in Taiwan, 43.1% of citizens purchased products with the energy-saving label or products labeled level 1 for energy efficiency when purchasing home appliances.

Smart home appliances improve the achievements of carbon-dioxide reduction and energy-saving. We continued to invest in the R&D of energy-saving home appliances. Therefore, consumers may select energy-saving home appliances suitable for them at a reasonable and affordable price and make contributions to the objective of carbon-neutral.

### (4) Product substitutability

With the development of economy and the improvement of living standards, LCDs have become an indispensable appliance for households and business places. The penetration rate already hit 93.1% as early as 1985; nowadays many families even have more than one LCD. As technologies advance, LCDs can also be connected to the Internet and stream videos online, making them a central role in

home video entertainment. They can even be integrated with AI and IoT in the future to become the control center of a smart home. In addition, sitting in the sub-tropical area, Taiwan often registers a temperature higher than 30 degree Celsius in summer; coupled with global warming in recent years, summer temperature hit a record high every now and then, pushing up the demands of Taiwanese for air conditioners year on year, primarily because air conditioners are still the major indoor cooling system. As such, except in cases where LCDs and air conditioners need to be replaced due to considerations of new technology, new function, and brands, there are no products which can fully replace LCDs and air conditioners so far.

- (III) An overview of the company's technologies and its research and development work
1. Research and development expenditures during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report.

Unit: NT\$ thousand

Item	2023	2024
R&D expenditure	64,142	55,752
Operating revenue - net	6,192,134	6,417,178
Ratio of R&D expenditure to operating revenue - net	1.04%	0.87%

2. Technologies or products successfully developed over the past 5 years

Year	Development item	Development result
2020	LED	Voice command function based on the natural language processing AI: Replaced the fixed commands with the commands that are more flexible, close to the habit of users, lower the error rate, can be applied to more home appliances, and have wider applications.
	AC	1.Developed and mass-produced R32 (environmentally friendly refrigerant) commercial (ducted cabinet-type, and wall-mounted) 14.0KW and above level 1 plus energy-efficient inverter air conditioners. 2.Successfully developed and mass-produced three-phase 380V and 220V 14.0KW commercial (ducted, cabinet-type, wall-mounted) level 1 energy-efficient inverter AC which can be connected to a control computer via RS-485. It is convenient, energy-saving, electricity-saving, and ideal for use in markets, plants, offices, schools, and dormitory.



Year	Development item	Development result
2021	LED	<ol style="list-style-type: none"> <li>1.The environmental control center integrates environment information, spatial information, and the requirements of a smart home equipped with a system for detection, management, and interconnection.</li> <li>2.The voice control system tends to apply the deep learning algorithm to develop the capability to recognize the Mandarin and the Taiwanese language, and to identify the speaker.</li> </ol>
	AC	<ol style="list-style-type: none"> <li>1.Successfully developed and mass-produced high-efficiency R32 (environmentally friendly refrigerant) inverter air conditioners</li> <li>2.reaching National Standard Level 1 energy efficiency, including commercial single-split units (ducted, cabinet, and wall-mounted types) 16.8KW and above, and 15kW and above multi-split units.</li> <li>3.Successfully developed and mass-produced 16.0KW commercial three-phase 380V and 220V inverter air conditioners (ducted, cabinet, and wall-mounted types) that achieve Level 1 energy efficiency.</li> <li>4.By referencing the approach used in the government-subsidized elementary and junior high school air conditioning system project that successfully integrated an energy-saving monitoring and communication system, the Company developed a similar communication system that successfully integrates a range of air conditioner models and is applicable to school system solutions. Its use can be expanded to construction projects in the public and private sectors, including commercial buildings, factories, offices, or school dormitories, etc., facilitating convenience, energy conservation, and electricity savings.</li> </ol>
2022	LED	<ol style="list-style-type: none"> <li>1.We worked with Netrange to provide OTT services such as Disney+ and Netflix.</li> <li>2.Integrated the voice control system and supported the external third-party control (i.e., Allxon (Taiwan Mobile)).</li> </ol>

Year	Development item	Development result
	AC	<p>1. We successfully developed 2.3~3.6KW frequency conversion window type air conditioners that make use of R32 high-efficiency compressors and R32 environmentally friendly refrigerant. We designed machine structures small than those existing within the industry that have more comprehensive and convenient installation features for installation in traditional, old, and obsolete buildings or spaces that are narrow.</p> <p>2. We developed the Femtoe Fresh pandemic control air conditioners in the JT series: As verified by Texcell Laboratory in France, the air conditioner is able to effectively inhibit up to 99.99% of COVID-19 viruses. Also, through the SGS test, it can effectively eliminate PM2.5 and reach the effects of 99.9% of sterilization. Furthermore, with the design of combining the indoor and outdoor units for concurrent clearing and sterilization, an anti-bog gas coating is adopted for the units to effectively increase the useful life of air conditioners. Also, they are combined with Heran's Wi-Fi smart cloud system to duly and jointly achieve full-range pandemic prevention and healthy air for breathing.</p> <p>3. We successfully developed a multi-split free distribution SK series outdoor unit cover design with a relatively smaller size for the benefit of installing in narrow balconies or places to limited spaces. Users may select different models of indoor units that are more convenient in response to different venues to allow comprehensive installation spaces and locations.</p> <p>4. Developed and mass-produced one-phase 220V 16.0KW commercial (ducted, cabinet-type, and wall-mounted types) that achieve Level 1 energy efficiency. Optimize the smaller size cover of outdoor units for market personnel to move and install them conveniently.</p>
2023	LED	<p>1. YF 4K IoT-based products</p> <p>2. QF 4K quantum dot series</p>

Year	Development item	Development result
	AC	<ol style="list-style-type: none"> <li>1.The Company continues the development of R32 high-efficiency environmentally friendly single-split residential air conditioners in the 2.3kW~16.8kW range, and is expanding development to include 28kW light commercial air conditioners that meet the new energy efficiency level 1 standards of 2025 announced by the country.</li> <li>2.The development of R32 high-efficiency environmentally friendly refrigerant for both one-to-one and one-to-many configurations continues, with a focus on miniaturizing and enhancing the energy efficiency of outdoor units. The aim is to meet the new energy efficiency level 1 standards of 2025 announced by the country. This includes the development of outdoor units ranging from one-to-one to one-to-five using R32 refrigerant.</li> <li>3.Development of 2.3kW and 2.8kW R32 inverter window-type airframe miniature to reduce carbon emissions, easily fit in the market installation space, and meet the Taiwan's 2025 national new energy efficiency level 1 design standard ahead of schedule. The design uses high energy efficiency R32 compressor to improve energy efficiency, achieving the goal of energy conservation and carbon reduction.</li> <li>4.Development of 14-28 kW light commercial type single-compression one-to-two, one-to-three and one-to-four miniature side-blown outdoor unit body, suitable for domestic and commercial construction projects with longer installation pipelines and more limited installation space. Domestic air conditioners are installed at light commercial pace.</li> <li>5.In response to the need for the gradual adoption of energy-saving monitoring and communication for the joint government procurement of air-conditioners, the Company has developed a series of one-to-one to one-many models that are equipped with energy-saving monitoring and communication functions to facilitate market energy conservation and meet national energy conservation and carbon reduction requirements.</li> </ol>

Year	Development item	Development result
2024	LED	<p>1.Core technology</p> <p>Multi-platform integration technology: Enables seamless integration with Google TV and Whale TV, supporting multiple voice assistants, personalized recommendation algorithms, and smart home hub functionality, thereby enhancing cross-platform ecosystem synergy.</p> <p>Smart audio-visual processing technology: Optimizes HDR dynamic calibration and color processing, while offering exclusive image quality enhancements tailored to Whale TV application scenarios, delivering superior visual performance.</p> <p>2.Added values of the platform</p> <p>Smart home and IoT linkage: Integrated with Heran Smart Home, enabling synchronized control of TVs and home appliances to enhance the smart living experience.</p> <p>Exclusive content and value-added services: Through Whale TV's exclusive content curation and membership services, the platform can offer 4K audio-visual content, live sports subscriptions, and a variety of in-app purchases, generating additional revenue and attracts more users.</p>

Year	Development item	Development result
	AC	<ol style="list-style-type: none"> <li>1. Developed High-Efficiency Eco-Friendly Refrigerant for Split-Type Air Conditioners: 2.3kW~16.0kW residential air conditioners with improved lightweight installation design: Reduced copper piping specifications for indoor and outdoor units to facilitate installation in narrow environments and improve installation convenience.</li> <li>2. Developed 14~16kW three-phase power lightweight compact outdoor units, compatible with wall-mounted, four-way cassette, concealed duct, and floor-standing indoor units, highly suitable for installation in shops, exhibition venues, or factory premises.</li> <li>3. Developed 14.0-16.0 kW light commercial type single-compression one-to-two and one-to-four (7.2Kw *2 ~ 4.1Kw*4) miniature side-blown outdoor unit body, suitable for domestic and commercial construction projects with longer installation pipelines and more limited installation space. Installation and use of household air conditioner units adapted for light commercial applications.</li> <li>4. In response to the government's continuous energy-saving transition and deep energy conservation program: Progressively developing energy-saving air conditioning monitoring and communication requirements, developing one-to-one to one-to-many series specifications that feature energy-saving monitoring and communication functions to facilitate market energy efficiency and meet national energy conservation and carbon reduction requirements.</li> </ol>

#### (IV) Long- and short-term business development plans

##### 1. Short-term plan

The Company has deeply engaged in domestic home appliance market under the brand of HERAN. At the early stage, the Company mainly sold LCDs and air conditioners. Nowadays, the Company has become a brand selling all kinds of home appliances, including the four major appliances, namely, LCD, air conditioner, washing machine, refrigerator (freezer), as well as all other small home appliances. The Company insists on the one-stop operational model which covers autonomous R&D, production, omni-channel distribution system, establishment of logistics and delivery, and an after-sale system.

With advances in technology and higher consumer demand, the LCD market is developing towards higher picture quality and enhanced intelligence. At Heran, we will anticipate future development trends in display product lines and showcase the competitive strengths of our core products and market opportunities. Key directions

are outlined below:

- (1) Introduction of the 4K Google TV system: The 4K Google TV features high resolution and a smart operating system to deliver a seamless user experience. The integrated Google Assistant voice control function supports multiple streaming services to meet consumers' smart home entertainment needs. Additionally, the product is equipped with the latest image processing technology to enhance picture quality, and the AI recommendation system delivers personalized contents.
- (2) QLED Google TV (Quantum Dot LED) technology offers higher color saturation and deeper blacks, and the built-in Google TV platform further enhances image quality and smart applications. The product is equipped with HDR (High Dynamic Range) technology, giving the picture more depth, and supports high refresh rate display, making it suitable for gamers and movie enthusiasts.
- (3) The MiniLED Google TV's backlight technology produces higher contrast and brightness, endowing the image with more details and realism. Combined with the Google TV smart system, the product line is positioned to become one of the core offerings in the high-end display market. Compared to traditional LED backlighting technology, MiniLED offers more precise light control, reducing the halo effect and increasing image quality. Moreover, the product supports Dolby Vision and high-refresh rate technology to endow users with an exceptional visual experience.
- (4) Launch of large-screen products: As consumers place greater emphasis on home entertainment, demand for large-screen products continues to grow. Our 75-inch, 85-inch, or even larger Google TVs deliver an immersive visual experience, making them a centerpiece of home theaters. These products are equipped with high-performance processors to ensure seamless operation, and they feature numerous connectivity options to support game consoles, sound systems, and other devices, meeting diverse entertainment needs.
- (5) As a CHIQ brand agent, we can rapidly expand market share and satisfy the demands of different consumer segments. CHIQ's mature technology and brand recognition allow us to fill our product gaps in certain market segments. CHIQ's products embody numerous technologies including LED., QLED, and OLED, providing consumers with more alternatives.
- (6) The WHALE 3.0 TV is the epitome of our latest smart display solution, integrating AI, cloud computing, big data analysis, and other technologies to deliver a more personalized user experience. The product will serve as the foundation of our future smart product development. WHALE 3.0 TV features AI smart voice control, seamless multi-screen interconnection, and personalized content recommendation. It also supports the latest HDMI 2.1 standard, ensuring a premium audio-visual and low-latency gaming experience. Furthermore, we are actively pursuing collaborations with major content providers to integrate AIoT technology into their products, thereby delivering a more enriched entertainment and lifestyle experience.
- (7) Heran's product lineups incorporate advanced technologies and certifications such as Dolby Audio, Dolby Atmos, and Dolby Vision to deliver a superior audio-visual experience. Dolby Audio technology enhances audio quality and depth, while Dolby Atmos offers a more immersive surround sound experience, allowing users to appreciate more realistic sound details. In addition, Dolby Vision further increases image contrast and color accuracy, revealing the finest details and depth in every frame.

In summary, Heran's future LCD product development will be guided by the following aspects

1. Diverse product lines: Covering the high-end, mid-end, to entry level markets to accommodate the needs of different consumer groups.
2. Smart upgrades: Integration of AI voice assistant and smart home connectivity technology improves convenience.
3. Display technology innovation: Continue to develop high-end display technologies such as 8K, OLED, and MicroLED.
4. Global market expansion: Expand international market share via brand agencies and localized marketing strategies.
5. Environmental protection and energy conservation: Develop more energy-efficient and high-performance display technologies in response to environmental trends.

Heran will continue to strengthen the development of LCD product lines, elevating brand competitiveness through innovative technology and market strategies. In the future, we will tap into the smart product market to introduce improved audio-visual experience for consumers and fortify our market leadership.

Heran has a full range of air conditioner products which can satisfy any space requirements of customers. In 2017, the Company launched the R32 series; in doing so, it completed its products lines with both the R410a series and the R32 environmentally friendly refrigerant series, making it the brand in Taiwan that had the most comprehensive lines of models. In 2019, the Company became the first-ever brand in Taiwan to launch the R32 household inverter AC resistant with bog gas; it also developed the central control system which can simultaneously control up to 961 air conditioners. In 2020, the Company launched the R32 smart cloud-based bog gas-resistant high end models, advanced versions of previous models. In addition to voice control and location-based trigger, such new models also purify the air with additional features such as PM2.5 detection and Femtoe fresh. The Company developed and launched the R32 inverter AC (8.0~14.0KW) whose energy efficiency is even more premier than level 1 energy efficiency of the national standards. Compared with products of the same level, the 14.0KM models can save up to 37% of electricity consumption. The Company also developed the three-phase 380V and 220V 14.0KW commercial-use (hidden-type, cabinet-type, wall-mounted) level 1 energy-efficient inverter AC which can be connected to a central control computer via RS-485. It is energy-saving and electricity-saving. In response to the pandemic in 2021, we launched the “Femtoe Fresh”, which has been tested by SGS, and proved that its effect of sterilization and PM2.5 removal exceeded 99.9%. As verified by Texcell Laboratory in France, “Femtoe Fresh” can effectively inhibit up to 99.999% of COVID-19 viruses, making it the most effective AC product in the market in terms of COVID-19 virus inhibition. The “Double Cleanliness” feature that can automatically clean the evaporator of the indoor unit is also provided. On the commercial-use front, the Company leveraged its advantage of differentiated products to launch the 26KW and 28 KW level 1 floor standing package system with an appeal for compactness which can save up to 43% space compared with other models on the market.

In addition, Heran delivered a remarkable performance in the smart and cloud-

based technologies; it was the first brand in Taiwan to produce an air conditioner with built-in components granted the Apple HomeKit certification. At a time when the pandemic continues in 2022, Heran's ideal of safeguarding the home and caring for family members is embodied in its products. The Company developed various R32 environmentally friendly AC models, including the R32 frequency conversion level 5 wall-mounted inverter AC, and replaced the fixed-speed AC. The Company also phased out fixed-frequency AC and launched the level 5 wall-mounted inverter AC and level 3~4 window-type inverter AC; it also became the first in the industry to obtain the 16KW wall-mounted inverter AC and level 1 16KW and 28 KW package AC for commercial use that is certified with the Green Mark and the Energy Label and capable of protecting the ozone layer and thus lowering the greenhouse effect.

Due to the outbreak, consumers' demand for power-saving and high-performance ACs increased in 2023. Heran has launched the R32 level 1~2 window inverter AC, which is the smallest level 1~2 window inverter AC in the market in terms of volume. Also, it continued to launch home AC products that fulfilled level 1 of the national new energy efficiency in 2025 in advance. The Company will continue to comprehensively introduce different indoor units for matching; the new home AC product initially introduced is able to clean the indoor unit and concurrently clean the outdoor unit leveraging its "Double Cleanliness" function to realize the concurrent in-depth cleaning of indoor and outdoor units, which can significantly reduce the generation of mold and the accumulation of dust, maintaining the air conditioners at the best operating status.

The full series of air conditioner products launched by Heran in 2024 have fully reached the national new energy efficiency level 1 in 2025 ahead of schedule, and a new series has been introduced. In addition to the functions of the original air conditioners, energy efficiency has been improved significantly. The energy efficiency exceeded 12% of the new national level 1 energy efficiency standard set in 2025, and the iconic "bog gas protection" of Heran air conditioners has been further strengthened to raise the overall protection level by nearly 30%. Considering the user-friendly functional design, the industry-leading "full fan speed" function can adjust the appropriate air volume more precisely based on the percentage. The "one-touch anti-direct blowing" design allows users to more intuitively mitigate the air conditioner's over-cooling or other unpleasant feelings caused by long-term use. An easy-to-install structure has been added to the indoor units, which greatly reduces the difficulty of air-conditioner installation. A more technical breakthrough is the window-type air conditioner. Once again, Heran has achieved the window-type standard ahead of schedule with the smallest cover in the market. This window-type standard is the new national energy efficiency level 1 standard in 2025. In other high-capacity product lines above 14.0KW, special three-phase 220V and 380V power specifications have been introduced to meet the special installation needs of each public sector. The outdoor unit cover reduction scheme for 16.0KW high-capacity air conditioners is expected to be complete in June 2024. The outdoor unit has been changed from the double fan casing to a single fan casing structure, which can effectively reduce the overall volume and the cost of transportation and warehousing. Heran does more than improving air-conditioning products. Taking into account the future needs of new homes, the company launched the first "full-inverter concealed duct dehumidifier" in the industry, this year. The main design structure of the product uses an inverter compressor, an inverter module and a DC



motor to achieve the goal of lower power consumption, using an inverter system also greatly reduces the noise during operation, and the dehumidification capacity is more efficient. The inverter system can be connected with air ducts to achieve the effect of whole-room dehumidification. We no longer need to pour water often and this product does not take up space. Both of them are common problems for the traditional dehumidifiers.

The new National Standard Level 1 energy efficiency for air conditioners came into effect in 2025. Heran's entire air conditioner product line had already fully achieved this Level 1 standard in advance. Meanwhile, the Company has enhanced its 14.0 and 16.0 kW production lines and introduced the industry's most compact casing, along with specialized 3-phase 220V and 380V power specifications, to accommodate the unique installation needs of various government agencies. In March 2025, the company officially completed the downsizing project for the 14.0 and 16.0 kW air-conditioning models, transitioning from dual-fan to single-fan casings. This change reduced material usage by over 25% and significantly lowered transportation and storage cost. For our household air conditioners, products across the entire 2.3KW to 16.0KW capacity range feature reduced installation pipe diameters. Notably, our 10.0~11.2KW models are the industry's only offering with a 1/4 inch and 5/8 inch pipe design, which significantly lowers installation costs and minimizes material waste.

Based on the original intention of “health, peace of mind, and energy conservation” and the annual theme of “freedom starts from breathing well,” Heran made the case of some outdoor units and window-type ACs thinner so that consumers no longer have to give up Heran's products due to space confinement. Also, it fully improves the energy efficiency of AC products to fulfill the level 1 standards of the national new energy efficiency in 2025. With its performance outstripping domestic brands and its pursuit of innovation and evolution in R&D, Heran showcased a series of AC products that fully embody the virtue of “energy saving, environmental protection, cleanliness, high energy efficiency, and high quality”.

Heran also launched new refrigerators and upright inverter freezers in 2024. Heran launched the domestically-made 578L large three-door inverter level 1 inverter refrigerator. Upholding the concept of environmental protection and energy saving, Heran refrigerator features the EcoPower energy-saving mode to achieve power-saving life. The new large freezer design allows the freezing space to account for up to 30% of the total capacity. In addition to the freezer with inverter energy-saving label and the minimum specifications in the market (142L), Heran will launch the largest upright inverter freezer (600L) in 2024. To advocate the energy saving subsidy policy of the government, Heran is committed to obtaining the certificate and energy-saving label for its inverter freezer. At present, the entire series of products have been delivered for testing. We care for the requirements of commercial use, small families, and those who are single, which is the professionalism and persistence of our experts. For washing machines, except for the two models of rotary drum washing machines that we initially focused on for promotion (WIFI smart rotary drum washing machine and steam rotary drum washing machine), Heran also launched 17kg inverter foam washing machines that use delicate foam to reinforce the washing and stain removal effects and adopt multi-phase warm water washing for high-temperature sterilization to protect the

life of cleanliness of families. We also launched the brand-new 6.5KG and 7.5KG small-sized washing machines for studios and the petite bourgeoisie to provide a perfect solution for consumers with less space.

Faced with the emerging, rapidly evolving small appliance market, Heran continues to demonstrate agility and technological innovation. In 2023, the Company introduced the chic Mood Light Fan, which integrates a fan and table lamp to meet consumer demand for personalized and multifunctional home decor. The product won the 2024 Taiwan Excellence Award. Thereafter, in the cleaning product category, Heran launched an automatic dust collection vacuum cleaner that is 80% smaller than competing models. Its lightweight and compact design is ideal for smaller homes and apartments. With a single-button dustbin emptying function, it minimizes secondary contact with dust and reduces discomfort from airborne particles. Moreover, with increasing health awareness, fabric cleaners have become very popular on the market. Traditional cleaning methods using only room-temperature water can no longer cater to the needs of modern households. Scion's fabric cleaner addresses this issue by sterilizing with 100°C high-temperature steam and providing deeper fabric cleaning with its hot water suction function. Apart from constant innovations, fan products continued to maintain the leader position in the market in 2024, and the performance of other popular products, including dehumidifiers, electric heaters, and kitchen appliances continued to grow constantly. This year, smart products such as electronic microwave ovens and fully automatic coffee machines were launched, offering a more intuitive user experience and increasing their quality of life through automated settings. Regarding brand operations for market differentiation, YAMADA and Scion also launched new products in succession and created more potential for the Company in different price ranges. In addition to small appliances, Heran branched out into home appliances such as electric clothes hangers and smart locks. For small appliances, Heran adhered to the philosophy of creating maximum happiness for consumers and continued to provide the most comprehensive and worry-free products in the market for consumers.

Committing to be intensely engaged in Taiwan, the Company continuously dedicates itself to the R&D and has successively developed some differentiated products to achieve market segmentation. The Company will also continue to introduce more AIoT-related products, aiming to provide “customer-satisfied products and services” and realize the ideal of a smart home. The Company will build a full range of product lines, including the four major home appliances, namely, air conditioner, LCD, washing machine, and refrigerator, as well as other small appliances, to gather the momentum for growth in the future, thereby consolidating the Company’s industrial position. Doing so also will yield immense benefits for future operations.

In addition, the Company spares no efforts in corporate social responsibility. Upholding the spirit of “Take from society, give back to society”, we care more about the development of this land of Taiwan and the cultivation of talent. In 2021, we collaborated with the New Taipei City government and sponsored its adult baseball team, which was later named after the Company and dubbed as “New Taipei City Baseball Team”, a name that has been used for 3 years. Through such a public-private partnership, the Company jointly promotes the baseball development of New Taipei City, cultivates players with innovative ideas, optimizes equipment,

and thus improves the players' competitiveness. In addition, the Company also offers players consultation on job change and arranges a job matching for them to have an opportunity to work at any of HERAN Co., Ltd.'s affiliated company; this allows baseball players in New Taipei City to deliver their best performance on the baseball fields while having an alternative choice after they retire from their career.

## 2. Long-term plan

The Company will continue to accumulate experience in brand management and distribution in Taiwan, and apply such successful experience to overseas markets. To do so, the Company will first target the ASEAN markets, and primarily collaborate with existing Taiwanese partner companies which are experienced in sales and operations in the area. The Company's full range of products will incorporate the Google TV system across various specifications, along with AIoT smart products and numerous innovative small appliances. These offerings are planned for sale through physical retail channels, e-commerce platforms, and specialized display retail channels, among others. In the future, the Company will actively penetrate foreign markets to make the Taiwan-based Heran brand known and connected to the world. Under the brand of Heran, the Company will lay its foundation in Taiwan, penetrate the ASEAN markets, and aim at the world markets.

## II. Market condition and production and sale overview

### (I) Market analysis

#### 1. Geographic areas where the main products are provided

At present, the Company mainly sells in Taiwan. It mainly sells LCDs and air conditioners, and expands the selling product list to include freezers, refrigerators, washing machines, and small appliances. Products are sold under its private brand HERAN. The Company has now become a brand offering a full range of home appliances. Major customers include domestic wholesale stores, computer/communication/consumer electronics chained stores, e-commerce online shopping platforms, telecom operators, chain convenience stores, supermarkets, and traditional home appliance dealers. We also introduced emerging sales networks such as KOL-driven sales and crowdfunding platforms. The sales amount is as follows:

Unit: NT\$ thousand

Year Geographic area	2023		2024	
	Amount	Amount	Amount	Percentage (%)
Domestic sale	6,192,134	6,192,134	6,417,178	100.00
Export	-	-	-	-
Total	6,192,134	6,192,134	6,417,178	100.00

#### 2. Market share

The Company sells products such as LCDs, air conditioners, washing machines, refrigerators, and household appliances under its private brand "HERAN" in Taiwan. Among them, LCDs and air conditioners make up more than 80% of the Company's operating revenue. In addition, the Company exclusively focuses on domestic market. Below is a description of the domestic market shares of LCDs and air conditioners. According to the monthly statistical release of the Department of Statistics of the Ministry of Economic Affairs (MOEA), in 2024, domestic LCD and

air conditioner sales were NT\$12.551 billion and NT\$20.9 billion, respectively. In 2024, the sales of LCDs and air conditioners of the Company and its subsidiaries were NT\$704 million and NT\$4.386 billion, respectively, constituting a market share of 5.61% and 20.99%, respectively.

### 3. Demand and supply conditions of the market in the future

#### (1) LCD

In 2024, the LCD display market was at a critical juncture due to technological innovation and evolving consumer habits. With advances in high-resolution display technology and enhancements in smart functions, as well as the popularization of streaming media, the global market is undergoing rapid transformation. Consequently, the Company is closely monitoring supply and demand conditions in the LCD market, future development trends, and key factors that may impact market development.

#### I . Analysis of current supply chain conditions

- (1) Major suppliers and industry competitors: Currently, the global TV market is dominated by several major brands, including Samsung, LG, Sony, TCL, Hisense, Xiaomi, etc. Additionally, the emergence of Chinese brands in recent years has intensified market competition. Major manufacturers are vigorously investing in R&D to launch high-end OLED, MiniLED, and MicroLED products to meet the market's needs for high-quality display technology.
- (2) Production and supply chain development: While factors such as semiconductor shortages, panel price fluctuations, and rising logistics costs influence supply chain stability, panel manufacturers' deliberate control of capacity utilization rates has resulted in relatively stable panel prices.
- (3) Display technology innovation: MiniLED and QLED are progressively becoming mainstream technologies on the market with MiniLED product shipments now exceeding OLED. Although multi-layer technology has been introduced for OLED displays to resolve issues with durability and insufficient brightness, they remain expensive and are therefore unable to become a mainstream product soon.
- (4) Regional production deployment: In response to trade wars and supply chain risks, some manufacturers are adjusting their production bases, such as transferring some capacity to Vietnam, India, Malaysia, and other regions.

#### II. Market demand analysis

- (1) Increased demand for high-resolution: With the widespread availability of

4K and 8K content, consumer demand for high-definition TVs continues to grow.

- (2) Smart applications: AI voice assistants and IoT functionalities have become standard features, further enhancing smart home integration.
- (3) Streaming media's impact: Streaming platforms such as Netflix, Disney+, and YouTube are driving users to upgrade to larger and higher-quality TVs.
- (4) Driven by the gaming market: Next-generation game consoles (PS5, Xbox Series X) are prompting gamers to upgrade to displays with high refresh rate and high contrast.

Driven by consumers' growing demand for high-quality visuals and smart features, the LCD market is expected to maintain strong growth. High-end technologies will serve as key market drivers, while smart applications and streaming content will further stimulate demand. As one of Taiwan's leading domestic brands, HERAN Co., Ltd. has long implemented a product strategy aligned with prevailing market trends. The growing adoption of MiniLED and QLED technologies, along with increasing demand for larger display sizes, is steadily being incorporated into product development. This allows the Company to effectively seize future market opportunities, maintain its industry leadership, and deliver more competitive products to the market.

## (2) Air conditioner

Roughly 90% of the sales of window-type AC in Taiwan have been replaced by split AC, with an increasing tendency for inverter models. Coupled with the appeal for environmental protection and energy efficiency, AC prices raised a bit. The sales were further boosted by two government policies in 2020, namely, the subsidy for the replacement of old equipment and the refund of goods tax. In addition, in 2023, the refund of goods tax was extended for two more years, and the subsidies for the replacement of old equipment and energy-saving were additionally provided, which will accelerate the growth of level 1 AC products.

Looking back at the development of air conditioners in 2019 in which the two major refrigerant systems, namely, R32 and R410, competed, R32 was more favored by manufacturers and brand owners, which can be seen from the conspicuously increased sales of R32. Another noticeable point is that the ratio of inverter models was constantly edging up. Taking a look at the AC development trend in Taiwan, from 2020 onwards, all brands have tried their best to offer features such as anti-rust, anti-biogas, sterilization, mildew removal, cleaning, and cloud-based smart air-conditioning to deal with Taiwan's hot and humid environment and seize their own share of the AC market. Smart air conditioners are more than just control or monitor air conditioner products through remote APPs on mobile phones; higher-level smart air conditioners should be able to incorporate functions such as management, energy saving, and integrated services. Smart air conditioners offer services such as detection, automatic scheduling, reminders, and other functions; they also can obtain ideal data through IoT and cloud big data computing and provide such data for strategic analysis. They give information about energy conservation and preventive maintenance. They can also be synced with the IoT devices at home to optimize the benefits and build a real

smart home.

Going forward into the post pandemic era, the pursuit of more effective bacteria-inhibition and diverse cleaning functions must be a major focus in AC product development in the market. Heran has already had its latest version of Femtoe anti-bacteria device sent to the Texcell lab in French for certification, and will invest more resources to make products feature an anti-bacteria and anti-pandemic function. In addition, to achieve the environmental protection goals of carbon neutral and net zero emissions, the fixed-frequency models have been phased out and the R410a refrigerant models reduced since 2022; Heran has shifted towards producing exclusively R32 models, starting from 2023, and has continued to complete product downsizing and streamlining efforts that began in 2004. Regarding the future demand for air conditioners, Taiwan's government decided in 2023 to prolong the tax rebate policy for energy-saving products until June 2025. The subsidy policy for replacing older energy-inefficient appliances was also extended until October 2025. Therefore, the overall market demand for air conditioner products is expected to keep growing. Heran continues to develop and strengthen its level 1 energy-efficient inverter residential and light commercial products. With its performance outstripping domestic brands and its pursuit of innovation and evolution in R&D, the Company showcased a series of AC products that fully embody the virtue of “energy saving, environmental protection, cleanliness, high energy efficiency, and high quality”. At the same time, the Company will launch YAMADA air conditioners and act as the agency of Japanese SHARP air conditioners to tap into different customer segments, which is believed to be helpful to the overall performance growth and benefit more consumers.

#### 4. Competitive niche

The Company has a full range of products which are sold under the private brand HERAN at distribution locations across Taiwan such as wholesale stores, e.g., Carrefour, RT-Mart, Amart, B&Q, computer/communication/consumer electronics distribution channels such as E-life Mall Corporation, Tsannkuen, and Sunfar; LCD shopping and e-commerce platforms such as MOMO, VIVA, Eastern Home Shopping & Leisure, PCHOME, YAHOO, Shopee, Life Market, etc.; telecommunications distribution channels include Chunghwa Telecom, Taiwan Mobile, FET, Senao, and Aurora; supermarket stores such as PX-mart, Family Mart and 7-11; and live streaming and group buying, which are the most popular shopping means. At the same time, we have thousands of home appliance dealers all over the country. We mainly sell products simultaneously via wholesale stores, home appliance dealers, LCD shopping platform, and e-commerce platforms, and have gained remarkable achievement under the private brand of HERAN. In conjunction with YAMADA, SCION, and the agency brands SHARP (air conditioners and freezers) and CHIQ, the Company aims to carve out a significant position in the appliance market. In the future, we will continuously and actively invest in research and development of the various products, head towards AIoT smart home appliances, and make our products dominate the markets. We believe that this series of products will bring about another wave of sales growth for the Company.

Having engaging in this trade in Taiwan for years, the Company not only has the ability to independently develop products, but also maintains an R&D team of

substantial scale, mainly to cope with market demands, pursue product differentiation, and develop high added-value products. Being able to grasp the market trend, the Company has successively launched a series of hotly-sold products in time ahead of industry peers. Aside from launching Taiwan's first-ever LCD with a video recording function, the Company also rolled out the LCD which has a Karaoke function and is connected to peripherals through the Internet. The Company will intensify its R&D of IoT-based smart home appliances, a group of models with unique functions, believing that they will bring about another wave of sales growth for the Company. Products developed by the Company are highly recognized externally. In 2010, the Company was awarded the Taiwan Superior Brand. For 11 consecutive years from 2009, the Company had been awarded the Taiwan Excellence Award; it even won the Taiwan Excellence Award - Silver in 2013 and the Taiwan Excellence Award - Achievement in 2017. It also obtained several certifications from the Ministry of Economic Affairs (MOEA), including the Energy Label. Such a track record of awards demonstrates that the Company is bold in innovation, widens its competitive advantages, and creates a valuable MIT corporate image.

On the LCD front, in 2019, the Company was the first in the market to launch Hertv, a smart LCD shipped with a smart voice assistant, allowing consumers to access the world's fabulous audio and videos without having to move a single finger. In 2020, the Company launched a full range of 4k quantum-dot LCDs ahead of domestic brands. With Hertv's open app platform, you can install the apps as you wish as if using a mobile phone. By connecting to the built-in HERAN environmental control center, you can have a good grasp of whatever devices with Internet connectivity at home, allowing you to fully enjoy home entertainment. The Company will continue its commitment to LCD display development, incorporating smarter voice control systems and developing a more intelligent, comprehensive voice-controlled smart environmental control center featuring enhanced semantic recognition; in 2021, the Company launched the full-screen 4K smart displays and the wireless Karaoke model. The extremely thin bezel means a high screen-to-body ratio of up to 97%, carrying your sight to a place where imagination is not restricted by visual field. Unlike ordinary Karaoke equipment, the wireless Karaoke model has the commercial-level Karaoke function without wasting any electricity, saving more energy and being more friendly to the environment; In 2022, the Company's main products included full-screen 75- and 82-inch large-sized LCDs. Building on the popularity of the Quantum Dot series from 2020, the "New Beauty Collection" of Quantum Dot models was unveiled in 2022. With a full-screen design, reinforced glass back cover, and refined aesthetics, the models are crafted to look elegant from every angle. Once powered on, they offer a vivid sensory experience with over 100% color gamut to enhance the viewer's viewing pleasure. Meanwhile, they are further shipped with the self-developed HERTV 6 system, more advanced 4-core CPUs, and Heran's AIOT smart environmental control center supported by 5G of the latest specifications and, as always, they are equipped with the Dolby Audio technology which optimizes the quality of sound. They let everyone feel the future at the present

and offer a smart home life that is user-friendly, smooth, and comfortable. The Company will continue to pay attention to the development trend of new technologies such as 8k, Micro LED, 5G, etc., and assess the time point at which products shipped with such technologies may be launched, so as to ensure the leading place of HERAN's products in terms of compete sizes, models, and functions, thereby satisfying the requirements of a wider base of loyal users. LCDs will be developed to include features such as large size, 4K resolution, smart voice control, and connectivity to AIoT peripherals, and the Company will pay attention to the development trend of key technologies such as 8K. By the middle of 2024, Google TV will be introduced to all LCD products, the most representative patented karaoke function of Heran will be introduced, and the quantum dot panel, 244Hz panel and 120Hz panel with high refresh rate will be adopted, so that audio and video entertainment can be satisfied at once. Meanwhile, products focusing on environmental control IoT are also available. We will strengthen the application of artificial intelligence technology and enhance voice recognition functions. In addition to compatible Chinese/Taiwanese language recognition, we will also add acoustic features technology to identify the user's identity based on this feature and further improve the identification precision and the accurate reactions. They let everyone feel the future at the present and offer a smart home life that is user-friendly, smooth, and comfortable. In 2025, the Company continues to develop smart products centered around environmental control IoT. We are also vigorously expanding AR interactive entertainment capabilities, aiming to transform smart TVs into an immersive home entertainment hub. These include support for virtual sports instruction, game interaction, and AR content display, offering users unprecedented interactive experiences.

HERAN Co., Ltd.'s R&D team intends to provide loyal users with only the products that are the latest and most compliant with government regulations. The Company launched the new refrigerant R32 that is more eco-friendly and more energy-efficient than CSPF energy efficiency standard that required by the government; doing so lets loyal users enjoy the air conditioner while making their share of contribution to the Earth. The Company developed R32 inverter ACs which meet the CSPF energy efficiency standard, and of which the technology are in sync with the Japanese technology. The Company is also the first among domestic brands to have the most numerous and comprehensive range of R32 inverter models. In 2020, the Company even developed and launched the R32 (environmentally friendly refrigerant) commercial (hidden-type, cabinet-type, and wall-mounted) 14.0KW and above inverter AC with an energy performance higher than level 1 of the national standard, and the three-phase 380V and 220V commercial (hidden-type, cabinet-type, and wall-mounted) 14.0KW and above level 1 inverter AC. When used with the remote control function, they save much more energy and electricity. On the air conditioner front, the Company launched the cloud-based advanced model of the R32 bog gas-resistant level 1 inverter AC and heater JT series. In addition to voice control and location-based trigger, such new models also purify the air with additional



features such as PM2.5 detection, Femtoe fresh, and Double Cleanliness. Smart air conditioners offer services such as detection, automatic scheduling, reminders, and other functions; they also can obtain ideal data through IoT and cloud big data computing and provide such data for strategic analysis. They give information about energy conservation and preventive maintenance. In 2021, in response to the pandemic, the Company launched the inverter AC “Femtoe Fresh 2.0,” which is certified by SGS to be capable of killing bacteria and removing more than 99.9% of PM2.5 and is tested by TEXCELL in France to be capable of effectively inhibit up to 99.999% of COVID-19 viruses; the Company also launched the “Double Cleanliness” feature that can automatically clean the evaporator of the indoor and outdoor unit. On the commercial-use front, the Company leveraged its advantage of differentiated products to launch the 26kW and 28 kW level 1 floor standing package system with an appeal for compactness which can save up to 43% space compared with other models on the market. In addition, Heran delivered a remarkable performance in the smart and cloud-based technologies; it was the first brand in Taiwan to produce an air conditioner with built-in components granted the Apple HomeKit certification. In 2022, the Company was the first in the industry to launch the level 1~2 window-type inverter ACs, make the case of the outdoor unit of the split system thinner, and work with telecom operators to develop custom cloud-based products. The Company remains the manufacturer with the most complete series and the largest number of models in the air conditioner industry in Taiwan, which can meet the requirements of all consumers. Upholding such belief, we continuously develop air conditioners that can meet different requirements of consumers and are more cost-effective. Heran’s first-class inverter AC fully adopted R32 green refrigerant, surpassed the efficacy standard of 2025 ahead of schedule. It is equipped with “bog gas protection 2.0” to improve the overall protection function by nearly 30%. Heran once again achieves the window-type air conditioner with the smallest enclosure structure in the market ahead of schedule. Heran achieves the new national level-1 efficacy standard of window-type air conditioner for 2025 ahead of schedule. Heran launched the first “full-inverter concealed duct dehumidifier” in the industry. The main design structure of the product uses an inverter compressor, an inverter module and a DC motor to achieve the goal of lower power consumption, using an inverter system also greatly reduces the noise during operation, and the dehumidification capacity is more efficient. The inverter system can be connected with air ducts to achieve the effect of whole-room dehumidification. We no longer need to pour water often and this product does not take up space. Both of them are common problems for the traditional dehumidifiers. To date, Heran air conditioner products have all met the new 2025 energy efficiency level 1 standard. The Company has also completed miniaturization design across the entire 2.3KW to 16.0KW capacity range, providing market differentiation and installation advantages, and enabling the “small home economy”. With its performance outstripping domestic brands and its pursuit of innovation and evolution in R&D, Heran showcased a series of AC products that fully embody the virtue of “energy saving, environmental protection, cleanliness, high energy

efficiency, and high quality”. At the same time, the Company will launch YAMADA air conditioners and act as the agency of Japanese SHARP air conditioners to tap into different customer segments, which is believed to be helpful to the overall performance growth.

The Company always pursues the goals of health, peace of mind, and energy conservation. Aside from LCDs and air conditioners, the Company wishes to transcend itself to become the Taiwan-based manufacturer which offers a full range of home appliances. Refrigerators come in a full range of models and are readily available, from small refrigerators to electronic coolers, and from one-door refrigerators to multiple-door refrigerators. To pursue products of a higher quality, the Company also launched the Japanese-style multi-door inverter refrigerator. By 2021, Heran has become a freezer specialist with the most complete range of upright freezers. In 2023, for freezers, apart from launching the largest 437 kg inverter freezer in the market for the commercial market, the Company also launched the 142 kg inverter freezer with the minimum market specifications to comprehensively care for consumers’ requirements. In 2024, we will increase the maximum specification of upright inverter freezers to 600L. This model has also applied for the energy-saving label, which can meet the requirements of energy-saving equipment subsidies for the service industry. The Company will expand its self-produced refrigerator production line to produce high-end multi-door refrigerators that fulfill level 1 energy efficiency. For washing machines, Heran will develop high-end rotary drum washing machines and launch rotary drum washing machines with more functions and diversity. For studios and the petite bourgeoisie, we will continue to launch small-sized washing machines that fulfill the gold level of water-saving or energy-saving labels with a high cost-performance ratio to provide a perfect solution for consumers with less space. In an environment with limited energy, energy-saving home appliances are a necessary product development trend in the appliance industry. Heran will continue to develop inverter appliances.

With our efforts spent in household appliances over the years, we have secured a seat in the market; in particular, for seasonal and cleaning home appliances, we have become the leading brand in the market and gained favorable performance in the results of prestigious market survey institutions. The scope of products covers small home appliances such as DC fans, electric heaters, dehumidifiers, vacuum cleaners, floor scrubbers, warm-water toilet seats, dishwashers, microwaves, rice cookers, microwave ovens, electric cookers , electric ovens, universal pressure cookers, electric kettles, electric cauldrons, etc. In 2023, we aim at a refined layout and differentiated products as our business policy. In 2024, the Company launched the second generation of product floor scrubbers and coffee machines series at the same time. These series recorded hot sales, driving the new growth of our performance. Regarding brand operations for market differentiation, YAMADA and Scion also launched new products one after another and created more potential for the Company in different price ranges. In addition to small appliances, Heran branched out into home appliances such as electric clothes hanger and smart lock. For home appliances,

Heran adhered to the philosophy of creating maximum happiness for consumers and continued to provide the most comprehensive and worry-free products in the market for consumers. The Company's intensive sales network and complete self-owned after-sales service system will create greater profits for the Company.

5. Favorable and unfavorable factors for future development, and response strategy

(1) Favorable factors

- A. As the world becomes more environmentally friendly, the market will accelerate the pace towards eco-friendly refrigerant products

The continuous global warming has pushed up the annual average temperature, which makes the world even hotter. In addition, the world is becoming more environmentally conscious. As such, after the Japanese manufacturers allowed the world to use their R32 patent for free, there were domestic manufacturers which already launched R32 AC products. R32 refrigerant is energy-efficient, affordable, and recyclable, which will facilitate the replacement of air conditioners.

- B. The government's policy that offers subsidies for replacement of old equipment as well as a refund of goods tax drives market sales up.

Sales in 2020 increased, thanks to the government policy, which offers subsidies for replacement with new energy-efficient products. The policy that makes refunds of goods tax will be extended for another two years counting from 2022, and it was confirmed that the refund of goods tax policy will be extended for two more years in 2023, with an additional solution of subsidies for the replacement of old equipment and energy-saving, which will facilitate the sale of level 1 energy-efficient air conditioners, refrigerators, and dehumidifiers.

- C. Seizure of the business opportunities for multi-functional products

Products gain diverse functions as technologies advance. For instance, due to the COVID-19 pandemic and air pollution in recent years, some air conditioners were equipped with the functions of a purifier and bacteria inhibition. Another example is the sweeper, DC fan, etc. that were equipped with functions such as UV sterilization light, HEPA cleaning filter, and other functions. As such, evolving existing products and developing multifunction products to satisfy customer requirements and boost sales is the business opportunity that entices us into keeping our own R&D team.

- D. Home appliances will become smarter

With the popularization of the Internet and the advancement of technology and communication technology, home appliances are expected to have more functions other than just be operated and monitored remotely through mobile phones. They are expected to gather ideal data through IoT

and cloud big data computing and provide such data for producing strategic analysis and suggestions, which has become the mainstream of the future development of home appliances. Given the low market penetration rate of smart home appliances at present, there is a new blue ocean for them. The Company has also invested heavily in the research and development of smart home appliances, and has launched the cloud-based smart display (Hertv), cloud-based smart air conditioners, cloud-based air purifiers, DC fans, sweepers, electronic door locks, and electric curtains, aiming to make a smart home viable and pioneer the development of smart home appliances.

E. Business opportunities that come with the stay-at-home economy

The Company's distribution network is dense, ranging from home appliance dealers, wholesale stores, computer/communication, consumer electronics chain stores, LCD shopping station, and e-commerce platform, all are operated by the Company and have achieved remarkable sales. The impact of the pandemic let us notice the opportunities that come with the stay-at-home economy. As such, going forward we will derive our sales from the marketing channels typically used by online celebrities, e.g., group buying, FB, live streaming, and KOL.

F. Logistics and service centers established across Taiwan

In addition to the Taoyuan headquarters, in recent years, the Company has successively launched the Taichung, Tainan, and Kaohsiung operation centers, which are used for local warehousing, logistics, and maintenance. Meanwhile, the Company established the Zhonghe and Changhua service stations in 2024, and it will open the new Sanchong service location in 2025 to offer customers more convenient services. With the completion of construction of the new A7 office-factory complex in 2022, the Company will have a better working environment and more space for storage of large-volume products such as refrigerators, freezers, washing machines, many small household appliances, and products of new specifications, which is expected to boost sales. At the same time, the Company is actively constructing small regional service centers to improve the overall service efficiency and improve the satisfaction of stores and consumers.

(2) Unfavorable factors and response strategy

A. Unfavorable factors

a. Internationally volatile raw material prices

The main raw materials of the Company's products include panels, compressors, and motors, which are purchased from at least two suppliers who are internationally renowned and have maintained a good relation with the Company for a long time. Given so, supply source and quality are quite stable.

However, the international prices of raw materials, due to their volatility, are hard to be predicted. Therefore, the price fluctuation will have a greater impact on the cost of LCDs and air conditioners.

Response strategy:

The Company strictly manages raw materials, pays close attention to the market price of raw materials and changes in supply and demand, grasps the international price trend, and adjusts the safety stock flexibly and enhances inventory management in response to future order requirements. The Company also maintains long-term cooperative relations with raw material suppliers while actively expanding procurement sources. Doing so not only diversifies procurement risks, but also allow access to better conditions in terms of lead time and price, thereby ensuring sufficient material sources and mitigating the risks caused by fluctuations in raw material prices. Continuously diversify product portfolio to reduce dependence on sales of a single product

b. Brand awareness and trust

More often than not, home appliances of imported brands catch consumers' eyeballs at sight. With their leading technology, fashionable design, and an image of durability and high quality being so impressive, they are the top choice for Taiwanese citizens who wish to buy a home appliance. In addition, domestic brands mainly sell in the domestic market; they do not have much advertising resources. As such, brand management for them is not easy.

Response strategy:

Having operated under its private brand "HERAN" for more than ten years, in addition to focusing on two major products, namely, LCDs and air conditioners, the Company never stops developing other products such as refrigerators, washing machines, and home appliances. The Company firmly believes that localization is the only way to triumph because it allows understanding of the market trend. Through independent research and development and design, the Company has developed a number of products that meet market needs, established a complete after-sale service system, and continued investment to diversify brand advertising so as to impress customers with a good brand image. In the future, the Company will keep investing in R&D and design, polishing the brand image, and achieving market segmentation, so as to allow consumers an easy access to HERAN's high quality products.

c. Regulatory changes increase the operating costs

The Company's products are LCDs, air conditioners, and home appliances, most of which are required by the Bureau of Standards, Metrology

and Inspection, and Bureau of Energy, MOEA to be certified by a third-party and registered before they can be sold. In case the laws change, such products might need to be certified and registered anew, incurring not only the certification costs but also the costs of having to sell out old products in stock, which in turn will increase the operating costs.

Response strategy:

The Company's R&D department has dedicated personnel who are responsible for the laws and regulations governing certification. Before amending laws or regulations, government agencies will have a meeting with the private sector to negotiate the feasibility and implementation schedule. The Company always designate personnel to take part in the meeting. It also pays close attention to the amendment of the laws and regulations, so as to grasp the product development progress and seamlessly connect the sale of new products with the sale of old products.

d. The domestic market is increasingly saturated and the competition is fierce

The domestic home appliance market has developed for a long time. With intensified urbanization, home appliances are commonplace among households. In addition, there are a bunch of competitor brands selling homogeneous products similar in nature. Coupled with the import of cheap brands from mainland China, price competition on the market becomes even fierce.

Response strategy:

HERAN has been selling home appliance products for nearly 30 years. Upholding the principles of maintaining a dominant presence in Taiwan, independent research and development, and continuous innovation, the Company has accumulated a considerable number of distribution channels and a considerable level of innovative research and development capabilities, with which, along with a high quality resembling that of Japan and Korea, an affordable price, and fast and complete after-sale service, the Company markets products throughout Taiwan and allows consumers to enjoy a good consumption experience. HERAN's brand value is built up with advertising and a good reputation earned through consumers' word-of-mouth about its good products and good services. The Company will leverage the HERAN brand to build a good reputation for its LCDs and air conditioners in the market. It will actively expand its product lines to make them more diverse while developing home appliances such as washing machines, refrigerators, freezers, and DC fans, electric heaters, vacuum cleaners, sweepers, dehumidifiers, purifiers, microwave ovens, etc., aiming to satisfy customers demands of all kinds at once and thus improve the brand's competitiveness. At the same time, the Company provides YAMADA products, acts as the agent

of Japanese SHARP brand air conditioners and freezers, and offers Scion and YAMADA small home appliances. The multi-brand strategy provides products with different textures for different customers. It is believed that this will be helpful for brand competition and overall business growth. .

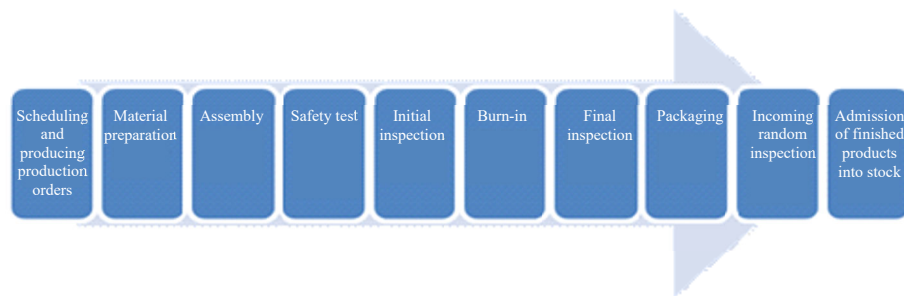
## (II) Usage and manufacturing processes for the company's main products

### 1. LCDs

#### (1) Usage of main products:

- A. Home audio-visual entertainment; multimedia advertising; conference; teaching
- B. Displays for general word processing, computing operations, and computer-based typesetting on personal computers.
- C. Displays for family leisure sports, Internet surfing, singing, and multimedia game consoles.
- D. LCD for security monitoring system.

#### (2) Manufacturing process

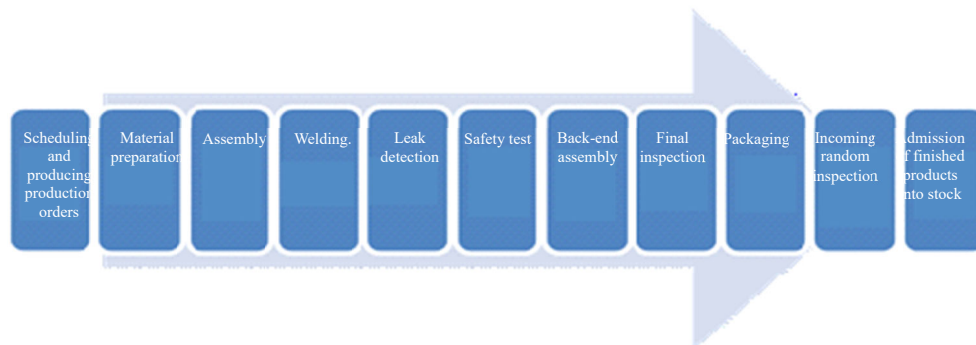


### 2. Air conditioner

#### (1) Usage of main products:

Used in residential and commercial premises to regulate the air, temperature, humidity, air cleanness, and air circulation; equipped with functions such as energy saving, remote control, and cooling and heating.

#### (2) Manufacturing process



(III) Supply situation for the company's major raw materials

In order to secure a stable supply of goods, the Company actively establishes long-term cooperative relations with domestic and foreign suppliers. As for the acquisition of other major components, the Company has also established a good cooperative relationship with manufacturers in the spirit of long-term partnership to secure the supply of materials of the best quality and price.

Major raw materials	Major suppliers
LCD semi-finished products	B3
AC semi-finished products	B4, B6, B13



(IV) A list of any suppliers and clients accounting for 10 percent or more of the company's total procurement (sales) amount in either of the 2 most recent fiscal years, the amounts bought from (sold to) each, the percentage of total procurement (sales) accounted for by each, and an explanation of the reason for increases or decreases in the above figures.

1. List of major suppliers: Information on Major Suppliers for the Most Recent 2 Fiscal Years

Unit: NT\$ thousand

	2023				2024			
Item	Title	Amount	Percentage of annual net purchases (%)	Relationship with the issuer	Title	Amount	Percentage of annual net purchases (%)	Relationship with the issuer
1	B6	602,713	19.68	Non-related party	B4	902,743	26.55	Non-related party
2	B4	597,980	19.52	Non-related party	B6	689,386	20.28	Non-related party
3	B3	391,815	12.79	Non-related party	B3	481,154	14.15	Non-related party
4	B13	384,106	12.54	Non-related party	-	-	-	-
	Others	1,086,594	35.47	-	Others	1,326,859	39.02	-
	Net purchase	3,063,208	100.00	-	Net purchase	3,400,142	100.00	-

Description of changes:

The changes in the purchase amount from the above-mentioned suppliers are mainly due to fluctuations in market demand, and thus reasonable. A description is given as follows:

1. B6

The Company mainly purchases its air conditioner-related products. B6 products are positioned in the high-end product market and B6 keeps selling window-type air conditioners and high-performance models. Affected by the sales growth in 2024, the number of purchases has increased compared to 2023.

## 2. B4, B13

The Company primarily sources air conditioner products from B4. In 2024, the volume procured from B4 increased compared to 2023, primarily due to a shift in sourcing for wall-mounted single-split units, a key product, to B4. As a result, the procurement value from B13 decreased compared to 2023.

## 3. B3

The Company mainly purchases LCDs from B3. Due to the centralized procurement of suppliers in 2024, the purchase volume in 2024 increased from 2023.

## 2. List of major customers: Information on major customers for the most recent 2 fiscal years

Unit: NT\$ thousand

	2023				2024			
Item	Title	Amount	Percentage of annual net sales (%)	Relationship with the issuer	Title	Amount	Percentage of annual net sales (%)	Relationship with the issuer
1	A11	621,933	10.04	Non-related party	A11	708,662	11.04	Non-related party
2	A1	611,966	9.88	Non-related party	A1	610,795	9.52	Non-related party
	Others	4,958,235	80.08	-	Others	5,097,721	79.44	-
	Net sales	6,192,134	100.00	-	Net sales	6,417,178	100.00	-

## Description of changes:

The Company mainly sells to dealers, computer/communication/consumer electronics distribution channels, and wholesale stores. As such, those purchased from the Company in the past two years remained largely the same.

This is attributed to a growth in the sales of air conditioners and home appliances due to hot weather.

### III. Employee Statistics for the Most Recent 2 Fiscal Years up to the Annual Report Publication Date

Unit: Persons; %

Fiscal year		2023	2024	As of March 31, 2025
Number of employees	Manager	56	65	66
	General staff	710	718	737
	Production line staff	189	186	184
	Total	955	969	987
Average age		40	41	41.7
Average service years		5.6	6.4	6.8
Education distribution percentage (%)	Ph.D.	0.31	0.31	0.3
	Master's degree	1.99	1.86	2.03
	College	53.72	53.15	53.29
	Senior high school	39.27	32.2	32.52
	Below senior high school	4.71	12.49	11.85

### IV. Disbursements for environmental protection

Any losses suffered by the Company in the fiscal year and up to the annual report publication date due to environmental pollution incidents (including any compensation paid and any violations of environmental protection laws or regulations found in environmental inspection, specifying the disposition dates, disposition reference numbers, the articles of law violated, and the content of the dispositions), and disclosing an estimate of possible expenses that could be incurred currently and in the future and measures being or to be taken. If a reasonable estimate cannot be made, an explanation of the facts of why it cannot be made shall be provided:

A manufacturer mainly engaged in the development and design of LCDs and assembly of LCD hardware, the Company does not cause any problems relating to waste water, exhaust, or noise during the process of assembly. However, upholding the ideal that everyone should do his/her own share for the environment, the Company still demands that employees take care of the environmental conditions in the office and factory and cooperate with the buildings administration center on the environmental protection work. Therefore, there was no loss due to environmental pollution in the recent year, and no major environmental protection expenditure is expected in the future.

### V. Labor relations

- (I) List any employee benefit plans, continuing education, training, retirement systems, and the status of their implementation, and the status of labor-management agreements and measures for preserving employees' rights and interests
  1. Employee benefits
    - (1) The various welfare systems provided by the Company include gifts and gift vouchers for the three festivals, domestic and foreign tour, education and training,

consolation money for hospitalization due to injury or illness, and other irregular social activities.

- (2) All employees are covered by the labor insurance, health insurance, and group insurance. The labor insurance premium is borne jointly by the Company and the employees; the health insurance premium is jointly borne by the government, the Company and the employees; and the group insurance premium is fully borne by the Company.
- (3) Performance-based rewards and bonus will be issued according to the operating conditions.

## 2. Continuing education and training for employees

This enables employees to become more specialized in professional fields and grow together with the Company, thereby improving the Company's fitness and achieving the goal of sustainable operations. This includes training on the skills required by the Company, or by employees for their work, and on skills which will come into practical use only in the Company. Such training aims to hone personal knowledge and skills, thereby improving work quality and increasing work efficiency. Such training comes in various types, including new employee orientation, on-the-job training, ERP operation training, process improvement seminars, professional training, computer training, language training, etc. The head of the various departments should constantly supervise their subordinates so as to improve their ability to handle their duties and enrich their knowledge requisite for performing their duties. The head the various departments, when deeming it necessary, may demand that the subordinates read a monograph related to their duties within a time frame, so as to improve the professional competency of the subordinates.

## 3. Retirement systems, and the status of implementation thereof

As required by the Labor Standards Act, the Company regularly makes contributions to the employee retirement reserve fund deposited in the dedicated account with the Bank of Taiwan. The Company commissions an actuary to conduct an actuarial calculation at the end of every year to ensure that the retirement reserve fund is adequate and sufficient. According to the Labor Pension Act, which became effective on July 1, 2005, the Company shall make a monthly contribution of no less than 6% of the monthly salary of the employee who opts for the new retirement system of the Labor Pension Act to the employee's retirement fund account, and shall handle retirement matters in the manner specified by the Labor Pension Act.

## 4. Labor-management agreements and measures for preserving employees' rights and interests: The Company's labor-management relation has always been harmonious. As such, there were no labor-management disputes, nor any labor-management agreement.

## 5. Measures for preserving employees' rights and interests

The Company has established a complete document management system, which sets out various management measures and clearly defines the rights and obligations of employees and welfare items. The Company regularly reviews the content of welfare through online transmission. In addition, the Company values employees' opinions and is committed to establishing an open communication environment. Supervisors and the various departments will also hold regular meetings, at which employees are encouraged to communicate with relevant personnel in an open and transparent manner at any time; the supervisors and relevant departments are required to give a swift response, so as to fully implement two-way communication.

## (II) List any losses suffered by the company in the most recent fiscal year and up to the annual report publication date due to labor disputes and disclosing an estimate of

possible expenses that could be incurred currently and in the future and measures being or to be taken. If a reasonable estimate cannot be made, an explanation of the facts of why it cannot be made shall be provided: The Company did not have any labor dispute in the most recent fiscal year and up to the annual report publication date. Since the Company always values employee benefits, the labor-management relation has been in harmony. As such, there should be no potential labor dispute in the future.

## **VI. Cyber security management**

- (I) Describe the cyber security risk management framework, cyber security policies, concrete management programs, and investments in resources for cyber security management.

1. Cyber security risk management framework

In 2025, in accordance with Article 3 of the “Guideline for Cyber Security Control by TWSE/TPEX Listed Companies,” the Company established the "Cyber Security Management Promotion Committee" as the functional unit responsible for governing and managing cyber security. By adopting the PDCA cycle management approach, the Company ensures the achievement and continuous improvement of reliability goals within its cyber security risk management framework.

The Company’s Information Office is responsible for taking care of all matters related to information security; revising information security policies; planning, coordinating, and implementing information security measures; and promoting information security management and solutions as planned year by year.

2. Information security policies

The Company has established the “Information Security Policy and Personal Data Protection and Maintenance Plan,” which governs all employees, internal and external users of information services, and third-party outsourced service providers. Its purpose is to prevent information and information systems from unauthorized access, use, control, disclosure, damage, alteration, destruction, or other harmful actions, while ensuring their confidentiality, integrity, and availability. This framework supports the collective efforts of all staff to achieve the following objectives:

- (1) To address changes in the cyber security threat environment, Company employees are required to participate in cyber security training programs aimed at enhancing overall Company cyber security awareness.
- (2) To protect the confidentiality and integrity of sensitive corporate information, systems, and data; to properly handle and safeguard personal information and intellectual property rights; and to prevent unauthorized access or tampering.
- (3) To establish and issue various cyber security management policies and procedures, and to regularly review and update them based on actual circumstances.
- (4) Regularly conducts internal audits to ensure various operations are implemented correctly.
- (5) Establish a comprehensive business continuity plan and information security incident management procedures, enhance the ability to respond to information security incidents, and conduct regular drills to strengthen the continuous operation of information services, thereby ensuring the availability of the various information assets.
- (6) Formulate information security requirements for system development and maintenance, detect and monitor information security, and avoid unauthorized

access, tampering, and destruction.

### 3. Concrete cyber security management programs

The Company has formulated information security plans, with which to promote information security policies on an annual basis; introduced information security systems, procedures, and regulations, and continued to build complete protection framework using information security technologies.

Concrete management programs include:

- (1) Compliance assessment and planning regarding the "Guideline for Cyber Security Control by TWSE/TPEX Listed Companies".
- (2) To establish the Company's "Cyber Security Management Promotion Committee" and define personnel roles and responsibilities, as well as cyber security policies and objectives.
- (3) To incorporate cyber security incident reporting procedures and internal material information reporting.
- (4) To conduct regular review of regulations and contracts, and to plan for a confidentiality classification system.
- (5) To conduct regular review of core business and information systems, and to perform risk assessment.
- (6) To establish a framework for collecting cyber security intelligence and patching vulnerabilities; to conduct cyber security testing for core information systems; and to ensure data processing and storage protection and conduct account review.
- (7) To manage personnel device usage and the use and disposal of equipment; to monitor systems and equipment; to implement password management, and to control physical access.
- (8) Carry out disaster recovery drills for important systems so as to ensure that operations can be quickly resumed in the event of disaster, thereby guaranteeing the Company's business continuity capability.
- (9) Outsourced security management: When engaging third-party vendors for outsourced information services, the Company shall ensure that confidentiality agreements, service contracts, or other relevant agreements clearly define the following requirements: service scope, service levels, delivery methods, quality assurance, change management, information security and confidentiality, audit mechanisms, legal compliance regarding intellectual property and personal data protection, acceptance procedures, and protocols for handling disputes, breaches, and other mutual rights and obligations.
- (10) Personal Data and File Security Maintenance Plan.
- (11) Internal/external cyber security audit, management review meeting.
- (12) Disseminate new knowledge of information security and advocate prevention of social engineering to improve employees' awareness of information security.
- (13) Continue to evaluate the introduction of advanced information security solutions to effectively manage and protect application systems, hosts, network security, and high-privileged personnel.

### 4. Investment in cyber security resources

Manpower

- (1) Appoint the Company's cyber security management personnel (2 persons)
- (2) Cyber security awareness training provided to 100% of system users
- (3) Cyber security awareness professional training provided to 100% of cyber security management personnel (2 persons) Measures taken
- (4) Established the "Personal Data and Cyber Security Management Promotion Team"

- (5)Cyber security management review meeting x 1 session
- (6)Meeting on relevant regulations and measures x 5 sessions
- (7)Cyber security core system audit x risk assessment
- (8)Social engineering exercises /vulnerability scanning of core information systems/penetration testing of core information systems
- (9)Joined Taiwan Computer Emergency Response Team/Coordination Center (TWCERT/CC)
- (10)ISO/IEC 27001 auditor certification (1 person) Budget
- (11)Allocation of an appropriate budget for reinforcing cyber security technology (including costs for N-Reporter implementation, legal compliance guidance, and other related expenses)
- (12)Continue to evaluate and introduce cyber security technical solutions to improve and refine cyber security management practices

(II) List any losses suffered by the company in 2024 and up to the annual report publication date due to significant cyber security incidents, the possible impacts therefrom, and measures being or to be taken: N/A.

## VII. Important contracts

Nature of contract	Parties	Beginning and end dates of contract	Major content	Restrictive clauses
Credit contract	TAIPEIFUBON COMMERCIAL BANK CO., LTD	2024/09/11-2025/09/11	General credit limit	None
Credit contract	First Commercial Bank	2024/12/20-2025/12/20	General credit limit	None
Credit contract	First Commercial Bank	2024/11/28-2025/11/28	General credit limit	None
Credit contract	Land Bank of Taiwan	2024/06/04-2025/06/04	General credit limit	None
Credit contract	Taiwan Business Bank Co., Ltd.	2024/07/23-2025/07/23	General credit limit	None
Sale contract	A1	2025/01/01-2025/12/31	Product sale	None
Sale contract	A11	2015/06~ terminate the contact's effect within 30 days from the date on which both parties have confirmed the formal written notice for the intention of contract termination.	Product sale	None
Purchase contract	B3	2017/06/02 ~ automatically renewed if no notice indicating the intent to terminate this contract is given at least 30 days prior to the expiry date of this contract.	Supply of raw materials	None

Nature of contract	Parties	Beginning and end dates of contract	Major content	Restrictive clauses
Purchase contract	B13	2016/10/30 ~ automatically renewed if no notice indicating the intent to terminate this contract is given at least 30 days prior to the expiry date of this contract.	Supply of raw materials	None
Purchase contract	B6	August 14, 2024~August 14, 2028	Supply of raw materials	None
Purchase contract	B4	August 1, 2021 ~ automatically renewed if no notice indicating the intent to terminate this contract is given at least 30 days prior to the expiry date of this contract.	Supply of raw materials	None



## Five. Review and analysis of financial position and financial performance, and risks

### I. Financial position

Unit: NT\$ thousand

Item \ Year	2023	2024	Differentials	
			Amount	%
Current assets	3,328,197	3,650,971	322,774	9.70
Property, Plant and Equipment	1,473,914	1,478,486	4,572	0.31
Intangible assets	9,925	27,362	17,437	175.69
Other assets	1,591,536	1,537,521	(54,015)	3.39
Total assets	6,403,572	6,694,340	290,768	4.54
Current liabilities	2,018,452	1,881,550	(136,902)	6.78
Non-current liabilities	192,876	446,657	253,781	131.58
Total liabilities	2,211,328	2,328,207	116,879	5.29
Share capital	730,004	730,004	-	-
Capital surplus	825,306	752,306	(73,000)	8.85
Retained earnings	2,634,806	2,883,921	249,115	9.45
Other equity	2,128	(98)	(2,226)	104.61
Total equity	4,192,244	4,366,133	173,889	4.15
<p>Description of reasons:</p> <p>(I) The main causes for the changes which are 20% or more and reach NT\$10 million in the most recent two years are described as follows:</p> <ol style="list-style-type: none"> <li>1. Increase in intangible assets: The increase in intangible assets in 2024 compared to 2023 was due to the acquisition of a new smart system.</li> <li>2. Increase in non-current liabilities: The increase in non-current liabilities was primarily due to the addition of new long-term borrowings in 2024.</li> <li>3. Decrease in other equity: The decrease was due to a valuation loss on financial instruments at the end of the reporting period.</li> </ol> <p>(II) Effect on financial position: No significant influence.</p> <p>(III) Response measures: N/A.</p>				

## II. Financial performance

(I) Main reasons for any material change in operating revenues, operating income, or income before tax during the past 2 fiscal years:

Unit: NT\$ thousand

Item \ Year	2023	2024	Increase (decrease) amount	Percentage of change (%)
Operating revenue	6,192,134	6,417,178	225,044	3.63
Operating cost	4,116,360	4,380,103	263,743	6.41
Gross profit	2,075,774	2,037,075	(38,699)	1.86
Operating expenses	1,467,283	1,596,005	128,722	8.77
Operating profit	608,491	441,070	(167,421)	27.51
Non-operating income and expenses	95,321	121,293	25,972	27.25
Profit Before Income Tax	703,812	562,363	(141,449)	20.10
Income tax expense	135,757	94,866	(40,891)	30.12
Net income (loss) for the period	568,055	467,497	(100,558)	17.70
Total other comprehensive income for the period	2,128	(1,607)	(3,735)	175.52
Total comprehensive income for the period	570,183	465,890	(104,293)	18.29

The main causes for the changes which are 20% or more and reach NT\$10 million in the most recent two years are described as follows:

1. Decrease in Operating Profit: The decrease was mainly due to an increase in operating expenses compared to the previous year.
2. Increase in Non-operating Income and Expenses: This was primarily due to higher interest income and dividend income from the purchase of financial assets measured at fair value through other comprehensive income.
3. Decrease in Pre-tax Profit and Income Tax Expense: This was due to rising raw material costs, the appreciation of the U.S. dollar, and the clearance of long-aged inventory. In addition, the decrease in pre-tax profit in 2024 (Year 113 of the ROC calendar) resulted in lower income tax expense compared to 2023 (Year 112).
4. Decrease in Net Profit for the Period: The decrease was mainly attributable to higher operating expenses caused by rental costs of the new plant in 2024, leading to a decline in net profit compared to 2023.
5. Decrease in Other Comprehensive Income for the Period: This was due to a decline in the fair value of financial assets measured at fair value through other comprehensive income as of the end of the period.

(II) Sales volume forecast and the basis therefor:

The Company's products have been deeply cultivated in the Taiwan market under its own brand HERAN for many years and have been highly favored by consumers. With the listing of the Company's stock on the exchange, the brand awareness of the Company has also greatly increased. Over the years, the sales volume and market share of air conditioners have been continuously increasing. In terms of LCDs, they have been among the top for many years and have a certain market share. Aside from

maintaining the market share and growth rate of the two products, the Company also launched a series of household appliances which were sold remarkably well and increase in sales every year. The Company expects a continuous growth in shipping volume and revenue in 2024.

(III) Potential effects on the company's financials and business in the future, and response measures therefor:

1. Future development strategy

(1) Improve product performance and customer experience:

In the smart display field, the Company will deepen AI image quality algorithm technology, strengthen image enhancement, ambient light sensing, dynamic compensation and other functions, and continue to develop voice recognition and natural language processing technologies to enhance user interaction experience. For high-end flagship models, the focus will be on 8K high-definition display, Mini LED backlight technology and 120Hz+ high refresh rate gaming display to meet the demands of the high-end consumer market. In addition, to expand market penetration, the Company will simultaneously maintain the supply of non-networked products, providing customized models that meet the needs of the project market to ensure product diversity and market competitiveness.

In terms of air conditioners, the Company continues to launch high-efficiency products and phase out energy-hungry units, thereby facilitating the country's energy transition. Development of window-type air conditioners and portable air conditioners using natural refrigerant systems or R290 refrigerant, which has a GWP (Global Warming Potential) of approximately zero. Compared to current refrigerant systems, natural refrigerants are competitive in terms of efficiency and cost. The development and use of hydrocarbon (HC) refrigerants facilitates energy saving and carbon reduction, featuring benefits such as environmental protection, energy efficiency, near-zero carbon emissions, and high energy performance. This allows for the realization of green net-zero carbon emissions development goals in air conditioning systems. Develop AI smart energy saving for household air conditioners by integrating AI technology with air conditioning technology to interactively learn complex and changing user environments, utilizing algorithms to dynamically adjust the operating mode of air conditioners and select the optimal energy-saving control strategy.

(2) Establish an open-type innovation ecosystem:

The Company will integrate AIoT and multi-modal sensing technologies, advancing intelligent environmental sensing and adaptive control, while introducing next-generation communication protocols including Zigbee, Matter, and Wi-Fi 6E to ensure seamless interaction between household appliances.

(3) Strengthen information security and privacy protection:

In the smart home appliance sector, personal data security and privacy protection have become crucial concerns. Therefore, the Company will strictly comply with international data privacy standards such as GDPR, CCPA, and establish comprehensive data encryption, access control, and remote update mechanisms to ensure device information security.

2. Impact from external competition, legal environment, and overall business environment

In addition to the competition from local brands, Taiwan's home appliance

market must also face the entry of brands from Japan, South Korea, Europe, America, and China. Therefore, the market competition is quite fierce. In addition, we also have to deal with the need for higher awareness towards environmental protection and energy conservation and in line with the government's 2050 net zero carbon emission goal. The only way for the Company to stay true to the market is to keep on innovating and changing. The Company will continue to deliver the HERAN brand marketing strategy, which aims to evoke a sense of quality and high added value for products; to evolve product quality; and to develop quality, differentiated products to differential the Company from competitors, thereby grasping the key competitive advantages.

### III. Cash flow

#### (I) Analysis of cash flow changes during the most recent fiscal year

Unit: NT\$ thousand

Cash balance at the beginning of the period	Net cash inflow from operating activities in the year	Net cash outflow from investing and financing activities in the year	Cash surplus (shortfall) amount	Remediation measures to be taken in case of cash shortfall	
				Investment plan	Wealth management plan
580,195	740,319	(637,386)	683,128	-	-
Analysis of cash flow changes in the current year:					
(1) Operating activities: The net cash inflow was mainly due to the continuous and stable profitability of air-conditioning and various home appliances, and the acceleration of collection of accounts receivable.					
(2) Investing activities: The net cash outflow was mainly due to the purchase of financial assets to activate the Group's idle funds.					
(3) Financing activities: Mainly due to the distribution of cash dividends and the repayment of lease principal, which resulted in a net cash outflow.					

(II) Remediation plan in case of cash shortfall: None.

#### (III) Analysis of cash flow for the following year

Unit: NT\$ thousand

Cash balance at the beginning of the period	Net cash inflow from operating activities in the year	Net cash outflow from investing and financing activities in the year	Cash surplus (shortfall) amount	Remediation measures to be taken in case of cash shortfall	
				Investment plan	Wealth management plan
683,128	935,592	(519,365)	1,099,355	-	-

Analysis of cash flow changes in the current year:

- (1) Operating activities: Develop new products to increase operating income and profits. It is expected that operating activities will generate a net cash inflow this year.
- (2) Investing activities: Mainly due to the increase in the purchase of financial assets, resulting in a net cash outflow.
- (3) Financing activities: Mainly due to the repayment of lease principal, which resulted in a net cash outflow.

**IV. Impacts of Major Capital Expenditures in the Most Recent Year to Financial Performance: N/A.**

**V. 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) Re-investment policy: The Company makes investment in accordance with the “Regulations Governing the Acquisition and Disposal of Assets”; investment will not be made unless being assessed for benefits and approved by the Board of Directors.
- (II) The main reasons for the profits/losses generated thereby, and the plan for improving re-investment profitability:

December 31, 2024 Unit: NT\$ thousand

Investee enterprise	Major line of products	Investment profit (loss) recognized for 2024	Main reasons for profit or loss	Improvement plan
Ranso Co., Ltd.	Air conditioner and set-top box manufacturing	85,484	Primarily due to the growth in profits resulting from the decrease in the prices of raw materials and the increase in sales.	None.
HERTEC Co., Ltd.	Wholesale trading of electrical and electronic products	7,249	Mainly due to increase in profits as a result of increase in operating revenue derived from winning the government tender.	None.
Her Hsiung Co., Ltd.	Manufacturing of refrigerators	1,558	Mainly due to increase in profits as a result of refrigerator sales.	None.
SHAH AIR TECH CORPORATION	Wholesale of Electrical Appliances, etc.	(22,401)	Mainly due to the higher expenses for brand promotion in the initial stage.	None.
Taiwan Gree Co., Ltd.	Wholesale of Electrical Appliances, etc.	72,262	Primarily due to the stable operations of the air conditioner business, which maintained the profit level.	None.

(III) Investment plan for the following year:

In the future, the Company will make investment according to the business plan, products, its operational development, and the capital requirements of investees.

**VI. Analysis and assessment of risks for the most recent year and the current year up to the publication date of this annual report**

- (I) The effect of interest and exchange rate fluctuations and changes in the inflation rate upon the company's profits (losses), and response measures to be taken in the future.

Unit: NT\$ thousand

Item	2023	2024
Operating revenue - net	6,192,134	6,417,178
Interest income	14,252	37,694
Interest expense	11,094	21,658
Exchange (losses) gains	(9,095)	(8,407)

1. The impact of interest rate changes

The Company's interest expenses in 2023 and 2024 were NT\$ 11,094 thousand and NT\$ 21,658 thousand, respectively, accounting for 0.18% and 0.34%, respectively, of the Company's net operating income. Given so, changes in interest rates won't have a significant impact on the Company. In addition, the Company works closely with its collaborative banks, always attends to market changes, and maintains a long-term and good credit relation with the collaborative banks, which will make it easier for the Company to obtain loans with preferential interest rates from the bank.

Concrete response measures

In the future, the Company will raise funds from diverse sources, do business with more financial institutions, and strive for favorable deposit and loan interest rates, depending on the situation of market capital, so as to reduce the impact of interest rates on the Company's profit and loss.

2. The impact of exchange rate changes

The net exchange losses/losses of the Company in 2023 and 2024 were NT\$ 9,095 thousand and NT\$ 8,407 thousand, respectively, accounting for 0.15% and 0.13%, respectively, of the Company's net operating income, and 1.29% and 1.49%, respectively, of the pre-tax profit. Given such a little proportion, it is expected that the exchange rate will not have a significant impact on the Company's profit or loss.

Concrete response measures

The Company maintains a close relation with financial institutions while observing the changes in market exchange rates. By considering the information on the exchange rate trend provided by collaborative banks, the Company hedges the exchange risks through the purchase of long-term foreign exchange in time, so as to minimize the impact of potential exchange rate changes on the Company.

### 3. Effect of inflation

In recent years, due to the increase in the prices of global resources and materials, the macroeconomic environment has featured a mild inflation. However, such an inflation so far has not had any significant effect on the Company.

#### Concrete response measures

The Company always attends to the fluctuation of the market price of raw materials, and maintains a good relationship with suppliers; by predicting the prices of raw materials, the Company places early orders for a determined quantity to reduce the impact of a price hike.

(II) The company's policy regarding high-risk investments, highly leveraged investments, loans to other parties, endorsements, guarantees, and derivatives transactions; the main reasons for the profits/losses generated thereby; and response measures to be taken in the future.

1. High-risk and high-leverage investment: The Company focuses on the operation of its own business, and has not engaged in other risky industries. In addition, its financial policy is conservative; high-leverage investment is never one of its choices. All investments will be implemented only after careful assessment.
2. Loaning of funds to others: In the most recent year and up to the publication date of this annual report, the Company had not loaned any funds to others. Any matters relating to loaning of funds to others by the Company will be governed by its "Regulations Governing Loaning of Funds to Others".
3. Endorsement and guarantee: In the most recent year and up to the publication date of this annual report, the Company had not made any endorsement or guarantee. Any matters relating to endorsement or guarantee made by the Company will be governed by its "Regulations Governing Making of Endorsements/Guarantees".
4. Policy on derivatives transactions; the main reasons for the profits/losses generated thereby; and response measures in the future: The main purpose is to avoid market risks caused by fluctuations in exchange rates and interest rates. All transactions must be compliant with the Company's "Regulations Governing the Acquisition and Disposal of Assets", and shall not be for arbitrage or speculative purposes. In the future, the Company will adopt a conservative policy for its derivatives trading, mainly for purposes of hedging the risks arising from exchange of foreign currencies.

(III) Research and development work to be carried out in the future, and further expenditures expected for research and development work:

#### 1. Future R&D plans

Product name	Development direction
Development of smart home product	<b>Smart door lock:</b> Integrates facial recognition, fingerprint identification, and remote operation functions, complying with the safety and convenience requirements of the Intelligent Building Label. <b>Smart fans:</b> Integrating pedestrian flow recognition and air quality monitoring, they offer adaptive operating modes that meet the energy efficiency standards stipulated by the Intelligent Building Label.

Product name	Development direction
	<p><b>Smart speaker:</b> Supporting alarm systems, the speakers play a crucial role in broadcasting smart disaster prevention messages.</p> <p><b>Smart curtain:</b> Featuring light detection and AI scenario learning capabilities, the curtain makes automatic adjustments based on the user's habits, complying with the comfort and energy management regulations of the Intelligent Building Label.</p> <p><b>Functional enhancements of diverse home appliances:</b> Products such as air purifiers and dehumidifiers are equipped with IoT and AI technology to realize precise control and data analytics, in turn facilitating the overall intelligent building certification process.</p>
Micro-sensing solution module for IoT home appliances, featuring AI-powered pedestrian flow detection	Employing AI visual analysis, pedestrian flow detection applies deep learning models to accurately identify the number of people entering and exiting, behavior patterns, and active areas. Applicable to smart air conditioners, lighting controls, and other devices.
AC IoT (Wi-Fi & BLE dual-frequency) project	<p><b>TaiSiea standard compliance:</b> The Company has developed TaiSiea-compliant communication modules that support dual Wi-Fi and BLE connectivity. This enhances the compatibility of air conditioning equipment for use in smart buildings and smart homes. To enhance communication protocols and data exchange between devices, meeting the technical requirements for energy conservation, carbon reduction, and smart management stipulated in government tenders.</p> <p><b>High-performance pairing and stability guaranteed:</b> By optimizing Wi-Fi and BLE connectivity technology, we ensure device pairing performance is boosted by over 30%. This enhancement also improves transmission accuracy and stability, reducing the risk of client devices experiencing disconnections or configuration failures. To improve OTA (Over-The-Air) functionality, enabling remote maintenance and software upgrades for modules, thus ensuring stable product operation over the long run.</p>
Smart IoT refrigerator solution featuring UHF-RFID technology	The smart IoT refrigerator solution features UHF-RFID technology that materializes the quick identification and automatic recording of the content of the refrigerator through module integration. It also supports the simultaneous identification of multiple tags and increases management efficiency. Item data is transmitted to the cloud via Wi-Fi/BLE, which is combined with big data analytics to provide shelf life reminders, shopping suggestions, and remote monitoring. AI technology further optimizes the storage and access of data to realize personalized recommendations and improve energy



Product name	Development direction
	efficiency. At the same time, the solution automatically categorizes items and provides expiration date reminders to effectively minimize waste.
Smart TVs with VR/AR capabilities	The strengthened functions of smart TVs in VR/AR interactive entertainment applications combines virtual and real technologies to deliver an immersive entertainment experience. Through seamless integration with VR/AR devices, smart TVs can serve as the central hub for displaying and interacting with virtual environments. They enable dynamic image synchronization and high-definition, low-latency rendering, delivering a smoother user experience. Smart TVs will integrate AR applications such as virtual fitness coaching, AR gaming, and educational content, creating diverse interactive scenarios for families. Contactless interaction methods like gesture recognition and voice control will further enhance the convenience and technological sophistication of smart home entertainment.

## 2. Estimated R&D expenses

Unit: NT\$ thousand			
Item	2023	2024	2025 (estimated)
R&D expenditure	64,142	55,752	59,172
Operating expenses	1,467,283	1,596,005	1,697,781
Ratio to operating expenses	4.37%	3.49%	3.49%

To improve its competitiveness in the market, the Company has heavily invested R&D manpower and material resources. By independently developing high-end and high-value-added products, and with a strategy aimed at developing differentiated products, the Company has developed its own blue ocean market. The Company will continue to invest in the development of new products, new technologies and new markets with an annual R&D budget of about 2% to 4% of operating expenses, so to increase the competitive advantage of the Company's products

- (IV) Effect of important policies adopted and changes in the legal environment at home and abroad upon the company's financials and business, and measures to be taken in response:

As for the policy and legal changes at home and abroad in the recent year, the Company has responded to them with proper measures, assess their impact on the Company at all times, and has taken countermeasures in advance to reduce operational risks; up to this point of time, they had not had any significant impact on the Company's financials or business.

- (V) Effect of the development in science and technology as well as industrial change upon the Company's financials and business, and measures to be taken in response.

The Company always value the improvement in research and development capabilities. In addition to continuing to strengthen the investment in research and development, the Company also attends to changes in related industries and

technological progress at all times, and adjust relevant countermeasures in time. Therefore, the technological changes had not had any significant impact on the Company's financials and business.

- (VI) Effect of changes in the company's corporate image upon its crisis management, and measures to be taken in response:

Since its establishment, the Company has been actively strengthening internal management, improving management quality and performance, striving to maintain its corporate image, and complying with relevant laws and regulations; so far, there has been no incident that impacts the Company's corporate image.

- (VII) Expected benefits and possible risks associated with any merger and acquisitions, and mitigation measures being or to be taken:

In the most recent year and up to the date of publication of the prospectus, the Company has no plans to acquire other companies. In case of mergers or acquisitions in the future, the Company will follow the various regulations to evaluate various benefits and control risks, so as to ensure the interests of the Company and shareholders.

- (VIII) Expected benefits and possible risks associated with any plant expansion, and mitigation measures being or to be taken:

Having dedicated to the Taiwan markets for long, the Company has seen its products gain a certain market share in Taiwan. To satisfy the requirements that come with sales growth, strengthen the expansion of markets to central and southern Taiwan, and serve the customers therein, in December 2016, the Board of Directors approved the plan to expand the Kaohsiung plant. The plant is intended for the production of refrigerators in the future to replace the current model by which manufacturing is outsourced. Doing so will reduce costs, increase the Company's gross profit, and maintain product quality, thereby polishing the brand image. The plant was built by a commissioned third party on purchased land. Since the Company has a good brand image and stable customer bases, the expansion of plant is not expected to cause any material risk.

- (IX) Risks associated with any consolidation of sales or purchasing operations, and mitigation measures being or to be taken:

1. Purchase

The Company purchases from multiple sources, and does business with others based on considerations of the stability of price, quality, and lead time. The Company mainly purchases from internationally renowned manufacturers, and purchases the same materials from at least two suppliers. Given so, there is no such thing as to purchase concentration. The Company also has a good relationship with suppliers, and has not seen any case of supply disruption. In the future, we will continue to look for alternative suppliers in other regions. For example, we already have alternative refrigerator suppliers in Thailand and Vietnam.

2. Sale

The Company is a brand that exclusively focuses on domestic market and has obtained a certain level of brand awareness and market share. The Company sells to many customers, including domestic home appliance dealers, computer/communication/consumer electronics chain stores, wholesale stores, e-commerce platform, LCD shopping channels, chain supermarkets, and convenience

stores; the Company also sells via live streaming and beauty shops. Nonetheless, major products sold via different channels are different. In the future, the Company will continue to develop more distribution channels and sell more lines of products through each channel, so as to effectively mitigate the risk of sales concentration.

- (X) 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:

In the most recent year and the current year up to the publication date of this annual report, the share transfer conducted by the Company's director, supervisor, or major shareholders with 10% or more of the Company's shares was based on either personal financial planning, or engaging a strategic partner in line with the Company's strategy; such a share transfer is considered reasonable, and has not had any impact on the Company's operations.

- (XI) Effect upon and risk to company associated with any change in management rights, and mitigation measures being or to be taken:

The Company's management team is committed to the sustainable development of the Company; there has been no change in management rights in the most recent year and up to the date of publication of the annual report.

- (XII) Litigious and non-litigious matters. List major litigious, non-litigious or administrative disputes that: (1) involve the company and/or any company director, any company supervisor, the general manager, any person with actual responsibility for the firm, any major shareholder holding a stake of greater than 10 percent, and/or any company or companies controlled by the company; and (2) have been concluded by means of a final and unappealable judgment, or are still under litigation. Where such a dispute could materially affect shareholders' equity or the prices of the company's securities, the annual report shall disclose the facts of the dispute, amount of money at stake in the dispute, the date of litigation commencement, the main parties to the dispute, and the status of the dispute as of the date of publication of the annual report:

1. Major litigious, non-litigious, or administrative disputes to which the Company is a party, and which have been concluded by means of a final and unappealable judgment, or are still under litigation in the most recent two years and the current year up to the publication date of the annual report. Where such a dispute could materially affect shareholders' equity or the prices of the company's securities, the annual report shall disclose the facts of the dispute, amount of money at stake in the dispute, the date of litigation commencement, the main parties to the dispute, and the status of the dispute as of the date of publication of the annual report: **None.**
2. Litigious, non-litigious or administrative disputes that: (1) involve the company and/or any company director, any company supervisor, the general manager, any person with actual responsibility for the firm, any major shareholder holding a stake of greater than 10 percent, and/or any company or companies controlled by the company; and (2) have been concluded by means of a final and unappealable judgment, or are still under litigation in the most recent two years and up to the publication date of this annual report. Where such a dispute could materially affect shareholders' equity or the prices of the company's securities, the annual report shall disclose the facts of the dispute, amount of money at stake in the dispute, the date of litigation commencement, the main parties to the dispute, and the status of the

dispute as of the date of publication of the annual report: **None.**

3. Any case in which the Company's director, supervisor, manager, or major shareholders with 10% or more of the Company's shares are involved in circumstances described in Article 157 of the Securities and Exchange Act in the most recent year and up to the publication date of this annual report, and the Company's dealing with the case: **N/A.**

(XIII) Other important risks and response measures: **N/A**

**VII. Other important matters: None.**

## **Six. Special items to be included**

**I. Summary of Affiliated Companies: Please refer to the Market Observation Post System: <http://mops.twse.com.tw/>.**

**II. Private placement of securities in the most recent year and the current year up to the publication date of this annual report: None.**

**III. Other matters that require additional description: None.**

**IV. Any of the situations listed in Article 36, Paragraph 3, Subparagraph 2 of the Securities and Exchange Act, which might materially affect shareholder equity or the price of the Company's securities: None.**

**HERAN Co., Ltd.**

**Responsible person: Tsai, Po-i**