

Stock Code: 6188

Quanta Storage Inc.

2023

Annual Report

April 12, 2024

The Website for Annual Report Query:

Market Observatory Post System: <http://mops.twse.com.tw>

The Company's Website: <http://www.qsitw.com>

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© Stock Transfer Agency

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© The Certified Public Accountants of the Financial Report for the Last Year

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© Name of any exchanges where the Company's securities are traded offshore
and the method of Inquiry of the information on the offshore securities:

None

© Company website: <http://www.qsitw.com>

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One. Letters to the shareholders

2023 was a year of significant change. Despite the easing of the COVID pandemic, ongoing conflicts such as the Russia-Ukraine war and the China-US trade tensions, along with geopolitical crises like the situation in the Middle East and the Red Sea, led to energy, food, and transportation crises, while also keeping inflation persistently high. Major global economies adopted a policy of raising interest rates to control inflation, resulting in drastic shifts in the global economy. Not only did corporate investments freeze, but end-consumer demand also plummeted, impacting consumer electronics products in particular, which experienced an unusual decline in recent years. Faced with this volatile economic landscape, the challenges posed to corporate management and adaptability were profound.

Facing this uncertain economic environment and a constant stream of operational challenges, the ability to manage and adapt became a significant challenge for businesses. Despite the challenges posed by the volatile economic conditions and the rapid slowdown in consumer electronics product demand, Quanta storage managed to overcome them with the concerted efforts of our team. Although our annual revenue experienced a slight decline, we were able to maintain stable profitability.

The summary of the 2023 operational performance and 2024 operation prospects is as follows:

I. 2023 Operating Results and Plan

For operating and revenue, the company had a consolidated revenue of NT\$10,376,033 thousand, a 14.38% decreased compared to the NT\$12,118,494 thousand of 2022. Gross profit of 2023 was NT\$2,655,060 thousand, an decreased of 2.98% compared to last year. Earnings per share were NT\$4.00. The financial summary as follows:

Unit: NT\$ thousand; %

Account	2023	2022	Increase / decrease amount	Increase / decrease %
Operating revenue	10,376,033	12,118,494	(1,742,461)	(14.38)
Gross profit	2,655,060	2,736,526	(81,466)	(2.98)
Net income from operations	1,150,880	1,092,574	58,306	5.34
Current period net profit	1,113,311	1,120,077	(6,766)	(0.60)

Note: According to the CPA's audited consolidated financial statement

Unit: %

Item		2023	2022
Financial structure	Ratio of liabilities to assets	32.67	33.73
	Ratio of long-term capital to property, plant and equipment	449.92	468.64
Debt service ability	Current ratio	253.82	277.94
	Quick ratio	238.33	244.27
Profitability	Assets return ratio	7.89	7.91
	Equity return ratio	11.78	12.40
	Net profit ratio	10.73	9.24

Note: According to the CPA's audited consolidated financial statement

The company's ratio of liabilities to assets of these two years are 32.67% and 33.73%, respectively. Ratio of long-term capital to property, plant and equipment of these two years are 449.92% and 468.64%, respectively. As the ratio of long-term capital to property, plant and equipment is much higher than 100%, it shows that the long-term capital can fulfill the need of property, plant and equipment and the financial structure is solid. As for solvency, the quick ratio and current ratio being greater than 100% shows that the working capital can fulfill the need of current liabilities. In terms of profitability, both asset turnover, return on equity, and net profit margin are comparable to the previous year.

This operational success is built upon a solid financial foundation, represented by our strong Quanta storage financial standing. In recent years, we have continuously adjusted our product portfolio to adapt to market changes and trends. We have also maintained a commitment to investing in the development and application of new

products, ensuring the company's competitiveness. Simultaneously, we have been consistently optimizing management efficiency and accelerating the adoption of automation to enhance manufacturing technology. Furthermore, we have harnessed the collaborative strength of our team to navigate the uncertainties of the larger business environment, ensuring the company's sustained profitability.

2024 Operating Prospects

2024 is a year filled with challenges and opportunities. In addition to the ongoing economic impacts stemming from international geopolitical conflicts, the industry transformation led by AI offers boundless innovative applications and potential business opportunities. Quanta storage not only maintains a strong financial foundation but also actively fosters innovation and deepens collaboration with customers and suppliers. Simultaneously, we are refining manufacturing techniques and accelerating the implementation of automation to enhance our corporate competitiveness. Looking ahead to 2024, the road remains filled with both challenges and opportunities. We believe that with the collective efforts of all our employees, we can continue to grow steadily and create corporate value. We extend our gratitude to our shareholders for their consistent support and encouragement.

Chairman: HO, SHI-CHI

Two. Company Profile

I. **Date of incorporation registration:** February 10, 1999.

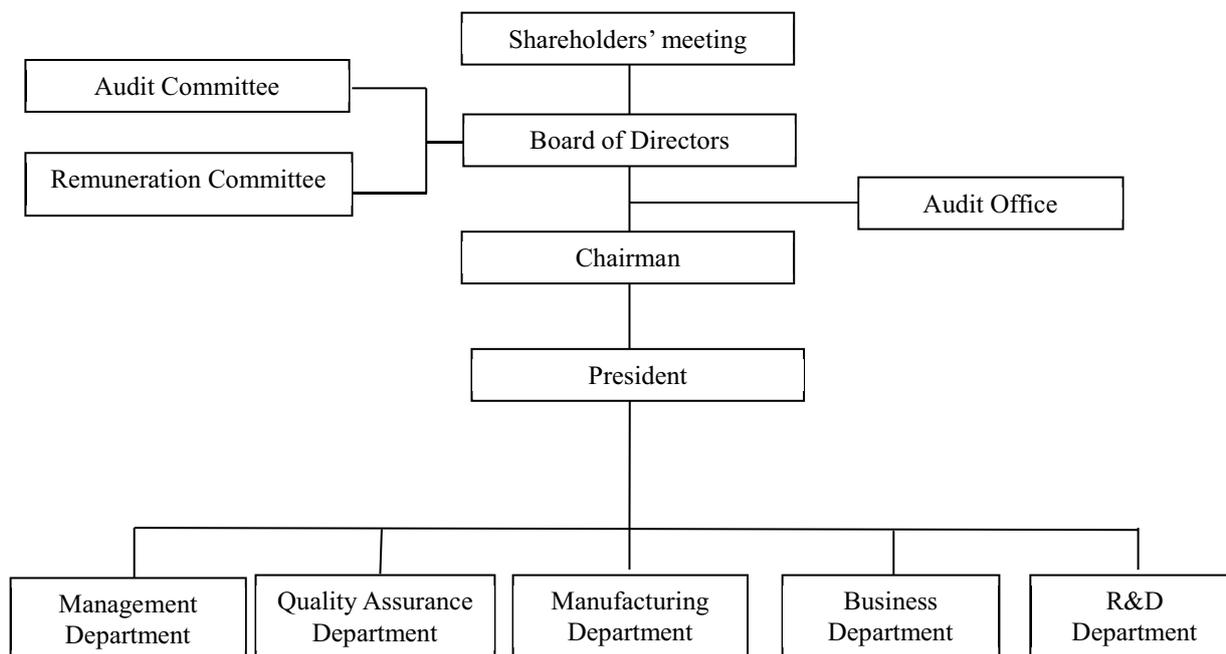
II. **Organization and operations:**

<u>Year</u>	<u>Major Event</u>
1999	<ul style="list-style-type: none">• The Company was established in Taoyuan County with a capital of NT\$200 million
2000	<ul style="list-style-type: none">• Carried out initial public offering• Passed ISO-9001 quality certification
2001	<ul style="list-style-type: none">• Invested in the establishment of Quanta Storage (Shanghai), Ltd.
2002	<ul style="list-style-type: none">• Registered with Taipei Exchange as a stock traded in the emerging stock market• Issued employee stock warrants• Officially listed on Taipei Exchange for trading
2007	<ul style="list-style-type: none">• Ranked 154th in Common Wealth Magazine's Top 1000 Manufacturing Enterprises
2008	<ul style="list-style-type: none">• Won the 16th Industrial Technology Development Excellent Enterprise Innovation Award from the Ministry of Economic Affairs• Ranked 82nd among the top 100 patents of Taiwan's Institutional Invention Patents of Intellectual Property Office
2009	<ul style="list-style-type: none">• Invested in the establishment of Techman Electronics (Changshu) Co., Ltd.• Ranked 14th among the top 100 technology companies in 2009 by Business Next
2015	<ul style="list-style-type: none">• Invested in the establishment of Techman Robot Inc.
2017	<ul style="list-style-type: none">• Invested in the establishment of Techman Electronics (Thailand) Co., Ltd.
2021	<ul style="list-style-type: none">• Purchased land on Wenming 1st Street, Guishan District, and built the headquarters office building and a R&D center• Relocated to 6F, No. 58-2, Huaya 2nd Road, Guishan District, Taoyuan City

Three. Corporate Governance Report

I. Organization:

1. Organizational structure



2. Overview of the functions of the main departments

Name of department name	Main responsibilities
Audit Committee	Supervise the adequacy of financial statements, evaluate the independence of certified public accountants (CPAs), the effective implementation of internal control, and compliance, as well as manage and control the Company's existing or potential risks.
Remuneration Committee	Formulate and periodically review the performance review and remuneration policy, system, standards, and structure for directors and managers.
Audit Office	1.Check and evaluate whether the internal control system is sound and complete, and put forward suggestions for analysis and evaluation. 2.Evaluate the use of reasonable cost to achieve effective control and to improve quality.
Management Department	1.Execute personnel, administrative, and general affairs. 2.Develop and improve the organization, culture, and human resources. 3.Design, plan, and manage IT in the office. 4.Responsible for financial operations and planning. 5.Responsible for fund management, accounting, tax treatment, analysis of business, and other financial and accounting business.
Manufacturing Department	Engage in production, production management, and supply management to ensure that each production plan is achieved.
Quality Assurance Department	Implement quality control work and target plans, ISO control, product quality management, and relevant matters, and provide customer service.
Business Department	1.Engage in sales business and order-related matters. 2.Responsible for market information collection and marketing event planning and execution. 3.Respond to customers' related questions and provide them with assistance
R&D Department	Responsible for product development and design.

II. Information on Directors, Supervisors, President, Vice Presidents, and Heads of Departments:

(I) Directors and Supervisors:

1. Information on directors and supervisors

Job title	Nationality or place of registration	Name	Gender / Age	Date of election (accession)	Term of office	Date first elected	Shareholding upon elected		Current shareholding		Current shareholdings by spouse and minor child		Shareholding by nominee arrangement		Major experience (education)	Current positions held concurrently at the Company and other companies	Spouse or relative within second degree of kinship of other managers, directors, or supervisors			Remarks	
							Shares	Percentage of Shareholding	Shares	Percentage of shareholding	Shares	Percentage of Shareholding	Shares	Percentage of shareholding			Position	Name	Relation		
Chairman	Republic of China	HO, SHI-CHI	Male/ 51~60	2023.06.07	3 Years	2008.06.13	1,143,097	0.41%	1,143,097	0.41%	1,774,000	0.64%	4,053,000	1.46%	<ul style="list-style-type: none"> Doctoral Degree in Machinery, Imperial College London President of Quanta Storage Inc. 	Chairman of Techman Electronics (Changshu) Co., Ltd., Techman Robot Inc., Techman Robot (Shanghai) Ltd. Director of Quanta Storage (Shanghai) Ltd., QHH, QH - TMT, TH, BV, Gayman, Nu Inc. Supervisor of Shih-Wei Investment Inc.	-	-	-	-	
		Quanta Computer Inc.	-	2023.06.07	3 Years	1999.02.03	82,881,664	29.78%	82,881,664	29.78%	0	0.00%	0	0.00%	-	<ul style="list-style-type: none"> Director of Quanta Venture Capital Co., Ltd., Quanta Computer Technology Investment Corp., Quanta Cloud Technology Inc., QIL, QCI Co., Ltd., QMB Co. Ltd., QCTS, CDIB BioScience Ventures I, Inc., Ebn Technology Corporation, CDIB Supervisor of QUANTA CLOUD TECHNOLOGY INC., QCI Corporation 	Director and Executive Vice President of Quanta Computer Inc. Chairman of Tech-Front (Shanghai) Computer Co., Ltd, Tech-Com (Shanghai) Computer Co., Ltd, Tech-Wave (Shanghai) Logistics Co., Ltd, Tech-Lead (Shanghai) Computer Co., Ltd, Tech-Giant (Shanghai) Computer Co., Ltd., Tech-Trend (Shanghai) Computer Co. Ltd., Tech-Full Computer (Changshu) Co., Ltd., Tech-Front (Chongqing) Computer Co., Limited, Zhanyun (Shanghai) Electronic Co., Ltd., Dawei (Chongqing) Logistics Co., Ltd., Quanta Cloud (Chongqing) Technology Dagong (Chongqing) Computer Co., Ltd., Quanta Storage (Shanghai) Ltd., Quanta Cloud Technology - Dongguan Shuang-Ying Photoelectric Technology Co., Ltd - QMH	-	-	-	-
Director	Republic of China	Quanta Computer Inc. Representative : C.T. Huang	Male/ 71~80	2023.06.07	3 Years	2020.06.17	Not applicable.	Not applicable.	0	0.00%	0	0.00%	0	0.00%	<ul style="list-style-type: none"> Bachelor's in Electronic Engineering, Chung Yuan Christian University Plant Manager, Kinpo Electronics, Inc. 	Director and Executive Vice President of Quanta Computer Inc. Chairman of Tech-Front (Shanghai) Computer Co., Ltd, Tech-Com (Shanghai) Computer Co., Ltd, Tech-Wave (Shanghai) Logistics Co., Ltd, Tech-Lead (Shanghai) Computer Co., Ltd, Tech-Giant (Shanghai) Computer Co., Ltd., Tech-Trend (Shanghai) Computer Co. Ltd., Tech-Full Computer (Changshu) Co., Ltd., Tech-Front (Chongqing) Computer Co., Limited, Zhanyun (Shanghai) Electronic Co., Ltd., Dawei (Chongqing) Logistics Co., Ltd., Quanta Cloud (Chongqing) Technology Dagong (Chongqing) Computer Co., Ltd., Quanta Storage (Shanghai) Ltd., Quanta Cloud Technology - Dongguan Shuang-Ying Photoelectric Technology Co., Ltd - QMH	-	-	-	-	

April 9, 2024 Unit: Share

April 9, 2024 Unit: Share

Job title	Nationality or place of registration	Name	Gender / Age	Date of election (accession)	Term of office	Date first elected	Shareholding upon elected		Current shareholding		Current shareholdings by spouse and minor child		Shareholding by nominee arrangement		Major experiences (education)	Current positions held concurrently at the Company and other companies	Spouse or relative within second degree of kinship of other managers, directors, or supervisors			Remarks				
							Shares	Percentage of shareholding	Shares	Percentage of shareholding	Shares	Percentage of Shareholding	Shares	Percentage of shareholding			Position	Name	Relation					
Director	Republic of China	Quanta Computer Inc. Representative : Alan Tsai	Male/ 61~70	2023.06.07	3 Years	2020.06.17	Not applicable.	Not applicable.	0	0.00%	0	0.00%	0	0.00%	<ul style="list-style-type: none"> Master's in Computer Management and Decision Sciences, National Tsing Hua University President of Portable Computer Business Group, First International Computer, Inc. 	Executive Vice President of Quanta Computer Inc.	-	-	-	-				
Director	Republic of China	Quanta Computer Inc. Representative : Eton Yang	Male/ 51~60	2023.06.07	3 Years	2021.01.13	Not applicable.	Not applicable.	0	0.00%	0	0.00%	0	0.00%	<ul style="list-style-type: none"> MBA at National Chengchi University Vice President, Citibank 	<ul style="list-style-type: none"> Quanta Computer Inc. Senior VP & CFO Director of Quanta Computer Inc. RoyalTek Company Ltd., Kenseisha Shanghai Precision Machining Process Co., Ltd., Dragon Grand Group Ltd., Dragontech Metallic Industry Co., Ltd., CDIB BioScience Ventures I, Inc. CDIB Capital Innovation Accelerator Co. Ltd. QMB · QCE · Quanta Culture & Education Foundation. Dongguan Shuang-Ying Photoelectric Technology Co., Ltd Director and President of Tech-Front (Shanghai) Computer Co. Ltd. Tech-Com (Shanghai) Computer Co. Ltd. Tech-front (Chongqing) Computer Co. Ltd. Tech-front Wave (Shanghai) Logistics Co., Ltd., Tech-Lead (Shanghai) Computer Co., Ltd. Tech-Giant (Shanghai) Computer Co. Ltd., Tech-Trend (Shanghai) Computer Co. Ltd., Tech-Full Computer (Changshu) Co., Ltd., Zhanyun (Shanghai) Electronic Co., Ltd., Dawei (Chongqing) Logistics Co. Ltd., Quanta Cloud (Chongqing) Technology, Dagong (Chongqing) Computer Co. Ltd., Quanta Cloud Technology 	-	-	-	-	-	-	-	-

April 9, 2024 Unit: Share

Job title	Nationality or place of registration	Name	Gender / Age	Date of election (accession)	Term of office	Date first elected	Shareholding upon elected		Current shareholding		Current shareholdings by spouse and minor child		Shareholding by nominee arrangement		Major experience (education)	Current positions held concurrently at the Company and other companies	Spouse or relative within second degree of kinship of other managers, directors, or supervisors			Remarks
							Shares	Percentage of shareholding	Shares	Percentage of shareholding	Shares	Percentage of Shareholding	Shares	Percentage of Shareholding			Position	Name	Relation	
Independent Director	Republic of China	WANG, KUANG-SHEN	Male/ 61~70	2023.06.07	3 Years	2002.04.23	0	0.00%	0	0.00%	0	0.00%	0	0.00%	<ul style="list-style-type: none"> ▪ Master's in Business Administration, Massachusetts Institute of Technology ▪ Managing Director of Goldman, Sachs & Co. 	Chairman of Joint Management Consultancy Co., Ltd. Director of ECOVE Environment Corporation	-	-	-	-
Independent Director	Republic of China	TSAI, YEOU-IYH	Male/ 51~60	2023.06.07	3 Years	2017.06.13	60,000	0.02%	0	0.00%	0	0.00%	0	0.00%	<ul style="list-style-type: none"> ▪ Doctoral Degree in Mechanical Engineering, Stanford University ▪ Engineer, Industrial Technology Research Institute ▪ Senior Manager, MediaTek Inc. ▪ Supervisor, Darwin Venture Management Corporation 	Director of Darwin Venture Management Corporation	-	-	-	-
Independent Director	Republic of China	CHEN, YEN-HAU	Male/ 51~60	2023.06.07	3 Years	2018.06.13	0	0.00%	0	0.00%	0	0.00%	0	0.00%	<ul style="list-style-type: none"> ▪ Ph.D., Business Administration, National Taiwan University ▪ Assistant to CEO, EMBA Office, College of Management National Taiwan University ▪ Chairman of Weikin Consultancy Co., Ltd ▪ Independent Director of CHENFULL PRECISION CO., LTD · ELTA Technology Co., Ltd. ▪ Business Department, ETWall ▪ Assistant Vice President, Deloitte Consulting /ICS Pte., Ltd. 	Adjunct Assistant Professor, Global MBA, College of Management National Taiwan University Chairman of Weikin Consultancy Co., Ltd Independent Director of CHENFULL PRECISION CO., LTD · ELTA Technology Co., Ltd.	-	-	-	-

2. Major shareholder of institutional shareholder

April 9, 2024

Name of institutional shareholder	Major shareholder of institutional shareholder	Percentage of shareholding
Quanta Computer Inc.	CIANYU INVESTMENT LTD	14.82%
	Barry Lam	10.76%
	New Labor Pension Fund	3.36%
	C.C. Leung	2.14%
	Citibank (Taiwan) Commercial Bank is entrusted to manage the investment fund of the Singapore government.	1.75%
	Cathay Life Insurance Co., Ltd.	1.55%
	Yijiaxin Investment Co., Ltd.	1.47%
	Hsinmin Investment Co., Ltd.	1.28%
	Nan Shan Life Insurance Co., Ltd.	1.17%
	LIANG,HSIN-MIN	1.15%

3. Where the major shareholders of institutional shareholders are juridical persons, their major shareholders:

April 9, 2024

Name of juridical person	Major shareholder of juridical person	Percentage of shareholding
CIANYU INVESTMENT LTD.	Meishang Xuanhui Enterprise Co., Ltd.	68.49%
	Barry Lam	23.23%
	He Se	8.27%

4. Disclosure of information on the professional qualifications of directors and the independence of independent directors:

April 9, 2024

Name	Criteria	Professional qualifications and experience	Independence criteria	Number of public companies in which concurrently serves as an independent director
HO, SHI-CHI		Has the work experience in business, finance, accounting, or experience required for corporate business; and is not under any of the circumstances under Article 30 of the Company Act	Meets the requirements of Article 26-3, paragraphs 3 and 4 of the Securities and Exchange Act, so is independent.	-
Quanta Computer Inc. Representative: Alan Tsai		Has the work experience in business or experience required for corporate business; and is not under any of the circumstances under Article 30 of the Company Act	Meets the requirements of Article 27, paragraph 1, of the Company Act that institutional shareholders shall designate a natural person representative to perform their duties and Article 26-3, paragraphs 3 and 4 of the Securities and Exchange Act, so is independent.	-
Quanta Computer Inc. Representative: C.T. Huang		Has the work experience in business or experience required for corporate business; and is not under any of the circumstances under Article 30 of the Company Act	Meets the requirements of Article 27, paragraph 1, of the Company Act that institutional shareholders shall designate a natural person representative to perform their duties and Article 26-3, paragraphs 3 and 4 of the Securities and Exchange Act, so is independent.	-
Quanta Computer Inc. Representative: Elton Yang		Has the work experience in business, finance, accounting, or experience required for corporate business; and is not under any of the circumstances under Article 30 of the Company Act	Meets the requirements of Article 27, paragraph 1, of the Company Act that institutional shareholders shall designate a natural person representative to perform their duties and Article 26-3, paragraphs 3 and 4 of the Securities and Exchange Act, so is independent.	-
WANG, KUAN-SHEN		Has the work experience in business or experience required for corporate business for five years or more; and is not under any of the circumstances under Article 30 of the Company Act	<ol style="list-style-type: none"> 1. Is not and spouse and relatives within the second degree of kinship thereof are not serving as directors, supervisors, or employees of the company or its affiliates. 2. Does not and spouse and relatives within the second degree of kinship thereof (or by nominee arrangement) do not hold the company's shares in terms of the number and percentage. 3. Is not serving as a director, supervisor, or employee of a company with specific relations with the company. 4. Did not receive remuneration for providing business, legal, financial, accounting, or other services to the company or its affiliates in the last two years. 5. Independent directors of publicly listed companies should maintain their independence within the scope of their duties, so is not under any of the 	-

Name \ Criteria	Professional qualifications and experience	Independence criteria	Number of public companies in which concurrently serves as an independent director
		circumstances under Article 3 of the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies.	
TSAI, YEOU-JYH	Has the work experience in business or experience required for corporate business for five years or more; and is not under any of the circumstances under Article 30 of the Company Act	<ol style="list-style-type: none"> 1. Is not and spouse and relatives within the second degree of kinship thereof are not serving as directors, supervisors, or employees of the company or its affiliates. 2. Does not and spouse and relatives within the second degree of kinship thereof (or by nominee arrangement) do not hold the company's shares in terms of the number and percentage. 3. Is not serving as a director, supervisor, or employee of a company with specific relations with the company. 4. Did not receive remuneration for providing business, legal, financial, accounting, or other services to the company or its affiliates in the last two years. 5. Independent directors of publicly listed companies should maintain their independence within the scope of their duties, so is not under any of the circumstances under Article 3 of the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies. 	-
CHEN, YEN-HAU	Has the work experience in business or experience required for corporate business for five years or more and is a lecturer at relevant management departments of universities; and is not under any of the circumstances under Article 30 of the Company Act	<ol style="list-style-type: none"> 1. Is not and spouse and relatives within the second degree of kinship thereof are not serving as directors, supervisors, or employees of the company or its affiliates. 2. Does not and spouse and relatives within the second degree of kinship thereof (or by nominee arrangement) do not hold the company's shares in terms of the number and percentage. 3. Is not serving as a director, supervisor, or employee of a company with specific relations with the company. 4. Did not receive remuneration for providing business, legal, financial, accounting, or other services to the company or its affiliates in the last two years. 5. Independent directors of publicly listed companies should maintain their independence within the scope of their duties, so is not under any of the circumstances under Article 3 of the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies. 	2

Note: Please refer to Table 1 on pages 6 to 8 for information on directors' and supervisors'

professional qualifications and experience.

5. Board diversity and independence:

- I. Board diversity: The company advocates and respects the Board diversity policy. To strengthen corporate governance and facilitate the sound development of the composition and structure of the Board of Directors, the Board diversity policy helps to improve the company's overall performance. Board members are outstanding talents with great abilities, and they possess diverse capabilities in different fields, including basic composition (such as age, gender, and nationality), industry experience, relevant skills (such as accounting, industry, finance, marketing, or technology), business judgment, business management, leadership and decision-making, and crisis management. To enhance the Board functions and achieve the goals of corporate governance, Article 23 of the company's Corporate Governance Best Practice Principles states that the Board of Directors as a whole shall possess the following abilities : A. business judgment, B. accounting and financial analysis, C. business management, D. crisis management, E. industry knowledge, F. an international perspective, G. leadership, and H. decision-making.

Name of director	Core item of diversity	Gender	Nationality	Age		Years of service			Employee	Business judgment	Finances and accounting	Management	Crisis management	Industry knowledge	International perspective	Leadership	Decision-making ability
				60 or under	61 or above	1~5	6~10	10 or above									
HO, SHI-CHI		Male	Republic of China	✓				✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Alan Tsai		Male	Republic of China		✓	✓			✓		✓	✓	✓	✓	✓	✓	✓
C.T. Huang		Male	Republic of China		✓			✓	✓		✓	✓	✓	✓	✓	✓	✓
Elton Yang		Male	Republic of China	✓		✓			✓	✓	✓	✓	✓	✓	✓	✓	✓
WANG, KUAN-SHEN		Male	Republic of China		✓			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
TSAI, YEOU-JYH		Male	Republic of China	✓			✓		✓		✓	✓	✓	✓	✓	✓	✓
CHEN, YEN-HAU		Male	Republic of China	✓		✓			✓		✓	✓	✓	✓	✓	✓	✓

- II. Independence of the Board of Directors: There are seven directors (including three independent directors) on the 9th Board of Directors; the percentage of directors who are also employees is 14% and independent directors 43%. With their extensive industry experience and professional abilities, they are able to provide professional advice and judgment in a timely manner and independently and impartially exercise judgment as a whole. They are not under any of the circumstances stipulated in Article 26-3, paragraphs 3 and 4 of the Securities and Exchange Act, so they are independent.

(II) Information on the President, Vice Presidents, and Heads of Departments:

April 9, 2024 Unit: Share

Position	Nationality	Name	Gender	Date elected	Shareholding		Shareholding by spouse and minor child		Shareholding by nominee arrangement		Major experience (education)	Current positions concurrently held at other companies	Spouse or relatives within second degree of kinship of managers			Remarks
					Shares	Shareholding %	Shares	Shareholding %	Shares	Shareholding %			Position	Name	Relation	
President	Republic of China	CHANG, CHIA-FENG	Male	January 13, 2021	744,346	0.27%	3,724	0.00%	0	0.00%	<ul style="list-style-type: none"> ■ Department of Electrical Engineering, China University of Science and Technology ■ Executive Vice President of Quanta Storage Inc. ■ President of Quanta Storage (Shanghai), Ltd. and Techman Electronics (Changshu) Co., Ltd. 	Chairman of JVM and JVMT Director of Quanta Storage (Shanghai),Ltd., Techman Electronics (Changshu) Co., Ltd., TMT, Techman Robot Inc., Techman Robot (Shanghai),Ltd.	-	-	-	-
Vice President	Canada	LIU, WEN-CHUNG	Male	August 01, 2019	0	0.00%	0	0.00%	0	0.00%	<ul style="list-style-type: none"> ■ Bachelor of Science, University of Manitoba ■ Vice President of Quanta Storage Inc. 	Director and President of TMT	-	-	-	-
Vice President	Republic of China	YIP, WAI-CHEE	Female	March 01, 2024	0	0.00%	0	0.00%	0	0.00%	<ul style="list-style-type: none"> ■ University of Glasgow (MBA), University of Hong Kong (M.Phil) ■ Director of Sixth Business Division, Quanta Storage Inc. 	None	-	-	-	-
Assistant Vice President	Republic of China	LEE, CHIH-JEN	Male	August 01, 2020	0	0.00%	0	0.00%	0	0.00%	<ul style="list-style-type: none"> ■ Master of Accounting and Management Decision-making Team, EMBA, National Taiwan University. ■ Audit Department Manager, Deloitte Taiwan CPA. ■ Deputy Director of Financial Center of Quanta Computer Inc. ■ Financial and Accounting Manager and Spokesperson of Quanta Storage Inc. 	Director of TMT, JVM, JVMT Supervisor of QSS, Techman Independent Director of Asia Neo Tech Industrial Co., Ltd., Big Sunshine Co., Ltd., MICROTIPS TECHNOLOGY INC.	-	-	-	-
Assistant Vice President	Republic of China	PENG, WEN-KUAN	Male	January 01, 2022	50,506	0.02%	0	0.00%	0	0.00%	<ul style="list-style-type: none"> ■ Ph.D., Mechanical Engineering, National Cheng Kung University ■ Head of R&D of Quanta Storage Inc. 	None	-	-	-	-
Assistant Vice President	Republic of China	CHENG, CHAN-WEI	Male	August 01, 2022	0	0.00%	6,000	0.00%	0	0.00%	<ul style="list-style-type: none"> ■ Master of Business Administration, National Taiwan University ■ Director of Third Business Division, Quanta Storage Inc. 	None	-	-	-	-

April 9, 2024 Unit: Share

Position	Nationality	Name	Gender	Date elected	Shareholding		Shareholding by spouse and minor child		Shareholding by nominee arrangement		Major experience (education)	Current positions concurrently held at other companies	Spouse or relatives within second degree of kinship of managers			Remarks
					Shares	Shareholding %	Shares	Shareholding %	Shares	Shareholding %			Position	Name	Relation	
Assistant Vice President	Republic of China	CHAO, LI-JEN	Male	September 04, 2023	0	0.00%	0	0.00%	0	0.00%	<ul style="list-style-type: none"> ▪ Master of Information Management, Tsinghua University/Assistant Vice President of ADATA TECHNOLOGY CO., LTD, JMICRON TECHNOLOGY CORP ▪ President of Yunlian Technology Co., Ltd. ▪ Assistant Vice President of Two Business Division, Quanta Storage Inc. 	None	-	-	-	-

(III) Remuneration paid to Directors, Supervisors, President, and Vice Presidents in the last year

1. Remuneration of general directors and independent directors (disclosure of individual names and remuneration methods in the corresponding range):

Position	Name	December 31, 2023 Unit: NTD Thousand/Thousand Shares															
		Remuneration of directors				Sum of A, B, C, and D and as percentage of net income after tax (Note 2)		Remuneration for concurrently servings as employees				Sum of A, B, D, E, F, and G and as a percentage of net income after tax (Note 2)		Remuneration from investees other than subsidiaries or parent company			
		Remuneration (A)	Pension upon retirement (B) (Note 4)	Directors' remuneration (C)	Service expenses (D) (Note 1)	The Company (%)	All companies included in the financial statements (%)	Salaries, bonuses, special allowances, etc. (E)	Pension upon retirement (F)	Employee compensation (G) (Note 3)		The Company (sum and %)	All companies included in the financial statements (sum and %)				
Director	HO, SHI-CHI Quanta Computer Inc. Representative : C.T. Huang Quanta Computer Inc. Representative : Alan Tsai Quanta Computer Inc. Representative : Elton Yang	0	0	0	0	0.00%	10,576	0	4,205	0	4,205	0	14,781		1.33%	17,506	1.57%
Independent Director	WANG, KUAN-SHEN TSAI, YEOU-IYH CHEN, YEN-HAU	0	0	0	3,000	0.27%	0	0	0	0	0	0	3,000	0.27%	3,000	0.27%	-

Note 1: It refers to the directors' relevant professional service fees in 2023. (Directors' relevant professional service fees include honoraria, special allowances, various allowances, dormitory, any company car assigned, and other physical items provided; independent directors' relevant professional service fees, based on the resolution adopted by the Board of Directors of the Company, are only honoraria).

2: The Company's net income after tax for 2023 was NT\$1,112,063 thousand.

3: It refers to the directors who have received employee compensation (including stock and cash) for concurrently serving as employees concurrently (including the President, Vice President, other managers, and employees) in the last year. The amount of cash is a tentative estimate.

4: The actual amount paid and the amount contributed for directors' pension as per the old and new pension systems were both NT\$0 in 2023. The actual amount paid to directors who served as employees concurrently in 2023 was NT\$0, and the amount contributed as per the new system was NT\$0.

Range of remuneration

Range of remuneration paid to directors of the Company	Name of director			
	Sum of A, B, C, and D	Sum of A, B, C, D, E, F, and G	The Company	All companies included in the financial statements
Below NT\$1,000,000	The Company HO, SHI-CHI Quanta Computer Inc. Representative: Alan Tsai Quanta Computer Inc. Representative: C.T. Huang Quanta Computer Inc. Representative: Elton Yang	All companies included in the financial statements HO, SHI-CHI Quanta Computer Inc. Representative: Alan Tsai Quanta Computer Inc. Representative: C.T. Huang Quanta Computer Inc. Representative: Elton Yang	The Company Quanta Computer Inc. Representative: Alan Tsai Quanta Computer Inc. Representative: C.T. Huang Quanta Computer Inc. Representative: Elton Yang	All companies included in the financial statements Quanta Computer Inc. Representative: Alan Tsai Quanta Computer Inc. Representative: C.T. Huang Quanta Computer Inc. Representative: Elton Yang
NT\$1,000,000 (inclusive) – NT\$2,000,000 (non-inclusive)	WANG, KUAN-SHEN TSAI, YEOU-JYH CHEN, YEN-HAU	WANG, KUAN-SHEN TSAI, YEOU-JYH CHEN, YEN-HAU	WANG, KUAN-SHEN TSAI, YEOU-JYH CHEN, YEN-HAU	WANG, KUAN-SHEN TSAI, YEOU-JYH CHEN, YEN-HAU
NT\$2,000,000 (inclusive) – NT\$3,500,000 (non-inclusive)	-	-	-	-
NT\$3,500,000 (inclusive) – NT\$5,000,000 (non-inclusive)	-	-	-	-
NT\$5,000,000 (inclusive) – NT\$10,000,000 (non-inclusive)	-	-	-	-
NT\$10,000,000 (inclusive) – NT\$15,000,000 (non-inclusive)	-	-	-	-
NT\$15,000,000 (inclusive) – NT\$30,000,000 (non-inclusive)	-	-	HO, SHI-CHI	HO, SHI-CHI
NT\$30,000,000 (inclusive) – NT\$50,000,000 (non-inclusive)	-	-	-	-
NT\$50,000,000 (inclusive) – NT\$100,000,000 (non-inclusive)	-	-	-	-
NT\$100,000,000 or above	-	-	-	-
Total	7 people	7 people	7 people	7 people

2. Remuneration of President and Vice Presidents (disclosure of individual names and remuneration methods in the corresponding range):

December 31, 2023 Unit: NTD Thousand/Thousand Shares

Position	Name	Salary (A) (Note 1)		Pension upon retirement (B) (Note 5)		Bonuses, special allowances, etc. (C) (Note 2)		Employee compensation (D) (Note 3)			Sum of A, B, C, and D and as percentage of net income after tax (%) (Note 4)		Remuneration from investees other than subsidiaries or parent company	
		The Company	All companies included in the financial statements	The Company	All companies included in the financial statements	The Company	All companies included in the financial statements	Amount of cash	Amount of stock	Amount of cash	Amount of stock	The Company (sum and %)		All companies included in the financial statements (sum and %)
President	CHANG, CHIA-FENG													
Vice President	LIU, WEN-CHUNG													
Financial and Accounting Manager	LEE, CHIH-JEN													
Assistant Vice President	PENG, WEN-KUAN	18,204	22,872	0	0	18,214	18,214	8,319	0	8,319	0	44,737	49,405	
Assistant Vice President	YIP, WAI-CHEE													4.44%
Assistant Vice President	CHENG, CHAN-WEI													
Assistant Vice President	CHAO, LI-JEN													

Note 1: It refers to the President's and Vice Presidents' salary, duty allowance, and severance payment in 2023.

Note 2: It refers to the President's and Vice Presidents' various bonuses, incentives, honoraria, special allowances, dormitory, any company car assigned, other physical items provided, and other rewards in 2023.

Note 3: The amount of employee compensation in 2023 is a tentative estimate.

Note 4: The Company's net income after tax for 2023 was NT\$1,112,063 thousand.

Note 5: The actual pension amount paid to the President and Vice Presidents in 2023 was NT\$0. , and the amount contributed as per the new pension method was NT\$683 thousand.

Note 6: Assistant Vice President YIP, WAI-CHEE was promoted to Vice President on March 1, 2024.

Range of remuneration

Range of remuneration paid to the President and Vice Presidents of the Company	Name of the President and Vice Presidents	
	The Company	All companies included in the financial statements
Below NT\$1,000,000	CHAO, LI-JEN	CHAO, LI-JEN
NT\$1,000,000 (inclusive) – NT\$2,000,000 (non-inclusive)	-	-
NT\$2,000,000 (inclusive) – NT\$3,500,000 (non-inclusive)	-	-
NT\$3,500,000 (inclusive) – NT\$5,000,000 (non-inclusive)	PENG, WEN-KUAN	PENG, WEN-KUAN
NT\$5,000,000 (inclusive) – NT\$10,000,000 (non-inclusive)	LIU, WEN-CHUNG 、 YIP, WAI-CHEE 、 CHENG, CHAN-WEI 、 LEE, CHIH-JEN	LIU, WEN-CHUNG 、 YIP, WAI-CHEE 、 CHENG, CHAN-WEI 、 LEE, CHIH-JEN
NT\$10,000,000 (inclusive) – NT\$15,000,000 (non-inclusive)	-	-
NT\$15,000,000 (inclusive) – NT\$30,000,000 (non-inclusive)	CHANG, CHIA-FENG	CHANG, CHIA-FENG
NT\$30,000,000 (inclusive) – NT\$50,000,000 (non-inclusive)	-	-
NT\$50,000,000 (inclusive) – NT\$100,000,000 (non-inclusive)	-	-
NT\$100,000,000 or above	-	-
Total	7 people	7 people

4. Name of the managers who received employee compensation and the distribution

December 31, 2023 Unit: NTD Thousand

	Position	Name	Amount of stock (Note 1)	Amount of cash (Note 1)	Total	Total amount as a percentage of net income after tax (%) (Note 2)
Managers	President	CHANG, CHIA-FENG	-	8,319	8,319	0.75%
	Vice President	LIU, WEN-CHUNG				
	Financial and Accounting Manager	LEE, CHIH-JEN				
	Assistant Vice President	PENG, WEN-KUAN				
	Assistant Vice President	YIP, WAI-CHEE				
	Assistant Vice President	CHENG, CHAN-WEI				
	Assistant Vice President	CHAO, LI-JEN				

Note:1. The amount of employee compensation in 2023 is a tentative estimate.

2. The Company's net income after tax for 2023 was NT\$1,112,063thousand.

3. Assistant Vice President YIP, WAI-CHEE was promoted to Vice President on March 1, 2024.

(I) Analysis of the total remuneration paid to directors, supervisors, President, and Vice Presidents of the Company in the last two years by the Company and all companies in the consolidated financial statements as a percentage of the net income after tax as in the standalone financial statements, and the description of the relevance of the remuneration policy, standards, and packages, and procedures for determining remuneration to business performance and future risks:

1. Analysis of the total remuneration paid to directors, supervisors, President, and Vice Presidents of the Company in the last two years by the Company and all companies in the consolidated financial statements as a percentage of the net income after tax:

Year	The Company	All companies in the consolidated financial statements
2022	5.80%	5.93%
2023 (estimated)	5.62%	6.29%

Note: The Company's remuneration policy for directors, supervisors, President, and Vice Presidents has not changed.

2. The relevance of the Company's remuneration policy, standards, and packages, and procedures for determining remuneration to business performance and future risks:

The Company's remuneration policy for directors and supervisors is set out in the Company's Articles of Incorporation, which has authorized the Board of Directors to determine their remuneration based on the degree

of their participation in the Company's operations and the value of their contribution, while with reference to industry standards; the remuneration of the President, and Vice Presidents is determined as per the Company's relevant personnel regulations and the dividend policy as in the Company's Articles of Incorporation.

III. Operation of Corporate Governance:

(I) Information on the Operation of the Board of Directors:

The Board of Directors had held (A) 11 meetings in the last year, and the attendance of directors is as follows:

Position	Name	Attendance in person (B)	Attendance by proxy	Actual attendance (%) [B/A]	Remarks
Chairman	HO, SHI-CHI	11	0	100.00%	Re-elected for another term on June 7, 2023
Director	Quanta Computer Inc. Representative: Alan Tsai	11	0	100.00%	
Director	Quanta Computer Inc. Representative: C.T. Huang	10	1	90.91%	
Director	Quanta Computer Inc. Representative: Elton Yang	11	0	100.00%	
Independent Director	WANG, KUAN-SHEN	11	0	100.00%	
Independent Director	TSAI, YEOU-JYH	11	0	100.00%	
Independent Director	CHEN, YEN-HAU	10	1	90.91%	

Other additional information:

I. For board meetings that meet any of the following circumstances, specify the date, session, the content of the proposal, independent directors' opinions and the Company's response to such opinions:

(I) Matters as in Article 14-3 of the Securities and Exchange Act.

Board of Directors	Content of motion and subsequent response	Matters as in Article 14-3 of the Securities and Exchange Act.	Independent directors' objections or reserved opinions
8th term 22th meeting 2023.01.16	1. The Remuneration Committee submitted a proposal for the suggestions about the 2022 year-end bonus paid to the Company's top-level managers.	✓	None
	2. The Remuneration Committee submitted a proposal for the suggestions about the 2023 top-level managers' salary structure and annual salary adjustment.	✓	None
Independent directors' opinion: None.			
The Company's response to independent directors' opinion: None.			
Resolution result: Director HO, SHI-CHI recused himself from Motions 1-2 due to conflicts of interest. Other motions were approved by all the directors present.			

Board of Directors	Content of motion and subsequent response	Matters as in Article 14-3 of the Securities and Exchange Act.	Independent directors' objections or reserved opinions
8th term 23th meeting 2023.02.23	1. Ratification of liability insurance renewal for directors and key staff.	✓	None
	2. 2022 Business Report.	✓	None
	3. 2022 consolidated and parent company-only financial statements.	✓	None
	4. Proposal for the 2022 distribution of remuneration to employees and directors.	✓	None
Independent directors' opinion: None.			
The Company's response to independent directors' opinion: None.			
Resolution result: Director HO, SHI-CHI recused himself from Motions 4 due to conflicts of interest. Other motions were approved by all the directors present.			
8th term 24th meeting 2023.03.15	1. Proposal for the 2022 earning distribution.	✓	None
	2. Determination of 2022 cash dividends distribution.	✓	None
	3. Proposal to distribute cash from the capital reserve.	✓	None
	4.The Company's 2022 "Assessment of the Effectiveness of Internal Control" and "Statement on the Internal Control System".	✓	None
	5. Request the AGM to fully re-elect the 9th Term of the seven directors' seats (three seats of independent directors included).	✓	None
	6. Request the AGM to relieve the restrictions on competing business involvement for new directors and representatives.	✓	None
	7. Request to approved the director candidate list (independent directors included) nominated by the Board of Directors and resolve their qualifications.	✓	None
	8.Determination of the matters related to the convention of 2023 AGM.	✓	None
	9.The Company's regular assessment of the independence of the CPAs.	✓	None
	10. Established the general rules for the Company's policy for early approval of non-assurance services.	✓	None
	11.The Company's 2022 evaluation of the Board (including functional committees') performance.	✓	None
Independent directors' opinion: None.			
The Company's response to independent directors' opinion: None.			
Resolution result: The motions was approved by all the directors present.			
8th term 25th meeting 2023.05.05	1. In accordance with internal adjustments at KPMG, there is a proposal to replace the company's signing auditor and assess the auditor's independence and suitability.	✓	None
	2. The Company's 2023 First quarter consolidated financial statements.	✓	None
	3. Determination of the dividend distribution record date for the 2022 dividends.	✓	None
	4. Re-appointed the Company's chief auditor.	✓	None
Independent directors' opinion: None.			
The Company's response to independent directors' opinion: None.			
Resolution result: The motions was approved by all the directors present.			

Board of Directors	Content of motion and subsequent response	Matters as in Article 14-3 of the Securities and Exchange Act.	Independent directors' objections or reserved opinions
9th term 1th meeting 2023.06.07	1. Proposal to elect the Chairman of the 9th Term	✓	None
Independent directors' opinion: None.			
The Company's response to independent directors' opinion: None.			
Resolution result: The motions was approved by all the directors present.			
9th term 2th meeting 2023.07.31	1.The Company's 2023 Second quarter consolidated financial statements.	✓	None
	2. The Remuneration Committee submitted a proposal for the suggestions about the allowance and remuneration for 9th-term independent directors.	✓	None
	3.The Remuneration Committee submitted a proposal for the suggestions about the 2022 managers' employee compensation.	✓	None
Independent directors' opinion: None.			
The Company's response to independent directors' opinion: None.			
Resolution result: Director WANG,KUAN-SHEN and TSAI,YEOU-JYH and CHEN,YEN-HAU recused himself from Motions 2 due to conflicts of interest. Other motions were approved by all the directors present. Director HO, SHI-CHI recused himself from Motions 3 due to conflicts of interest. Other motions were approved by all the directors present.			
9th term 3th meeting 2023.10.31	1.The Company's 2023 Third quarter consolidated financial statements.	✓	None
Independent directors' opinion: None.			
The Company's response to independent directors' opinion: None.			
Resolution result: The motions was approved by all the directors present.			
9th term 4th meeting 2023.12.15	1.Established the 2024 business plan.	✓	None
	2.Set out 2024 internal audit plans for the Company and its subsidiaries.	✓	None
	3.The Company's proposal for remuneration paid to CPAs.	✓	None
	4.The amendment to the "Managerial Regulations for Authority to Approve."	✓	None
Independent directors' opinion: None.			
The Company's response to independent directors' opinion: None.			
Resolution result: The motions was approved by all the directors present.			
9th term 5th meeting 2024.01.05	1.The contract out the "Operation headquarters office building construction project".	✓	None
Independent directors' opinion: None.			
The Company's response to independent directors' opinion: None.			
Resolution result: The motions was approved by all the directors present.			

Board of Directors	Content of motion and subsequent response	Matters as in Article 14-3 of the Securities and Exchange Act.	Independent directors' objections or reserved opinions
9th term 6th meeting 2024.02.01	1. The Remuneration Committee submitted a proposal for the suggestions about the 2023 year-end bonus paid to the Company's top-level managers.	✓	None
	2. The Remuneration Committee submitted a proposal for the suggestions about the 2024 top-level managers' salary structure and annual salary adjustment.	✓	None
	3. Proposal for the 2023 distribution of remuneration to employees and directors.	✓	None
Independent directors' opinion: None.			
The Company's response to independent directors' opinion: None.			
Resolution result: Director HO, SHI-CHI recused himself from Motions 1–3 due to conflicts of interest. Other motions were approved by all the directors present.			
9th term 7th meeting 2024.03.04	1. Ratification of liability insurance renewal for directors and key staff.	✓	None
	2. 2023 Business Report.	✓	None
	3. 2023 consolidated and parent company-only financial statements.	✓	None
	4. Proposal for the 2023 earning distribution.	✓	None
	5. Determination of 2023 cash dividends distribution.	✓	None
	6. The Company's 2023 "Assessment of the Effectiveness of Internal Control" and "Statement on the Internal Control System".	✓	None
	7. Determination of the matters related to the convention of 2024 AGM.	✓	None
	8. The Company's Change of Company's Signing Auditor and Evaluation of the Auditor's Independence and Suitability.	✓	None
	9. Established the general rules for the Company's policy for early approval of non-assurance services.	✓	None
	10. The Company's 2023 evaluation of the Board (including functional committees') performance.	✓	None
Independent directors' opinion: None.			
The Company's response to independent directors' opinion: None.			
Resolution result: The motions was approved by all the directors present.			
<p>(II) In addition to said motions, the resolutions adopted by the Board of Directors on which independent directors have objections or reserved opinions on record or in a written statement: None.</p>			

II. Disclosure regarding recusal for interest-conflicting proposals, including the names of directors concerned, the content of proposals, reason for recusal, and the voting process:		
Date	Content of proposal	Reasons for recusal
2023.01.16	The Remuneration Committee submitted a proposal for the suggestions about the 2022 year-end bonus paid to the Company's top-level managers.	Mr. HO, SHI-CHI, the related party in this proposal, recused himself from the discussion and voting because of conflicts of interest.
	The Remuneration Committee submitted a proposal for the suggestions about the 2023 top-level managers' salary structure and annual salary adjustment.	
2023.02.23	Proposal for the 2022 distribution of remuneration to employees and directors.	Mr. HO, SHI-CHI, the related party in this proposal, recused himself from the discussion and voting because of conflicts of interest.
2023.07.31	The Remuneration Committee submitted a proposal for the suggestions about the allowance and remuneration for 9th-term independent directors.	Mr. WANG, KUAN-SHEN and TSAI, YEOU-JYH and CHEN, YEN-HAU, the related party in this proposal, recused himself from the discussion and voting because of conflicts of interest.
	The Remuneration Committee submitted a proposal for the suggestions about the 2022 managers' employee compensation.	Mr. HO, SHI-CHI, the related party in this proposal, recused himself from the discussion and voting because of conflicts of interest.
2024.02.01	The Remuneration Committee submitted a proposal for the suggestions about the 2023 year-end bonus paid to the Company's top-level managers.	Mr. HO, SHI-CHI, the related party in this proposal, recused himself from the discussion and voting because of conflicts of interest.
	The Remuneration Committee submitted a proposal for the suggestions about the 2024 top-level managers' salary structure and annual salary adjustment.	
	Proposal for the 2023 distribution of remuneration to employees and directors	
III. A publicly listed company shall disclose the cycle and period, scope, method, and content of the self-evaluation (or peer evaluation) of the performance of the Board of Directors: Please refer to the description of " Implementation Status of Board Evaluation".		
IV. Evaluation of the objective of strengthening the functions of the Board of Directors (such as setting up an audit committee or enhancing information transparency) and the implementation in the current year and the last year:		
1. The Company has established the Rules of Procedure for Board of Directors Meetings as per the law, and the relevant functions and operations of the board are implemented in accordance with the Rules and relevant laws and regulations. To improve the Company's information transparency, the relevant information is placed on the Market Observatory Post System (MOPS) and the Company's website to disclose material resolutions adopted by the board meetings to investors.		
2. To implement corporate governance and improve the remuneration system for the Company's directors and managers, the Company's Board of Directors resolved a decision to establish a remuneration committee as per Article 14-6 of the Securities and Exchange Act on December 28,		

2011. The Company reviews its directors' and managers' performance evaluation standards, annual and long-term performance targets, and remuneration policy, system, standard, and structure while regularly assessing the achievement percentage of the Company's directors and managers' performance targets to determine the content and amount of individual salary and remuneration based on the evaluation results as per the performance evaluation standards.

3. To establish a sound corporate governance system for the Company, improve supervisory functions, and enhance the management functions, the Company established an Audit Committee on June 13, 2017 as per Article 14-4 of the Securities and Exchange Act, and formulated the Audit Committee Charter for compliance. The committee aims to supervise the proper presentation of the Company's financial statements, the selection (dismissal), independence, and performance of CPAs, the effective execution of the Company's internal control, and the Company's compliance with relevant laws and regulations while managing and controlling the existing or potential risks. The committee members perform their duties faithfully as set out in the Charter as prudent administrators, and are responsible to the Board of Directors, and shall submit their resolutions to the board for resolutions or report to it.

(II) The implementation status of the performance evaluation of the Board of Directors Pursuant to the Company's Rules of the Performance Evaluation Directors, the Board of Directors and functional committees shall engage in the performance evaluation based on the evaluation indicators at the end of each year and complete it before the end of the first quarter of the following year, to ensure that the board and functional committees operate as per relevant laws and regulations. The results of the Board performance evaluation in 2023 have been submitted to the Board of Directors and published on the Company's website.

Evaluation cycle	Evaluation period	Evaluation scope	Evaluation method	Evaluation content
Once a year	From January 1, 2023 to December 31, 2023	Board of Directors	Internal questionnaires are adopted to evaluate the overall operation of the board and functional committees, directors' participation, understanding of the Company, and responsibilities, as well as continuing education.	<ol style="list-style-type: none"> 1. Degree of participation in the operation of the company. 2. Improvement of the quality of the board of directors' decision making. 3. Composition and structure of the board of directors. 4. Election and continuing education of the directors. 5. Internal control.
		Individual directors		<ol style="list-style-type: none"> 1. Keeping abreast of the company's goals and mission. 2. Awareness of the duties of a director. 3. Degree of participation in the operation of the company. 4. Management of internal relationship and communication. 5. The director's professionalism and continuing education. 6. Internal control.
		Functional committees		<ol style="list-style-type: none"> 1. Degree of participation in the operation of the company. 2. Awareness of the duties of functional committee members. 3. Improvement of the quality of the functional committees' decision making. 4. Composition and election of functional committee members. 5. Internal control.

(III) Operations of the Audit Committee:

The Audit Committee had held 8 (A) meetings in the last year, and the attendance of independent directors is as follows:

Position	Name	Attendance in person (B)	Attendance by proxy	Actual attendance (%) (B/A)	Remarks
Independent Director	WANG, KUAN-SHEN	8	0	100.00%	Re-elected for another term on June 7, 2023
Independent Director	TSAI, YEOU-JYH	8	0	100.00%	
Independent Director	CHEN, YEN-HAU	7	1	87.50%	

Other additional information:

I. For Audit Committee meetings that meet any of the following circumstances, specify the date, session, the content of the proposal, independent directors' objections, reservations, or major suggestions, Audit Committee' resolution results, and the Company's response to such opinions:

(I) Matters under Article 14-5 of Securities and Exchange Act

Audit Committee	Content of motion and subsequent response	Matters under Article 14-5 of the Securities and Exchange Act.	Independent directors' objections, reservations, or major suggestions
2 nd term 16th meeting 2023.02.23	1. The Company's 2022 Business Report and Financial Statements.	✓	None

Independent directors' opinion: None.

The Company's response to independent directors' opinion: None.

Resolution result: The proposals above were approved by the members of the Audit Committee, and submitted to the Board of Directors for resolution.

2 nd term 17 th meeting 2023.03.15	1. Proposal for the 2022 earning distribution.	✓	None
	2. Determination of 2022 cash dividends distribution.	✓	None
	3. Proposal to distribute cash from the capital reserve.	✓	None
	4. The Company's 2022 "Assessment of the Effectiveness of Internal Control" and "Statement on the Internal Control System".	✓	None
	5. The Company's regular assessment of the independence of the CPAs.	✓	None
	6. Established the general rules for the Company's policy for early approval of non-assurance services.	✓	None

Independent directors' opinion: None.

The Company's response to independent directors' opinion: None.

Resolution result: The proposals above were approved by the members of the Audit Committee, and submitted to the Board of Directors for resolution.

Audit Committee	Content of motion and subsequent response	Matters under Article 14-5 of the Securities and Exchange Act.	Independent directors' objections, reservations, or major suggestions
2 nd term 18th meeting 2023.05.05	1. In accordance with internal adjustments at KPMG, there is a proposal to replace the company's signing auditor and assess the auditor's independence and suitability.	✓	None
	2.The Company's 2023 First quarter consolidated financial statements.	✓	None
	3.Re-appointed the Company's chief auditor.	✓	None
Independent directors' opinion: None.			
The Company's response to independent directors' opinion: None.			
Resolution result: The proposals above were approved by the members of the Audit Committee, and submitted to the Board of Directors for resolution.			
3 rd term 1th meeting 2023.07.31	1. Election of the convener of the 3 rd Audit Committee.	✓	None
	2. The Company's 2023 Second quarter consolidated financial statements.	✓	None
Independent directors' opinion: None.			
The Company's response to independent directors' opinion: None.			
Resolution result: The proposals above were approved by the members of the Audit Committee, and submitted to the Board of Directors for resolution.			
3 rd term 2th meeting 2023.10.31	1.The Company's 2023 Third quarter consolidated financial statements.	✓	None
Independent directors' opinion: None.			
The Company's response to independent directors' opinion: None.			
Resolution result: The proposals above were approved by the members of the Audit Committee, and submitted to the Board of Directors for resolution.			
3 rd term 3th meeting 2023.12.15	1.Set out 2024 internal audit plans for the Company and its subsidiaries.	✓	None
	2.The Company's proposal for remuneration paid to CPAs	✓	None
Independent directors' opinion: None.			
The Company's response to independent directors' opinion: None.			
Resolution result: The proposals above were approved by the members of the Audit Committee, and submitted to the Board of Directors for resolution.			
3 rd term 4th meeting 2024.01.05	1. The contract out the "Operation headquarters office building construction project.	✓	None
Independent directors' opinion: None.			
The Company's response to independent directors' opinion: None.			
Resolution result: The proposals above were approved by the members of the Audit Committee, and submitted to the Board of Directors for resolution.			

Audit Committee	Content of motion and subsequent response	Matters under Article 14-5 of the Securities and Exchange Act.	Independent directors' objections, reservations, or major suggestions
3 rd term 5th meeting 2024.03.04	1. The Company's 2023 Business Report and Financial Statements.	✓	None
	2. Proposal for the 2023 earning distribution.	✓	None
	3. The Company's 2023 "Assessment of the Effectiveness of Internal Control" and "Statement on the Internal Control System".	✓	None
	4. The Company's Change of Company's Signing Auditor and Evaluation of the Auditor's Independence and Suitability.	✓	None
	5. Established the general rules for the Company's policy for early approval of non-assurance services.	✓	None
Independent directors' opinion: None.			
The Company's response to independent directors' opinion: None.			
Resolution result: The proposals above were approved by the members of the Audit Committee, and submitted to the Board of Directors for resolution.			

(II) Except for said issues, other issues that have not been approved by the Audit Committee but have been adopted by at least two-thirds of all directors:
None.

II. Disclosure regarding recusal for interest-conflicting proposals, including the names of independent directors concerned, the content of proposals, reason for recusal, and the voting process: None.

III. Communication between independent directors and the internal chief auditor, and CPAs (shall include material issues, methods, and results in the communication in respect of the Company's financial and business status):

1. The Company established an Audit Committee on July 13, 2017, with independent directors as ex officio members. In addition to quarterly meetings to keep abreast of the Company's operating status in a timely manner, it actively participates in the operation of the board and express its opinions in a timely manner.
2. The Company's independent directors communicate with the internal chief auditor by phone, fax, or email at any time, and the internal chief auditor reports on the execution and improvement of the audit plan regularly while communicating and exchanging opinions regarding the effectiveness of the execution of the Company's internal control. The interaction is positive. The internal chief auditor attends board meetings in a non-voting capacity to report on the audit business and engage in the question and answer session and discussion. If necessary, the internal chief auditor will also attend board meetings in a non-voting capacity to answer questions, and the relevant communication situation is disclosed on the official website. The CPAs attended the Audit Committee meetings on February 23, March 15, May 05, July 31, and October 31 of the 2023. In a non-voting capacity and maintained smooth communication with independent directors while reporting on key audit matters, corporate governance, and the latest legal amendments.

The Audit Committee is to assist the Board of Directors in supervising the quality and integrity of the implementation of the Company's accounting, auditing, and financial reporting processes.

Annual major tasks of the Audit Committee:

- ⊙ Appropriate presentation of financial statements
- ⊙ Audit and accounting policy and procedures
- ⊙ Internal control system and relevant policies and procedures
- ⊙ Performance of the Audit Committee's responsibilities
- ⊙ Compliance
- ⊙ Evaluation of qualifications and independence of CPAs
- ⊙ Appointment, dismissal, or remuneration of CPAs
- ⊙ Major asset or derivative financial product transactions
- ⊙ Appointment and dismissal of internal chief auditor

Work summary:

Apart from reviewing the annual business report, financial statements, proposal for the allocation of distributable earnings and issuance of audit review reports, the Committee is also responsible for reviewing the Company's financial statements and communicating with the CPA and auditors when necessary in order to understand the auditing process, accounting policies and procedures. In addition, the Committee also participates and reviews relevant tasks of significance.

(IV) Corporate governance implementation and the deviation from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and reasons thereof:

Assessment criteria	Implementation status		Deviations from Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and reasons thereof
	Yes	No	
I. Has the Company formulated and disclosed the Corporate Governance Best Practice Principles in accordance with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies?	√		No deviation
II. The Company's shareholding structure and shareholders' equity			
(I) Has the Company established internal operating procedures to handle shareholders' suggestions, doubts, disputes, and litigation matters, and implement them in accordance with the procedures?	√		No deviation
(II) Does the Company keep abreast of the list of major shareholders and the ultimate controlling parties of such shareholders?	√		No deviation

Assessment criteria	Implementation status		Deviations from Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and reasons thereof
	Yes	No	
(III) Does the Company establish and implement a risk control mechanism and firewalls between its affiliates and itself?	√		managers, and major shareholders holding 10% of the shares on a monthly basis. (III) All affiliates of the Company operate independently, and each affiliate has its own internal control system for compliance, amends the relevant regulations of its Approval Authority Management Regulations based on its business needs, executes the system as per relevant regulations.
(IV) Whether the Company established internal regulations prohibiting insider trading against non-public information?	√		(IV) The Company has formulated the Operating Procedures for the Processing of Internal Material Information and Prevention of Insider Trading and reviews and amends it regularly. It has also established the internal control system, and organizes timely education and awareness-increasing activities while informing the directors, managers, and employees of the system to avoid violations of laws and regulations or insider trading. Changes in the equity held by insiders (directors, managers, and shareholders holding more than 10% of the total shares) are filed to the MOPS on a monthly basis as per the relevant provisions of the Securities and Exchange Act.
III. Composition and responsibilities of the board of directors			
(I) Has the Board of Directors formulated a Board diversity policy and specific management objectives	√		(I) Pursuant to the Corporate Governance Best Practice Principles, the Rules of Procedure for Board of
			No deviation
			No deviation
			No deviation

Assessment criteria	Implementation status		Deviations from Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and reasons thereof
	Yes	No	
and implemented them accordingly?			Directors Meetings, and the Diversity Policy for the Board Members, the Company shall focus on diversity in the composition of the board, the qualifications of directors, restrictions on shareholdings and concurrent jobs held, determination of independence, nomination and election methods, fulfillment of responsibilities, and other rules. The Company has also established well-defined regulations as the basis for Board diversity, thereby optimizing the functions of the Board. The seven directors elected this year include three independent directors. With different professional backgrounds or professional fields, they all have the knowledge, skills, and competency necessary to perform their duties so as to improve the Company's board structure and relevant diversity indicators.
(II) In addition to the remuneration committee and the audit committee set up in accordance with the law, does the Company set up other functional committees voluntarily?	√	(II)	The Company established a Remuneration Committee and an Audit Committee to evaluate the relevant regulations regarding directors and managers and the relevant internal regulations that need to be complied with as per the law, to improve the functions of the Board. The Company currently has not yet established other types of functional committees, which may be established if necessary based on relevant needs.
(III) Does the Company formulate the board of directors' performance evaluation regulations and methods,	√	(III)	To implement corporate governance and enhance the functions of the Company's Board of Directors, the

Assessment criteria	Implementation status		Deviations from Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and reasons thereof	
	Yes	No		
<p>and conduct annual and regular performance evaluations while reporting the results of the performance evaluation to the board of directors as a reference for individual directors' remuneration and nomination for re-election?</p> <p>(IV) Does the Company regularly assess the independence of CPAs?</p>	√			
			<p>Company has set up performance targets to enhance the operation and efficiency of the board, and formulated the board of directors' performance evaluation regulations and methods, including internal self-evaluation by the board, self-evaluation by directors, peer evaluation, and evaluation by external professional institutions, experts, or other appropriate methods. The evaluation is conducted annually, and the evaluation results are sent to the board for review and improvement while as a reference for salary, remuneration, and nomination for director re-election.</p> <p>(IV) The Company appoints KPMG Certified Public Accountants to handle relevant financial and tax audit and certification, submits CPAs' resume to the board for review and evaluation every year to confirm whether they are any company's directors, supervisors, or managers, or hold a position with major influences to a point that it involves conflicts of interest, and refer to the Audit Quality Indicator (AQI), the board also reviews the CPA firm's independence, professional capabilities, and the reasonableness of its audit fees. The firm will only be appointed after the review and resolution are passed by board. Relevant information, such as the CPAs' independence evaluation standards, and the CPAs' statement on independence obtained</p>	No deviation

Assessment criteria	Implementation status			Deviations from Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and reasons thereof
	Yes	No	Summary	
			are disclosed on the official website, in the most recent years, the Board of Directors evaluated the independence of CPAs on March 15, 2023 and March 04, 2024, respectively. The Audit Quality Indicator (AQI) measurement focus and evaluation result were reviewed. Please refer to the description of (Note) for details.	
IV. Does the Company appoint an appropriate number of suitable corporate governance personnel, and engage a corporate governance officer to be in charge of corporate governance-related matters (including but not limited to providing directors and supervisors with materials required to perform duties, assisting directors and supervisors with compliance, handling matters related to the meetings of the Board of Directors and shareholders' meetings as per the law, handling corporate registration matters, and preparing the minutes of the meetings of the Board of Directors and shareholders' meeting)?	√		The Company has engaged a corporate governance officer in charge of coordinating the operation of the social responsibility system, corporate governance, and relevant affairs of stakeholders, and the officer shall regularly report on the implementation to the board. Said business includes providing materials required by the relevant directors to perform their duties, handling relevant matters for the board meetings, the Audit Committee, and the shareholders meeting as per the laws, handling corporate registration, preparing the meetings minutes of the board, the Audit Committee, and the shareholders' meeting, and matters related to shareholders' equity.	No deviation
V. Does the Company establish communication channels with stakeholders (including but not limited to shareholders, employees, customers, suppliers), and set up a dedicated area for stakeholders on the Company's website, and respond to important corporate social responsibility	√		The Company has formulated the "Sustainable Development Best Practice Principles" and set up sections dedicated to Sustainable Development, stakeholders, and investors on the official website, containing information, such as issues of concern for different groups (including shareholders, competent	No deviation

Assessment criteria	Implementation status		Deviations from Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and reasons thereof
	Yes	No	
<p>issues that stakeholders are concerned about appropriately?</p> <p>VI. Does the Company appoint a professional stock affairs agency to handle the affairs of shareholders' meetings?</p>			<p>authorities, suppliers, employees, customers, and society), communication channels, and response methods</p> <p>The Company has appointed a professional stock affairs agency, that is the Agency Department of CTBC Bank Co., Ltd., to assist with matters related to the shareholders' meeting.</p>
<p>VII. Public Disclosure of Information</p> <p>(I) Does the Company set up a website to disclose financial business and corporate governance information?</p>	√		No deviation
<p>(II) Does the Company adopt other means for disclosure (such as setting up an English website, appointing personnel to collect and disclose relevant information, properly implementing the spokesperson system, and placing the process of investor conferences on the website)?</p>	√		No deviation
<p>(III) Does the Company publicly announce and file the annual financial report within two months after the end of each fiscal year and announce and file the financial reports for the first, second, and third quarters and the monthly operation status prior to</p>	√		No deviation

Assessment criteria	Implementation status		Deviations from Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and reasons thereof
	Yes	No	
<p>the specified deadline?</p> <p>VIII. Does the Company have other important information to facilitate better understanding of its corporate governance operations (including but not limited to employees' rights, employee care, investor relations, supplier relations, stakeholders' rights, directors' and supervisors' continuing education, the implementation of risk management policies and risk measurement standards, the implementation of customer policies, and the Company's purchase of liability insurance for directors and supervisors)?</p>	v	<p>these filings.</p> <p>(I) Employees' rights and interests: The Company attaches importance to employees' rights and interests, and has purchased labor and health insurance and contributed labor pension funds for employees as per the regulations to protect their legal rights and interests.</p> <p>(II) Employee care: The Company has set up an Employee Welfare Committee, and contributes employee welfare funds as per the law, while attaching importance to employee benefits and enabling employees to be entitled to various benefits and subsidies and group activities. Also, with a good education and training system, the Company has established a positive relationship with employees, which features mutual trust and mutual reliance.</p> <p>(III) Investor relations: The Company has set up a section dedicated to investors on the official website, which discloses relevant financial and stock affairs information to investors, and has adopted a spokesperson system with dedicated personnel responsible for handling relevant issues.</p> <p>(IV) Supplier relationship: The Company has always maintained a positive partnership with its suppliers, and it has set up a complaint mailbox to provide suppliers to report on any violations of procurement</p>	No deviation

Assessment criteria	Implementation status		Deviations from Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and reasons thereof
	Yes	No	
			<p>discipline, so as to ensure that suppliers have fair competition opportunities to optimize the overall production costs.</p> <p>(V) Takeholders' rights and interests: Stakeholders may communicate with the Company on a two-way basis to make suggestions while the Company respects and safeguards their legitimate rights and interests.</p> <p>(VI) The directors and supervisors' education and training: The Company's directors are from diversified professional backgrounds, and all are engaged in their own professional fields. They also participate in the directors' continuing education courses every year. Where there are the latest relevant laws and regulations or any updates, the Company will inform all directors of said matters in real time for them to comply with applicable laws. It will also file relevant matters to the MOPS as per the regulations of the competent authority.</p> <p>(VII) Implementation of the risk management policy and risk measurement standards: The Company has established relevant management regulations for important management indicators and executed them as per the management regulations.</p> <p>(VIII) Implementation of customer policies: The Company has passed the ISO 9001 quality management system, ISO 14001, ISO 45001 Code of Conduct, Responsible</p>

Assessment criteria	Implementation status		Deviations from Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and reasons thereof
	Yes	No	
			<p>Business Alliance (RBA), and electrostatic discharge management (ESD) S20.20, as well as the Occupational Health and Safety System and the Hazardous Substance Process Management System to ensure that the Company's customer policies are implemented and the objectives are achieved.</p> <p>(IX) The Company's purchase of liability insurance for directors and supervisors: The Company has purchased liability insurance for directors as per the Articles of Incorporation, and regularly reports on the insured amount and contribution rate to the board for ratification of policy renewal while filing the information to MOPS as per the requirement of the competent authority.</p>
<p>IX. Please specify the status of the improvement based on the corporate governance evaluation report released by the Corporate Governance Center of TWSE in the most recent year, and the prioritized improvement actions and measures for remaining deficiencies that have not yet been improved: The Company continues to improve as per the results of the corporate governance evaluation, including updating relevant regulations, regularly making amendment based on the latest information, actively implementing sustainable development initiatives, and disclosing the implementation results and the latest relevant information on the official website for investors' reference.</p>			

Note:

Audit Quality Indicator (AQI)

Aspect	AQI indicator	Measurement focus
Professionalism	Audit experience	Whether CPA and auditor above the manager level is equipped with adequate audit experience to perform audit works.
	Training hours	Whether CPA and auditor above the manager level receives sufficient education and training annually, in order to obtain professional knowledge and skills continuously.
	Turnover rate	Whether the firm maintains sufficient senior human resources.
	Professional support	Whether the firm has sufficient professionals (such as valuation personnel) to support the audit team.
Quality control	CPA workload	Whether the workload of CPA is too heavy, including the number of public companies he/she services and the ratio of available working hours participated by the accountant.
	Audit participation	Whether the audit team members' participation in each audit stage is appropriate.
	EQCR second review status	Whether EQCR account spends sufficient hours in executing the second review of audit case.
	Quality control supporting capability	Whether the firm has sufficient quality control manpower to support the audit team.
Independence	Non-audit service fee	Impact of non-audit service fee ratio on the independence.
	Customer familiarity	Impact of audit case for the number of accumulated years of the annual financial report audited by the firm on its independence.
	External inspection deficiency and disposition	Whether the quality control and audit case of the firm are executed according to relevant regulations and standards.
Supervision	Improvement according to competent authority's letter	Whether the quality control and audit case of the firm are executed according to relevant regulations and standards.
Innovation capability	Innovative planning or proposal	CPA firm's commitment on improvement of audit quality, including CPA firm's innovation capability and planning.

CPA independence evaluation standards for 2024

Assessment criteria	Evaluation results	Independence
1. Whether the CPA has direct or material indirect financial interests with the Company, affecting the independence.	No	Yes
2. Whether the CPA is currently serving as or served as a director or supervisor of the Company or any of its related parties in the last two years, or other positions with direct and significant influence on the audit case.	No	Yes
3. Whether the CPA has his/her independence questioned due to the position of or the defense from the Company and its related parties.	No	Yes
4. Whether the CPA has a close relationship with the Company or its related parties, directors, supervisors, or managers, and may be overly concerned about or feel overly empathy with to the Company's interests.	No	Yes
5. Whether the CPA is or feels intimidated by the Company, so that it may not be able to maintain objectivity and clarify his/her professional doubts.	No	Yes
6. Whether the CPA is aware of the laws and regulations governing insider trading, and shall not use the Company's undisclosed information to trade the Company's securities nor shall he/she disclose its undisclosed material information to any third party for the trading of securities after accepting the audit project.	Yes	Yes
7. Whether the CPA did not provide the Company with non-audit services that may affect his/her independence from the commencement date of the financial statement period to the date at which the appointment was accepted.	Yes	Yes
8. Whether the CPA engages in any other circumstances that may affect his/her independence.	No	Yes

(IV) responsibilities, and operation of the Remuneration Committee: The Company's Board of Directors resolved to establish the Remuneration Committee on December 28, 2011. Its main responsibilities include putting forth suggestions about directors' and managers' performance evaluation and their remuneration policy, system, standard, and structure.

1. Information on the members of the Remuneration Committee

Identity	Criteria Name	Professional qualifications and experience	Independence criteria	Number of other public companies at which serving as a member of the remuneration committee concurrently
Independent Director (Convener)	WANG, KUAN-SHEN	Has the work experience in business or experience required for corporate business for five years or more; and is not under any of the circumstances under Article 30 of the Company Act	<ol style="list-style-type: none"> 1. Is not and spouse and relatives within the second degree of kinship thereof are not serving as directors, supervisors, or employees of the company or its affiliates. 2. Does not and spouse and relatives within the second degree of kinship thereof (or by nominee arrangement) do not hold the company's shares in terms of the number and percentage. 3. Is not serving as a director, supervisor, or employee of a company with specific relations with the company. 4. Did not receive remuneration for providing business, legal, financial, accounting, or other services to the company or its affiliates in the last two years. 5. Remuneration Committee members of publicly listed companies should maintain their independence within the scope of their duties, so is not under any of the circumstances under Article 3, paragraph 1 of the Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Taiwan Stock Exchange or the Taipei Exchange. 	None

Identity	Criteria Name	Professional qualifications and experience	Independence criteria	Number of other public companies at which serving as a member of the remuneration committee concurrently
Independent Director	TSAI, YEOU-JYH	Has the work experience in business or experience required for corporate business for five years or more; and is not under any of the circumstances under Article 30 of the Company Act	<ol style="list-style-type: none"> 1. Is not and spouse and relatives within the second degree of kinship thereof are not serving as directors, supervisors, or employees of the company or its affiliates. 2. Does not and spouse and relatives within the second degree of kinship thereof (or by nominee arrangement) do not hold the company's shares in terms of the number and percentage. 3. Is not serving as a director, supervisor, or employee of a company with specific relations with the company. 4. Did not receive remuneration for providing business, legal, financial, accounting, or other services to the company or its affiliates in the last two years. 5. Remuneration Committee members of publicly listed companies should maintain their independence within the scope of their duties, so is not under any of the circumstances under Article 3, paragraph 1 of the Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Taiwan Stock Exchange or the Taipei Exchange. 	None

Identity	Criteria Name	Professional qualifications and experience	Independence criteria	Number of other public companies at which serving as a member of the remuneration committee concurrently
Independent Director	CHEN, YEN-HAU	Has the work experience in business or experience required for corporate business for five years or more and is a lecturer at relevant management departments of universities; and is not under any of the circumstances under Article 30 of the Company Act	<ol style="list-style-type: none"> 1. Is not and spouse and relatives within the second degree of kinship thereof are not serving as directors, supervisors, or employees of the company or its affiliates. 2. Does not and spouse and relatives within the second degree of kinship thereof (or by nominee arrangement) do not hold the company's shares in terms of the number and percentage. 3. Is not serving as a director, supervisor, or employee of a company with specific relations with the company. 4. Did not receive remuneration for providing business, legal, financial, accounting, or other services to the company or its affiliates in the last two years. 5. Remuneration Committee members of publicly listed companies should maintain their independence within the scope of their duties, so is not under any of the circumstances under Article 3, paragraph 1 of the Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Taiwan Stock Exchange or the Taipei Exchange. 	2

Note: Please refer to Table 1 on page 8 for information on independent directors' professional qualifications and experience.

2. Information on the operation of the Remuneration Committee

(1) The Company's Remuneration Committee is composed of 3 members.

(2) The term of office of the current committee members: From June 07, 2023 to June 06, 2026.

The Remuneration Committee held 5 meetings (A) in the last year. The qualifications and attendance of the members are as follows:

Position	Name	Attendance in person (B)	Attendance by proxy	Actual attendance (%) (B/A)	Remarks
Convener	WANG, KUAN-SHEN	5	0	100%	Re-elected for another term on June 7, 2023
Committee member	TSAI, YEOU-JYH	5	0	100%	
Committee member	CHEN, YEN-HAU	4	1	80%	

Other additional information:

I. Where the Board of Directors declines to adopt or modifies a suggestion of the remuneration committee, it shall specify the date of the meeting, session, content of the motion, resolution by the Board of Directors, and the Company's response to the remuneration committee's opinion (e.g. the remuneration passed by the Board of Directors exceeds the suggestion of the Remuneration Committee, the circumstances and cause for the difference shall be specified): None.

II. Where there were resolutions of the Remuneration Committee regarding which members expressed objection or reserved opinions on record or in a written statement, the date of the meeting, session, content of the motion, all members' opinions, and the response to members' opinion shall be specified: None.

Remuneration Committee	Content of motion and subsequent response	Objections or reserved opinions
4 th term 8th meeting 2023.01.16	1. Discussion and determination of various salaries and remuneration items.	None
	2. Proposal for the suggestions about the amount of 2022 year-end bonuses for the Company's managers.	None
	3. Proposal for adjustment to manager's 2023 salary structure and annual salary.	None
Independent directors' opinion: None.		
The Company's response to independent directors' opinion: None.		
Resolution result: The proposals above were approved by the members of the Remuneration Committee, and submitted to the Board of Directors for resolution.		
4 th term 9th meeting 2023.02.23	1. Total remuneration of directors, managers, and employees of the Company for 2023.	None
Independent directors' opinion: None.		
The Company's response to independent directors' opinion: None.		
Resolution result: The proposals above were approved by the members of the Remuneration Committee, and submitted to the Board of Directors for resolution.		

Remuneration Committee	Content of motion and subsequent response	Objections or reserved opinions
5 th term 1th meeting 2023.07.31	1. Election of the convener and the chair of the Remuneration Committee.	None
	2. Proposal for the suggestions about the allowances and remuneration for 9 th term of independent directors.	None
	3. Suggestions about the 2022 managers' employee compensation.	None
Independent directors' opinion: None.		
The Company's response to independent directors' opinion: None.		
Resolution result: The proposals above were approved by the members of the Remuneration Committee, and submitted to the Board of Directors for resolution.		
5 th term 2th meeting 2024.02.01	1. Discussion and determination of various salaries and remuneration items.	None
	2. Proposal for the suggestions about the amount of 2023 year-end bonuses for the Company's managers.	None
	3. Proposal for adjustment to manager's 2024 salary structure and annual salary.	None
	4. Total remuneration of directors, managers, and employees of the Company for 2023.	None
Independent directors' opinion: None.		
The Company's response to independent directors' opinion: None.		
Resolution result: The proposals above were approved by the members of the Remuneration Committee, and submitted to the Board of Directors for resolution.		
5 th term 3th meeting 2024.03.04	1. The proposal for the promotion and adjustment of salary payments for senior executives of the company.	None
Independent directors' opinion: None.		
The Company's response to independent directors' opinion: None.		
Resolution result: The proposals above were approved by the members of the Remuneration Committee, and submitted to the Board of Directors for resolution.		

III. The meeting agenda is set by the convener, and other members may also submit motions to the committee for discussion.

IV. Remuneration policies, standards, and package:

The remuneration of the directors and managers of the Company is determined based on the provisions of Article 25 of the Company's Articles of Incorporation, and no greater than 3% of the balance shall be allocation for the remuneration of the directors. The Company refers to the usual payment level in the industry and considers the results of personal performance evaluation, the time contributed, the responsibilities assumed, the achieving of personal targets, the performance at other job positions, the Company's compensation for the same position in recent years, the degree of participation in the operation, and the value of contribution. Then, based on the achievement of the Company's short-term and long-term business targets, the Company's financial position, the Company evaluates the reasonableness of the correlation between personal performance, the Company's operating performance, and future risks, and determines reasonable remuneration. It also reviews directors' and managers' remuneration system timely based on actual operating conditions and relevant laws and regulations.

Procedure to determine remuneration:

Provisions for remuneration for employees and directors are allocated based on the Company's profitability on a monthly basis. After final settlement at the end of each fiscal year, a remuneration

distribution plan is proposed with reference to the booked provision amount. The distribution plan is reported to the Remuneration Committee for review, and distributed upon approval from the Board of directors. The distribution plan is reported to the general shareholders' meeting accordingly.

The Company carries out regular evaluations on the remuneration for directors and managers with reference to the results of the evaluations conducted in "Procedures to Evaluate the Performance of the Board of Directors" and "Evaluation of Performance Management" for managers and employees. At the end of each fiscal year, the Company would evaluate performance of the board and the functional committees for the year based on evaluation indicators. The evaluation is completed before the end of the first quarter of the following year to ensure the operation of the board is in compliance with relevant laws and regulations. The results of evaluation are submitted to the Remuneration Committee as a reference for remuneration distribution.

Remuneration for managers and employees is evaluated twice a year in mid-year and year-end in accordance with relevant regulations of the Company. The evaluation method consists of employee self-evaluation and supervisor evaluation. Aside from relying on the evaluation result as the main basis for remuneration, other factors taken into consideration also include implementation of the Company's core value, operation management, comprehensive management indicator of financial and sales performance, participation in continued education training courses and sustainable operation, as well as other special contributions. Weights are given to each evaluation indicator to determine individual compensation.

The Company extremely values the importance of talent retention and talent training. In order to attract more high quality talents, and to strengthen the Company's capability, we would make necessary adjustments to reflect the fluctuation of consumer price index, and would even make special salary adjustments when needed.

Relevance to business performance and future risks:

The review of the standard and procedure of the Company's remuneration policy is based on the Articles of Incorporation and other relevant regulations, which is closely connected with the Company's operating performance. Performance goals are connected with "Risk Control & Management" and referenced to salary standard and practice of the industry peers to ensure that compensation paid to the Company's employees at managerial levels is competitive and can retain high quality management personnel.

The remuneration for managers is determined based on major decisions of the management team and after taking into account of various risks and factors. As such decisions are a direct reflection of the Company's profitability and are related to the remuneration for managers and the performance of risks controls. Furthermore, the Company would review the remuneration procedure based on actual operation status and changes in relevant laws and regulations when appropriate for the purpose of balancing the Company's sustainable operation and risk control management.

The Company's internal evaluation items for the individual performance evaluation of directors and managers in 2023 included the occurrence of moral hazard incidents for directors and managers or other risk events that cause damage to the Company's image and goodwill, improper internal management, and personnel fraud. The Company also considers the directors' and managers' target-achieving rate and contribution to the operating profit, calculates their remuneration percentages, before submitting the proposal to the Remuneration Committee for discussion. After the resolution adopted by the Remuneration Committee, it is reported to the Board of Directors.

The personal and performance targets set for the directors and managers were all achieved effectively.

(VI) Status of promotion of sustainable development and deviation from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and reasons thereof:

Item	Implementation		Deviations from Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and reasons thereof
	Yes	No	
I. Has the Company established exclusively (or concurrently) dedicated units to promote sustainable development, and has the Board of Directors placed personnel at the senior management in charge of the promotion and monitored the promotion?	√		No deviation

Item	Implementation		Deviations from Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and reasons thereof
	Yes	No	
<p>II. Does the Company implement the risk assessment of environmental, social, and corporate governance issues related to corporate operation and establish relevant risk management policies or strategies based on the principle of materiality?</p>	√		No deviation
		<p>The Company has established a "Risk Management Policy and Procedure" and performs evaluation according to the overall scale, business characteristics, risk nature and operating activities of the Company and its subsidiaries. We perform analyses as per the principle of materiality (environment, corporate governance, and society) and establish effective identification, measurement, and risk management policies in accordance with the Articles of Incorporation and relevant laws and regulations and based on the development trend of corporate social responsibility at home and abroad as well as the Company's overall operating activities and social and corporate governance issues, while taking specific actions to reduce the impact of relevant risks. In addition, the risk management execution status is reviewed, necessary improvement recommendations are proposed, and reporting to the board of directors are made periodically (two times annually). For details please visit our Company's website: http://www.qsitw.com/page/tw/index.html</p>	

Item	Implementation			Deviations from Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and reasons thereof
	Yes	No	Summary	
			<p>Environment</p> <p>Environmental impact and management</p> <p>Corporate governance</p>	<p>Adopt a process safety management and systematic management cycle to effectively reduce pollution emissions and the impact on the environment.</p> <p>Obtain ISO 14001 environmental management certification and regularly conduct greenhouse gas inventory in accordance with ISO 14064-1, while continuing to implement carbon reduction measures to reduce emissions according to the results.</p> <p>Socioeconomic compliance.</p> <p>Implement internal control mechanisms to ensure that all personnel and operations duly comply</p>

Item	Implementation		Deviations from Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and reasons thereof
	Yes	No	
(II) Is the Company committed to improving the energy use efficiency and using recycled materials with a low impact on the environment?	√		environmental evaluations and occupational safety and health risk control, adopt a target and project management model to set out emergency response measures, and prioritize improvement measures. Those with lower risks are controlled by means of operational control methods. Meanwhile, we conduct greenhouse gas inventory every year to track the effectiveness of emission reduction. These efforts have achieved significant results. (II) The Company is committed to improving the utilization efficiency of various resources and using recycled materials with a low impact on the environment so that the resources on Earth can be used sustainably. The Company, in addition to setting various environmental management indicators, uses EU RoHS compliant materials to make effective use of resources to reduce waste generated, and entrusts professional qualified businesses as certified by the environmental protection agency to dispose of waste, thereby alleviating the effect on the environment. (III) The Company formulates climate change adaptation and mitigation management plans in
(III) Does the Company assess the present and future potential risk and opportunities of climate change	√		No deviation

Item	Implementation		Deviations from Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and reasons thereof
	Yes	No	
<p>in relation to the Company and adopt countermeasures against climate issues?</p> <p>(IV) Does the Company make statistics on greenhouse gas emissions, water consumption, and total waste weight in the past two years, and formulate policies for energy conservation and carbon reduction, greenhouse gas reduction, water reduction, or other waste management?</p>			
	v	<p>accordance with the impact of climate change on our operating activities, reviews the implementation status, and discusses future plans, and reports to the Board of Directors. We actively advocate energy conservation and environmental protection policies, set out the Company's environmental protection, energy conservation and carbon reduction, and greenhouse gas reduction management goals and strategies, review the established strategies and goals every half a year, examine the implementation status, and discuss future plans. Related management policies are disclosed on the official website.</p> <p>(IV) The Company prepares annual greenhouse gas inventory report as per ISO 14064-1. For the volume of greenhouse gas emitted into the atmosphere, the greenhouse gas reduction measures are effectively implemented, to slow down the global warming trend, and the responsibility is fulfilled as a part of the global village. To continue to achieve reduction, we continue to track the reduction and implement policies, including material design and selection and power-saving production. As for our water-</p>	No deviation

Item	Implementation		Deviations from Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and reasons thereof
	Yes	No	
internationally recognized human rights principles?		<p>human rights protection policies, observes relevant labor laws and Code of Conduct - Responsible Business Alliance, and relevant international regulations, national and local laws and regulations; the Company respects internationally recognized basic labor human rights principles, and by continuously improvement of work, protects employees' human rights. The Company also encourages suppliers to comply with relevant standards, to reduce the risk of violations and occupational safety and health losses. Relevant policies and regulations are specified in the Company's internal regulations and disclosed on the official website.</p>	
(II) Has the Company established and implemented reasonable employee welfare measures (including remuneration, vacation and other benefits) and appropriately reflected the business performance or results in the employee remuneration policy?	√	(II) Employee remuneration: The salary system is determined with reference to the market salary level and work experience, and salary adjustments are made every year based on individuals' performance to maintain the overall salary competitiveness. Employee benefit measures: The Company has formulated "Working Rules" to regulate employees' relevant reasonable benefit measures (including salary-regular salary	No deviation

Item	Implementation		Deviations from Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and reasons thereof
	Yes	No	
(III) Has the Company provided employees with a safe and healthy working environment and regularly	√		
		<p>adjustment; vacation-paternity leave, family care leave, and other benefits-flexible working hours), and we arrange free health checkup once every two years. The Company has set up an employee welfare committee to plan and provide employees with various benefit measures, including employee travel subsidies, gift certificates for three major holidays, birthday gifts, marriage, maternity, and funeral condolence money.</p> <p>Diversity and equality in the workplace: The Company has established a policy to protect human rights regardless of gender. In 2023, the average proportion of female employees in the Company was 28.19%, and the average proportion of female managers was 16.00%.</p> <p>Operational performance reflected in employee salaries: As per the Articles of Incorporation, if the Company makes a profit, it shall allocate no less than 5% of the balance as employee compensation to appropriately reflect our operational performance in employees salaries to share our operational results.</p> <p>(III) The Company formulates policies in accordance with the Occupational Safety and Health Act</p>	No deviation

Item	Implementation		Deviations from Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and reasons thereof
	Yes	No	
conducted safety and health training?		<p>and the regulations on relevant customer or groups and respects relevant stakeholders' requirements for occupational safety and health, so as to build a healthy and happy workplace. The Company takes the ISO 45001 management system as a benchmark, to identify all sources of company-wide environmental and safe hazards, establish an occupational health and safety target management plan, formulate emergency response plans. Regularly conduct fire and earthquake drills, emergency evacuation training, and fire inspections, inspect safety measures and equipment performance, and develop training programs for fire brigade personnel, notification procedures, evacuation drills, and first aid training to implement disaster prevention measures and be prepared for emergencies. The special positions and chemical operators are arranged for regular trainings, to achieve a good prevention for management and execution for eliminating safety accidents. We arrange free health checkup once every two years and specialist doctors and nurses are invited to provide</p>	

Item	Implementation		Deviations from Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and reasons thereof
	Yes	No	
(IV) Has the Company established an effective career development training program for employees?	√		<p>medical consultation services and health education to employees onsite. In the year 2023, a total of 6 occupational safety incidents occurred, all of which were attributed to employees' failure to adhere to the standard operating procedures (SOPs), resulting in accidents and injuries. Subsequently, measures were taken to enhance employee education and training, review the need for SOP revisions and adjustments, and strengthen the promotion and labeling of warning signs, in order to prevent occupational accidents. Additionally, there were no fire incidents reported in the year 2023.</p> <p>(IV) The Company has planned a complete competency training program for managers and employees at all levels, including new employee training, professional advanced training, and manager training. In addition, we arrange relevant internal education and training monthly and external training courses related to work from time to time for employees to participate, to assist them in continuing to learn and grow through diverse learning methods, thereby enhancing their competencies and career development.</p> <p>No deviation</p>

Item	Implementation		Deviations from Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and reasons thereof
	Yes	No	
(V) Has the Company complied with the relevant regulations and international standards and formulated policies for consumer or customer protection and grievance procedures with respect to consumer health and safety, customer privacy, marketing and labeling of products and services?	√		(V) The Company uses green and environmental-friendly materials to manufacture products, as the protection of customers' health and safety, with good after-sales services, and keeps customer information confidential. The Company respects and protects intellectual property rights. The legal department conducts professional reviews of product patents and intellectual property rights, and complies with relevant laws and international standards for products and service processes.
(VI) Has the Company established supplier management policies which require suppliers to comply with regulations on environmental protection, occupational safety and health or labor rights, and reported the implementation?	√		(VI) For the suppliers expected to partner with, the procurement unit requires them to fill in the "Supplier Evaluation Data Sheet" and conducts routine audits or on-site evaluations of their actual conditions. The evaluation includes the vendor's compliance with the sustainable development principles, and acquisition of conflict minerals and usage surveys. To promote economic, environmental and social progress, and achieve sustainable development goals, the Company requires all partner suppliers to sign procurement contracts, specifying that suppliers must strictly observe the sustainable development policies. If there is

Item	Implementation		Deviations from Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and reasons thereof
	Yes	No	
		any violation of social responsibility or anything that have a significant impact on the environment and society, the contract will be terminated or cancelled.	
V. Has the Company referred to international reporting standards or guidelines in its preparation of sustainable development reports and other reports which disclose the Company's non-financial information? Have the abovementioned reports obtained the verification or assurance opinions from third-party certification organizations?	√	The Company prepares the ESG Report according to regulations, and has established "Sustainable Development Best Practice Principles" to follow in order to manage economic, environmental and social risks and impacts. While being engaged in business operations, the Company actively promote sustainable development to conform to international development trends, enhance national economic contribution, improve the quality of life of employees, communities, and society, and promote a competitive advantage based on sustainable development. and obtained third party AA1000 moderate level assurance.	No deviation
VI. If the Company has formulated its own Sustainable Development Best Practice Principles in accordance with the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies, please describe the difference between its operation and the established Principles: To promote sustainable development, establish Sustainable Development Committee to coordinate overall planning and deployment operation, the Company has established the Sustainable Development Best Practice Principles. The Company makes its contribution in environmental protection, social contribution, social service, social welfare, consumer rights, human rights, safety and health and other social responsibility activities from time to time. The Company strictly observes labor laws and regulations and business ethics and actively implements various sustainable development initiatives based on the domestic and international development trend of			

Item	Implementation		Deviations from Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and reasons thereof
	Yes	No	
<p>VII. Other important information to help understand the efforts in promotion of sustainable development:</p> <p>To ensure the quality and volume of products and environment, the Company has established IECQ/QC080000 hazardous substance process management system, to promote design and development for eliminating prohibited substances, controlling its green partner from sources, managing process to prevent cross-contamination, full participation in continuous product waste reduction, sustainably satisfying regulations and customers' requirement. Through the supply chain HSF (Hazardous Substance Free) management, HSF training to all personnel, and hazardous substance testing related to parts, the goal of green homes is to be achieved. In order to meet the low-carbon environmental trend and sustainable development requirements, ISO 14064-1 was established to inventory the carbon emissions of the Company and products, to formulate relevant emission reduction plans and measures, meeting the continuous improvement requirements of regulations and customers.</p>	Summary	<p>sustainable development and the Company's own overall operating activities. We regularly review the implementation of these principles and make improvements accordingly. So far, the implementation is well-aligned with these principles.</p>	

(VII) Implementation status of climate-related information

Item	Implementation status
<p>1. Describe the Board of Directors' and the management's supervision and governance of climate-related risks and opportunities.</p>	<p>The Climate Change Governance and Management Framework is overseen by the Sustainability Committee, responsible for setting the strategic direction of the company's medium to long-term climate change management. Through cross-departmental discussions and evaluations, it integrates resources and progress in climate actions, formulates adaptation and mitigation management plans for climate change, reviews implementation status, discusses future plans, and reports annually to the board on the achievements of the current year and the next year's work plan. It listens to the board's opinions for amendments, and incorporates climate change risk-related issues and management objectives.</p>

Item	Implementation status
<p>2. Describe how the climate risks and opportunities identified impact an enterprise's business, strategies, and finance (short-term, medium-term, and long-term).</p>	<p>The company's strategies and plans are influenced by climate-related risks and opportunities. Reference is made to the Task Force on Climate-related Financial Disclosures (TCFD) for climate-related scenario analysis, utilizing both quantitative and qualitative analyses to take appropriate measures. For detailed information, please refer to Chapter 4.5 "Climate-related Financial Disclosures" in the Sustainability Report.</p>
<p>3. Describe the impact of extreme climate events and transition actions on the finance.</p>	<p>The degrees of financial impacts of various extreme climate events and transition actions depend on the degree of climate change in the plant area and the intensity of requirements from customers or the government. Overall, the company needs to invest in additional management manpower, additional equipment and purchase of renewable energy to meet the needs of climate change and low carbon transformation.</p>
<p>4. Describe how the identification, evaluation, and management processes of climate risks are integrated in the overall risk management system.</p>	<p>The ESG committee is responsible for the planning and implementation of climate risk and overall risk management mechanism, and reports the identification results and response measures of climate change and other types of risks to the board of directors at least once a year.</p>
<p>5. Scenarios, parameters, assumptions, and analysis factors used as well as the main financial impacts shall be explained if scenarios are used to analyze and evaluate the resilience of climate change risks.</p>	<p>The company conducts climate-related scenario analysis with reference to the Task Force on Climate-related Financial Disclosures (TCFD), employing both quantitative and qualitative analyses to facilitate the adoption of corresponding measures.</p>
<p>6. The contents of a transition plan in response to the management of climate-related risks shall be indicated if any, together with indicators and objectives used to identify and manage physical and transition risks.</p>	<p>As our company does not belong to high carbon-emitting industries, the overall operational impact is not expected to be significant. Considering the future, in addition to conducting a comprehensive greenhouse gas inventory in the short term, we will also evaluate initiatives such as purchasing green energy, installing solar energy-saving equipment, and buying bioenergy, to set carbon reduction targets and provide compliance training to all departments. To address the technical risks associated with replacing existing products with low-carbon alternatives, we collaborate with customers to develop low-carbon products and actively promote business opportunities. Given the increasing severity of extreme weather conditions leading to higher frequencies of typhoons and heavy rainfall, potential risks include damage to production equipment and increased maintenance costs. To mitigate these risks, our company incorporates</p>

	such considerations into facility planning by locating production equipment on higher implementation status
Item	floors during construction to mitigate the risk of equipment damage due to flooding. Additionally, the factory premises are equipped with flood barriers to reduce the risk of workplace flooding and ensure worker safety.
7. The price setting basis shall be explained if internal carbon pricing is used as a planning tool.	The Company has not implemented internal carbon pricing.
8. Information including activities covered, scope of greenhouse gas emissions, planned scheduled, and required annual progress shall be described if climate-related goals are established; if carbon offsets or Renewable Energy Certificates (RECs) are used to achieve relevant goals, the sources and quantity of carbon quota offset or the quantity of RECs shall be described.	In order to minimize the impact on the surrounding environment during operations, the company allocates considerable resources to all environmental indicators, such as energy conservation, carbon reduction, water resource efficiency, pollution prevention, and hazardous substance management. Additionally, greenhouse gas inventories will be conducted according to ISO 14064-1, covering areas within the operational control of various factory sites. Based on the inventory results, relevant carbon reduction goals and schedule planning will be implemented to achieve the vision of sustainable development.
9. Greenhouse gas inventory and assurance status, along with reduction targets, strategies, and specific action plans.	The company is currently implementing a process safety management and institutionalized management cycle, effectively reducing pollution emissions and their impact on the environment, and obtaining ISO 14001 environmental management verification. Subsequently, greenhouse gas inventories will be conducted according to ISO 14064-1, and related reduction targets, response measures, and plans will be developed based on the inventory results.

1-1 Greenhouse gas inventory and verification status of the company in the past two years

1-1-1 Greenhouse Gas Inventory Data

Statement of Greenhouse Gas Emissions for the Past Two Years, Including Emissions (Tons/CO₂e), Intensity (Tons t-CO₂e/million), and Data Coverage.

I. Individual GHG emission (t-CO₂e):

Greenhouse gas	CO ₂		CH ₄		N ₂ O		HFCs		PFCs		SF ₆		Total volume of GHG emission	
	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023
Emission volume (t-CO ₂ e/year)	712,647.60	814,681.61	120.85	140.70	0.89	3.62	0.00	0.00	0.00	0.00	0.00	0.00	712,769.34	814,825.93
Percentage to the total emission	99.98%	99.98%	0.02%	0.02%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	100.00%	100.00%

II. Volume of GHG emission for each scope and emission type:

Year	2022						2023					
	Scope 1			Scope 2	Scope 3	Scope 1			Scope 2	Scope 3		
Type of emission	Stationary combustion	Mobile combustion	Production process	Fugitive emission	Indirect emission from energy	Other indirect emission	Stationary combustion	Mobile combustion	Production process	Fugitive emission	Indirect emission from energy	Other indirect emission
Emission volume (t-CO ₂ e/year)	0.64	45.87	0.00	120.67	711,814.15	788.01	3.51	184.14	0.00	139.93	812,866.09	1,632.26
Percentage	0.00%	0.01%	0.00%	0.01%	99.87%	0.11%	0.00%	0.02%	0.00%	0.02%	99.76%	0.20%
Emission volume (t-CO ₂ e/year)	167.18			788.01			327.58			1,632.26		
Percentage	0.02%			0.11%			0.04%			0.20%		

III. Intensity of Each Category Category (TonsCO₂e/million)

Year	Scope 1		Scope 2		Scope 3	
	Total Emission (Tons/CO ₂ e)	Intensity (TonsO ₂ e/million)	Total Emission (Tons/CO ₂ e)	Intensity (TonsCO ₂ e/million)	Total Emission (Tons/CO ₂ e)	Intensity (TonsCO ₂ e/million)
2022	167.18	0.0138	711,814.15	58.74002	788.01	0.0650
2023	327.58	0.0316	812,866.09	78.3401	1,632.26	0.1573
						Operating revenue (million)
						12,118
						10,376

Note: The above data includes the parent company and subsidiaries of the consolidated financial statements. However, they have not yet been verified by a third party.

1-1-2 Greenhouse Gas Confirmation Data.

The recent two-year confirmation status as of the printing date of the annual report shall be described, including the scope of confirmation, confirming entity, confirmation criteria, and confirmation opinion.
The company has not yet complied with the schedule for greenhouse gas inventories and confirmations, therefore, no relevant information regarding the scope of confirmation, confirming entity, confirmation criteria, and confirmation opinion is disclosed.

1-2 Greenhouse Gas Reduction Targets, Strategies, and Specific Action Plans.

Describe the baseline year and its data for greenhouse gas reduction, reduction targets, strategies, specific action plans, and the achievement of reduction targets.
The company has not yet complied with the schedule for greenhouse gas inventories and confirmations. It is expected to set the baseline year and conduct inventories according to regulatory requirements. Currently, there is no disclosure of related information such as reduction targets, strategies, specific action plans, and the achievement of reduction targets.

(VIII) Implementation of Ethical Corporate Management and Differences with Ethical Corporate Management Best Practice

Principles for TWSE/GTSM Listed Companies and reasons:

Assessment criteria	Implementation status		Deviations with Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and reasons
	Yes	No	
<p>I. Setting ethical management policies and programs</p> <p>(I) Does the company establish ethical management policies approved by the board and have bylaws and publicly available documents addressing its corporate conduct and ethics policy and measures and the commitment regarding the implementation of such policy from the board and the executive management team?</p>	√	No	<p>No deviation</p>
			<p>(I) The Company engages in business activities based on the principles of fairness, honesty, trustworthiness, and transparency. In order to implement the ethical corporate management policy and actively prevent the occurrence of unethical conducts, the Company has formulated the Ethical Corporate Management Best Practice Principles, approved by the Board of Directors, to regulate the matters that employees should pay attention to when conducting business. In addition, because the Company values the ethics and integrity of employees, employees are required to sign the "Employee Integrity Contract" for the self-discipline to be ethical with integrity. The "Rules for Employees" specify that employees should be cautious and ethical in their words and deeds, upholding honesty and credibility when handling official affairs as the principle; for any information related to the Company's business and technology, the confidentiality</p>

Assessment criteria	Implementation status		Deviations with Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and reasons
	Yes	No	
<p>(II) Has the Company established a risk assessment mechanism against unethical conduct, analyzed and assessed on a regular basis business activities within their business scope which are at a higher risk of being involved in unethical conduct, and established prevention programs accordingly which at least cover the prevention measures against the conducts listed in Paragraph 2, Article 7 of the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies?</p> <p>(III) Has the Company defined operating procedures, conduct guidelines, disciplinary penalties and grievance process in the program preventing unethical conduct and put them in practice, and regularly reviewed and amended the program?</p>	√	<p>shall be strictly observed without leaking; and employees shall not use their positions to profit themselves or others; and shall not accept rebates, improper gifts, entertainment or other illegal benefits due to their duties or conducts breaching their duties.</p> <p>(II) In addition to requiring employees to sign the "Employee Integrity Contract," the Company also requires suppliers to sign the contract of ethics and integrity for procurement activities with higher risk of unethical conduct within the business scope, and provides a whistleblower mailbox, establishes "Ethical Corporate Management Best Practice Principles" to prevent improper conducts.</p>	No deviation
	√	<p>(III) The Company has the "Ethical Corporate Management Best Practice Principles" in place to prevent unethical conducts, and the "Working Rules" that include ethics-related conducts as part of the spirit of service. The provisions precisely regulate employees' behaviors or ethics, and are reviewed and amended regularly every year, to comply with operating procedures. The relevant regulations</p>	No deviation

Assessment criteria	Implementation status		Deviations with Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and reasons
	Yes	No	
II. Implementation of ethical management			
(I) Does the Company evaluate the ethic records of the transaction object and conclude the terms regarding the ethic conducts in the agreement signed with them?	√		(I) The contracts between the company and suppliers specify relevant clauses: all suppliers should understand QSI Group's policies, social responsibilities and gain considerable trust in the market. Suppliers and their agents should maintain the highest ethical standards, including business reputation, no improper interests, information disclosure, intellectual property rights, fair trading, advertising and competition, identity protection, social cooperation, among other things, to regulate ethical conducts.
(II) Has the Company established a specialized unit under the board responsible for the promotion of corporate ethics management, which regularly (at least once a year) reports policies on ethical operations, programs on prevention of unethical conduct and the status of supervision to the board?	√		(II) The General Administration Department is responsible for the promotion and implementation of the Company's ethical corporate management. Each department performs corporate social responsibility based on the scope of duties, and the execution unit summarizes the results to report to the Board of Directors every half year, and disclose the relevant operations on the official website.
(III) Does the Company prepare the policies against interest conflict and provide and implement the	√		(III) The Regulations Governing Procedure for Board of Directors Meetings set for the system

Assessment criteria	Implementation status		Deviations with Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and reasons
	Yes	No	
proper statement channel?			
(IV) Has the Company established an effective accounting and internal control system to put ethical operations management into practice and arranged for the internal audit unit to formulate audit plans based on the risk assessment of unethical conduct and audit the compliance to prevent unethical conduct, or commissioned independent auditors to conduct the audit?	√		No deviation
(V) Does the Company hold regular internal and external education trainings on ethical management regularly?	√		No deviation

Assessment criteria	Implementation status		Deviations with Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and reasons
	Yes	No	
		management.	
III. Operation of the Company's whistle-blowing system			
(I) Does the Company prepare the specific whistle-blowing and award & punishment system, establish the convenient whistle-blowing channel and designate a person to deal with the accused?	√		(I) Employees shall be vigilant to any unethical conducts. If any dubious or breach is found, employees are obliged to report to supervisors. The official website has also established channels, e.g. employee complaint mailbox and complaint hotlines, and the responsible personnel will promptly deal with reasonable comments or suggestions. Any violations reported by any employee will be investigated; the whistleblower is provided with protective measures to avoid unfair retaliation or treatment. The Company will, depending on the severity of the circumstances, take actions pursuant to the Rules of Employees; the most serious punishment is dismissal.
(II) Does the Company establish standard operating procedures for investigating the complaints received, follow-up measures to be adopted and the related confidentiality measures after investigation?	√		(II) The Company's official website has established whistle-blowing channels, e.g. employee complaint mailbox and complaint hotlines; the dedicated unit is responsible for accepting whistle-blowing, standard operating procedures of investigation, and related confidentiality mechanisms.
			No deviation
			No deviation

Assessment criteria	Implementation status		Deviations with Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and reasons
	Yes	No	
(III) Does the Company take measures for protecting the whistle-blower from being punished improperly?	√	(III) The Company conducts the investigation to any reported violations of professional ethics, and takes the responsibility of confidentiality, to protect whistle blowers from unfair treatment as a result, and has no improper treatment.	No deviation
IV. Strengthening of information disclosure Does the company disclose the contents of its Ethical Corporate Management Best Practice Principles and the effectiveness on its website and MOPS?	√	The Company disclosed the information related to the ethical corporate management on the website and MOPS. The philosophy and policies of ethical corporate management are also disclosed in the annual reports, regulations, and supplier contracts, to promote actively for the effect of ethical corporate management.	No deviation
V. If the company has its own Ethical Corporate Management Best Practice Principles in accordance with the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies", please describe the difference between them: The Company engages in business activities based on the principles of fairness, honesty, trustworthiness, and transparency. In order to implement the ethical corporate management policy and actively prevent unethical conducts, the "Ethical Corporate Management Best Practice Principles" have been formulated to specifically regulate the matters that the personnel should pay attention to when conducting business. The dedicated unit regularly reports to the Board of Directors. There is no difference between its operation and the Principles.			
VI. Other important information that helps to understand the company's ethical management operation: (e.g. the review and amendment to the established Ethical Corporate Management Best Practice Principles) The Company regularly conducts self-inspection of internal control every year, to carefully review the implementation of internal control, for achieving effective implementation of internal control. For the material matters such as material operating policies, investments, acquisition or disposal of assets, loaning of funds to others, and endorsement/guarantees, they are all handled pursuant to relevant laws and regulations, announced as required by laws, and disclosed on the official website. Accommodate the laws and regulations to			

Assessment criteria	Implementation status		Deviations with Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and reasons
	Yes	No	
<p>formulate relevant anti-fraud measures to ensure ethical corporate management, and formulate standard operating procedures and conduct guidelines related to work and business in each program, for assisting the Board of Directors and management to inspect and evaluate whether the preventive measures established for the implementation of ethical corporate management are effectively operating. The compliance status of related business processes are regularly evaluated and prepared as reports.</p>		Summary	

(IX) Disclosure of Inquiry Ways in Case of any Formulation of Corporate Governance Rules and Relevant Regulations by the Company:

The Company has established the regulations related to corporate governance, e.g. "Sustainable Development Best Practice Principles," the "Corporate Social Responsibility Best Practice Principles," the "Ethical Corporate Management Best Practice Principles," the "Operational Procedures of Handling Internal Material Information and Preventing Insider Trading," the "Internal Control System," the "Rules of Procedure for Shareholder Meetings", the "Regulations for Electing Directors," the "Regulations Governing Procedure for Board of Directors Meetings," the "Procedures Handling Acquisition or Disposal of Assets," the "Operational Procedures for Loaning of Funds and Endorsement/Guarantee," and the "Rules Governing the Scope of Powers of Independent Directors." Please inquire at the "MOPS/Company Governance/Establishment of Regulations Related to Corporate Governance," and the "Company's Website/Corporate Governance."

(X) Other important information that is sufficient to enhance the understanding of the operation of corporate governance:

1. Relevant units regularly communicate and discuss sufficiently with the CPAs for financial statement audit matters and internal control implementation status.
2. The procedures handling the internal material information comply with the "Operational Procedures of Handling Internal Material Information and Preventing Insider Trading" and "Management and Control Operation for Preventing Insider Trading." The disclosure of material information are based on the definitions of the "Regulations Governing the Scope of Material Information and the Means of its Public Disclosure Under Article 157-1, Paragraphs 5 and 6 of the Securities and Exchange Act" and the "Taipei Exchange Procedures for Verification and Disclosure of Material Information of Companies with TPEX Listed Securities" and related regulations. To prevent insider trading, anyone who knows material internal information of the Company shall handle the trading of the Company's negotiable securities pursuant to Article 157-1 of the Securities and Exchange Act. The Company has also established the internal control mechanism, provided timely education and promotion, and informs directors, managerial officers, and employees of this system to avoid violations of regulations or insider trading.

(XI) Internal control systems implementation

1. Statement of Internal Control System

Quanta Storage Inc.
Statement of Internal Control System

Date: March 04, 2024

The Company declares the following concerning its internal control system during the fiscal year 2023, based on the findings of a self-assessment:

- I. The Company acknowledges that the establishment, implementation, and maintenance of the internal control system are the responsibilities of the Board of Directors and Managers of the Company. As such, the Company has established the aforementioned system. Its objectives are to provide reasonable assurance for the effectiveness and efficiency of its operations (including profitability, performance, and the guarantee of assets safety, etc.), reliable, timely and transparent reporting, and conformity to applicable rules, regulations, and laws.
- II. The internal control system has its inherent limitations. Regardless of how exhaustive the design is, an effective internal control system can only provide reasonable assurance for the achievement of the aforementioned three objectives. Further, due to changes in the environment or circumstances, the effectiveness of the internal control system may vary accordingly. Nevertheless, the Company's internal control system has set up a self-supervision mechanism. Once a deficiency has been identified, the Company will take the remedial actions immediately.
- III. In accordance with the determining criteria for the effectiveness of the internal control system prescribed in the "Regulations Governing Establishment of Internal Control Systems by Public Companies" (hereafter the "Regulations"), the Company evaluated the effectiveness of the design and execution for its internal control system. The determining criteria of the internal control system prescribed in the "Regulations" are based on the process of management control, dividing the internal control system into five composite factors: 1. control of the environment, 2. risk evaluation, 3. control of operations, 4. information and communication, and 5. supervision. The composition of each element also includes several items. Please refer to the "Regulations" for the aforesaid items.
- IV. The Company has adopted the aforementioned determining criteria of the internal control system to evaluate the effectiveness of design and execution for its own internal control system.
- V. Based on the evaluation result of the preceding paragraph, the Company believes that its internal control system (including the supervision and management of its subsidiaries) as of December 31, 2023, including understanding the achievement for the objectives of effectiveness and efficiency of its operations, reliability, timeliness and transparency of its reporting and compliance with the applicable law and regulations, was effective in design and execution, and can be reasonably assured of the achievement of the aforementioned objectives.
- VI. This statement will serve as the main content of the Company's annual report and prospectus and will be made available to the public. If the aforesaid public content has any illegal events including falseness or concealment, it shall be liable to the legal liabilities stipulated in Article 20, 32, 171, and 174 of the Securities and Exchange Act.
- VII. This Statement has been passed by the Board of Directors Meeting of the Company held on March 04, 2024, where none of the attending Directors expressed dissenting opinions, and the remainder all affirmed the content of this Statement.

Quanta Storage Inc.

Chairman: HO, SHI-CHI

President: CHANG, CHIA-FENG

2. If any CPA is entrusted to perform a special audit on the internal control audit report, such CPA's audit report shall be disclosed: None.
- (XII) For the most recent year until the publication date of the annual report, penalties imposed against the Company and its staff, or penalties imposed by the company against its staff for violations of internal control or regulations. State any corrective actions are taken in the most recent years up to the date of the annual report: None.
- (XIII) For the most recent year until the publication date of the annual report, major resolutions made in Shareholders' and Board meetings:

1. Major resolutions of Board of Directors:

Date	Major resolutions
2023.01.16	<ul style="list-style-type: none"> ▪The Remuneration Committee submitted a proposal for various salaries and remuneration items. ▪The Remuneration Committee submitted a proposal for the suggestions about the 2022 year-end bonus paid to the Company's top-level managers. ▪The Remuneration Committee submitted a proposal for the suggestions about the 2023 top-level managers' salary structure and annual salary adjustment. ▪Established a "Code of Ethical Conducts" of the Company. ▪The Company's bank credit line proposal.
2023.02.23	<ul style="list-style-type: none"> ▪Ratification of liability insurance renewal for directors and key staff. ▪2022 Business Report. ▪2022 consolidated and parent company-only financial statements. ▪Amendments to the internal regulations. ▪Proposal for the 2022 distribution of remuneration to employees and directors.
2023.03.15	<ul style="list-style-type: none"> ▪Proposal for the 2022 earning distribution. ▪Determination of 2022 cash dividends distribution. ▪Proposal to distribute cash from the capital reserve. ▪The Company's 2022 "Assessment of the Effectiveness of internal Control" and "Statement on the Internal Control System". ▪Request the AGM to fully re-elect the 9th Term of the seven directors' seats (three seats of independent directors included). ▪Request the AGM to relieve the restrictions on competing business involvement for new directors and representatives. ▪Request to approved the director candidate list (independent directors included) nominated by the Board of Directors and resolve their qualifications. ▪Determination of the matters related to the convention of 2023 AGM.

Date	Major resolutions
	<ul style="list-style-type: none"> ▪The Company’s regular assessment of the independence of the CPAs. ▪Established general rules for the Company’s policy for early approval of non-assurance services. ▪The Company’s 2022 evaluation of the Board (including functional committees’) performance.
2023.05.05	<ul style="list-style-type: none"> ▪Acceptance of shareholders’ proposal for THE AGM. ▪In accordance with internal adjustments at KPMG, there is a proposal to replace the company's signing auditor and assess the auditor's independence and suitability. ▪The Company’s 2023 First quarter consolidated financial statements. ▪Determination of the dividend distribution record date for the 2022 dividends. ▪Re-appointed the Company’s chief auditor.
2023.06.07	<ul style="list-style-type: none"> ▪Proposal to elect the Chairman of the 9th Term. ▪Proposal to appoint the members of the 3th Audit Committee. ▪Proposal to appoint the members of the 5th Remuneration Committee.
2023.07.31	<ul style="list-style-type: none"> ▪The Company’s 2023 Second quarter consolidated financial statements. ▪The Company's bank credit line proposal. ▪The Remuneration Committee submitted a proposal for the suggestions about the allowance and remuneration for 9th-term independent directors. ▪The Remuneration Committee submitted a proposal for the suggestions about the 2022 managers’ employee compensation.
2023.10.31	<ul style="list-style-type: none"> ▪The Company’s 2023 Third quarter consolidated financial statements.
2023.12.15	<ul style="list-style-type: none"> ▪Established the 2024 business plan. ▪Set out 2024 internal audit plans for the Company and its subsidiaries. ▪The Company's proposal for remuneration paid to CPAs. ▪The amendment to the "Managerial Regulations for Authority to Approve." ▪Proposal to relieve the restrictions on competing business for managers. ▪The Company's bank credit line proposal.
2024.01.05	<ul style="list-style-type: none"> ▪The contract out the "Operation headquarters office building construction project". ▪The Company's bank credit line proposal.
2024.02.01	<ul style="list-style-type: none"> ▪The Remuneration Committee submitted a proposal for various salaries and remuneration items. ▪The Remuneration Committee submitted a proposal for the suggestions about the 2023 year-end bonus paid to the Company’s top-level managers. ▪The Remuneration Committee submitted a proposal for the suggestions about the 2024 top-level managers’ salary structure and annual salary adjustment. ▪Proposal for the 2023 earning distribution.

Date	Major resolutions
2024.03.04	<ul style="list-style-type: none"> ▪Ratification of liability insurance renewal for directors and key staff. ▪2023 Business Report. ▪2023 consolidated and parent company-only financial statements. ▪Proposal for the 2023 distribution of remuneration to employees and directors. ▪Determination of 2023 cash dividends distribution. ▪Determination of the dividend distribution record date for the 2023 dividends. ▪The Company’s 2023 “Assessment of the Effectiveness of internal Control” and “Statement on the Internal Control System”. ▪Determination of the matters related to the convention of 2024 AGM. ▪The Company’s Change of Company's Signing Auditor and Evaluation of the Auditor's Independence and Suitability. ▪Established general rules for the Company’s policy for early approval of non-assurance services. ▪The Company’s 2023 evaluation of the Board (including functional committees’) performance. ▪The Compensation Committee submits proposals regarding the promotion and adjustment of salary payments for senior executives of the company.

2. Major resolutions of shareholders’ meetings and implementations:

Date	Major resolutions of shareholders’ meetings	Implementation
2023.06.07	Reported on the 2022 distribution of remuneration to employees and directors.	Handled as the proposal.
	Reported on the 2022 distribution of cash dividend and capital surplus.	Handled as the proposal.
	Ratified the Company’s 2022 Business Report and Financial Statements.	The resolution was ratified.
	Ratified the proposal for the 2022 Earning Distribution of the Company.	The AGM resolved the cash bonus of shareholders was NT\$751,569,057, or NT\$2.70 per share. The Board of Directors determined, based on the resolution, the dividend-distribution base date was June 14 2023; the payout date of cash dividends was July 06, 2023. The execution was completed as resolved.

Date	Major resolutions of shareholders' meetings	Implementation															
2023.06.07	Re-electing the directors of the 9th Term (independent directors included)	List of the elected directors are as the following :															
		<table border="1"> <thead> <tr> <th data-bbox="896 331 1075 367">Position</th> <th data-bbox="1075 331 1426 367">Name</th> </tr> </thead> <tbody> <tr> <td data-bbox="896 367 1075 403">Director</td> <td data-bbox="1075 367 1426 403">HO,SHI-CHI</td> </tr> <tr> <td data-bbox="896 403 1075 528">Director</td> <td data-bbox="1075 403 1426 528">Representative of Quanta Computer Inc. : Alan Tsai</td> </tr> <tr> <td data-bbox="896 528 1075 654">Director</td> <td data-bbox="1075 528 1426 654">Representative of Quanta Computer Inc. : C.T.Huang</td> </tr> <tr> <td data-bbox="896 654 1075 779">Director</td> <td data-bbox="1075 654 1426 779">Representative of Quanta Computer Inc. : Elton Yang</td> </tr> <tr> <td data-bbox="896 779 1075 860">Independent Director</td> <td data-bbox="1075 779 1426 860">WANG,KUAN-SHEN</td> </tr> <tr> <td data-bbox="896 860 1075 940">Independent Director</td> <td data-bbox="1075 860 1426 940">TSAI,YEOU-JYH</td> </tr> <tr> <td data-bbox="896 940 1075 1012">Independent Director</td> <td data-bbox="1075 940 1426 1012">CHEN,YEN-HAU</td> </tr> </tbody> </table>	Position	Name	Director	HO,SHI-CHI	Director	Representative of Quanta Computer Inc. : Alan Tsai	Director	Representative of Quanta Computer Inc. : C.T.Huang	Director	Representative of Quanta Computer Inc. : Elton Yang	Independent Director	WANG,KUAN-SHEN	Independent Director	TSAI,YEOU-JYH	Independent Director
Position	Name																
Director	HO,SHI-CHI																
Director	Representative of Quanta Computer Inc. : Alan Tsai																
Director	Representative of Quanta Computer Inc. : C.T.Huang																
Director	Representative of Quanta Computer Inc. : Elton Yang																
Independent Director	WANG,KUAN-SHEN																
Independent Director	TSAI,YEOU-JYH																
Independent Director	CHEN,YEN-HAU																
Approved to relieve the restrictions on competing business involvement for new directors and representatives.	Handled as the proposal.																

(XIV) Any 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:

During the recent year and up to the publication date of annual reports, for all the resolutions adopted in the meetings convened by the Board of Directors, have not been objected by any director or supervisor.

(XV) In most recent year and as of the end of this annual report is printed out, the resignation summary of the company's chairman, president, accounting, financial, internal audit, management officers and R&D executives:

Aggregated Table for Resignation/Discharge of Related Staff

March 31, 2024

Position	Name	Date of inauguration	Date of discharge	Reason of resignation or discharge
Internal Audit officer	HSU,CHUAN-CHIEH	2020.12.15	2023.05.05	Internal adjustment

IV. Professional service fee of CPAs:

Unit: NTD thousand

Name of the accounting firm	Name of CPAs	Audit period	Audit fee	Non-audit fee	Total	Remarks	
KPMG Certified Public Accountants	LIEN, SHU-LING CHEN, YI-CHUN	2023/01/01- 2023/12/31	3,995	-	5,675	Audit of financial statements	
	LIEN, SHU-LING CHEN, YI-CHUN					Audit of taxation	
	CHANG, CHIH					Audit of dual-status business entities	
	CHANG, CHIH					Transfer pricing service	
	LIEN, SHU-LING			-		1,680	Audit of non-managerial personnel's salary
	-						Translation of the annual financial statements into English
	CHANG, CHIH						Change registration service

V. Information on replacement of CPAs:

The company has replaced its certified public accountant within the last 2 fiscal years or any subsequent interim period:

(I)Former CPAs :

Date of replacement	March 15, 2023		
Reason for replacement and description	The original company's signing auditors were WU,TSAO-JEN and LIEN,SHU-LING, both from KPMG Certified Public Accountants. Due to internal adjustments at KPMG Certified Public Accountants, starting from the audit verification for the financial statements of the fiscal year 2023, the signing auditors were changed to LIEN,SHU-LING and CHEN,YI-CHUN.		
Description of termination by appointing party or non-acceptance of appointment	Party concerned		CPA
	Condition		Appointing
	Proactive termination of appointment		N/A
No acceptance (renewal) of appointment			
Unqualified opinions of audit reports issued in the last two years and reasons thereof	None		
Opinions different from those of the Company or not	Yes	-	Accounting principles or practice
		-	Disclosure of financial reports
		-	Scope or steps of audit
		-	Others
	No	✓	
	Description		
Other disclosures	None		

Date of replacement	March 04, 2024		
Reason for replacement and description	The original signing KPMG Certified Public Accountants for our company were from the joint accounting firm of LIEN,SHU-LING and CHEN,YI-CHUN. However, as the LIEN,SHU-LING auditor had already been certified for seven years, in accordance with the law, a rotation was required. Therefore, starting from the audit signing operation for the financial reports of the year 2024, the signing auditor was changed to CHEN,YING-JU and CHEN,YI-CHUN auditors.		
Description of termination by appointing party or non-acceptance of appointment	Party concerned		CPA
	Condition		Appointing
	Proactive termination of appointment		N/A
No acceptance (renewal) of appointment			
Unqualified opinions of audit reports issued in the last two years and reasons thereof	None		
Opinions different from those of the Company or not	Yes	-	Accounting principles or practice
		-	Disclosure of financial reports
		-	Scope or steps of audit
		-	Others
	No	✓	
	Description		
Other disclosures	None		

(II) Succeeding CPAs :

Name of accounting firm	KPMG Certified Public Accountants
Names of CPAs	LIEN,SHU-LING 、CHEN,YI-CHUN
Date of appointment	March 15, 2023
Consulting of accounting treatment methods or accounting principles for specific transactions as well as opinions possibly issued on the financial reports before appointment, as well as results	None
Written opinion of succeeding CPAs on the different opinions of former CPAs	None

Name of accounting firm	KPMG Certified Public Accountants
Names of CPAs	CHEN,YING-JU 、CHEN,YI-CHUN
Date of appointment	March 04, 2024
Consulting of accounting treatment methods or accounting principles for specific transactions as well as opinions possibly issued on the financial reports before appointment, as well as results	None
Written opinion of succeeding CPAs on the different opinions of former CPAs	None

(III) Reply letter from former CPAs to matters stipulated in Subparagraph 1 and Subparagraph 2-3, Paragraph 5, Article 10 of the Regulations Governing Information to be Published in Annual Reports of Public Companies : None.

VI. Where the Company's Chairman, President, or Managers in Charge of Financial or Accounting Affairs Have Worked in the CPA Firm at Which the CPAs Appointed Work or Its Affiliates Within the Last Year: None.

VII. In the Last Year and As of the Publication Date of the Annual Report, Equity Transfer and Changes in Pledged Equity by Directors, Supervisors, Managers, and Shareholders Whose Shareholding Ratio Exceeds 10%:

- (I) Stake changes of director, supervisor, managerial officer, or shareholder with a stake of more than 10 percent:

Unit: Shares

Position	Name	2023		2024 up to April 09	
		Increase (decrease) in shares held	Increase (decrease) in shares pledged	Increase (decrease) in shares held	Increase (decrease) in shares pledged
Chairman	HO, SHI-CHI	0	0	0	0
Director	Quanta Computer Inc. Representative: Alan Tsai	0	0	0	0
	Quanta Computer Inc. Representative: C.T. Huang				
	Quanta Computer Inc. Representative: Elton Yang				
Shareholders with 10% stake or more	Quanta Computer Inc.				
Independent Director	WANG, KUAN-SHEN	0	0	0	0
Independent Director	TSAI, YEOU-JYH	0	0	0	0
Independent Director	CHEN, YEN-HAU	0	0	0	0
President	CHANG, CHIA-FENG	0	0	0	0
Vice President	LIU,WEN-CHUNG	0	0	0	0
Vice President	YIP,WAI-CHEE				
Head of Finance and Accounting Department	LEE,CHIH-JEN	0	0	0	0
Assistant Vice President	PENG,WEN-KUAN	0	0	0	0
Assistant Vice President	CHENG,CHAN-WEI	0	0	0	0
Assistant Vice President	CHAO,LI-JEN (Newly appointed on September 4, 2023)	0	0	0	0
Corporate Governance Officer	YEH,HSIU-TING	0	0	0	0

- (I) Information of stake transfer: None.
(II) Information of pledge by shareholder: None.

VIII. Information on the Top Ten Shareholders with the Highest Shareholding Ratios are Related Parties, Spouses, or Relatives Within Second Degree of Kinship to Each Other:

April 09, 2024 Unit: Share

Name	Shares held by one's own		Shareholding by spouse and minor child		Total shareholding by nominee arrangement		Names and relationships of the Top Ten Shareholders with the Highest Shareholding Ratio are Related Parties as in Statements of Financial Accounting Standards No. 6, Spouse, or Relatives Within Second Degree of Kinship to Each Other		Remarks
	Shares	Percentage of shareholding	Shares	Percentage of shareholding	Shares	Percentage of shareholding	Name	Relation	
Quanta Computer Inc.	82,881,664	29.78%	-	-	-	-	-	-	
HUANG, CHIU-HSIUNG	3,453,000	1.24%	-	-	-	-	-	-	
Jun-Wei Investment Inc.	2,736,000	0.98%	-	-	4,234,097	1.52%	Tseng, Jin-Fen	Share the Same chairman	
JP Morgan Chase Bank N.A. Taipei Branch in custody for Vanguard Total International Stock Index Fund a series of Vanguard Star Funds	2,042,136	0.73%	-	-	-	-	-	-	
Tseng, Jin-Feng	1,774,000	0.64%	1,143,097	0.41%	4,053,000	1.46%	Jun-Wei Investment Inc. Shih-Wei Investment Inc.	Chairman of the company	
THE SHANGHAI COMMERCIAL & SAVINGS BANK, LTD.	1,678,000	0.60%	-	-	-	-	-	-	
JP Morgan Chase Bank Taipei Branch as custodian of Vanguard Group's Vanguard Emerging Markets Stock Index Fund Investment Account INTERNATIONAL EQUITY INDEX FUNDS	1,392,000	0.50%	-	-	-	-	-	-	
Shih-Wei Investment Inc.	1,317,000	0.47%	-	-	5,653,097	2.03%	Tseng, Jin-Fen	Share the Same chairman	
Quanta Computer Technology Investment Corp.	1,212,000	0.44%	-	-	-	-	-	-	
HSBC (Taiwan) in custody for Goldman Sachs Inv.	1,159,000	0.42%	-	-	-	-	-	-	

IX. The Number of Shares Held by the Company, Its Directors, Supervisors, Managers, and Businesses Directly or Indirectly Controlled by the Company in the Same Investee, and the Combined Shareholding Ratio Shall be Calculated

March 31, 2024 Unit: In thousand shares

Re-invested business	Invested by the Company		Held by Directors, Supervisors, managerial officers, and directly / indirectly controlled entities		Aggregated investment	
	Shares	Shares Ratio	Shares	Shares Ratio	Shares	Shares Ratio
Quanta Storage International Ltd. (Cayman)	-	100%	-	-	-	100%
Quanta Storage (BVI) Ltd.	-	-	-	100%	-	100%
Quanta Storage (Shanghai),Ltd.	-	-	-	100%	-	100%
Techman Electronics (Changshu) Co., Ltd.	-	-	-	100%	-	100%
Quanta Storage Holding (HK) Ltd.	-	-	-	100%	-	100%
Techman Electrons Limited.	-	-	-	100%	-	100%
Techman Robot Inc.	71,957	79.95%	875	0.97%	72,832	80.92%
Techman Electronics(Thailand)Co.,Ltd.	16,000	100%	-	-	-	100%
Techman Robot (Hong Kong) Limited.	-	-	-	100%	-	100%
Techman Robot (Shanghai),Ltd.	-	-	-	100%	-	100%
TM SMT SDN.BHD.	-	51%	-	-	-	51%
TM SMT (Thailand) Company Limited.	-	-	-	100%	-	51%

Four. Fundraising

I. Capital and Shares

(I) Source of share capital

Unit: Shares; NTD

Month / Year	Issuance price	Approved share capital		Paid-up capital		Remarks		
		Shares	Amount	Shares	Amount	Source of share capital	Property other than cash provided as capital contributions	Others
2009.03	10	380,000,000	3,800,000,000	280,479,846	2,804,798,460	Cancellation of treasury shares 90,310,000	None	Note 1
2009.08	10	380,000,000	3,800,000,000	285,120,910	2,851,209,100	Surplus transferred to capital increase 46,410,640	None	Note 2
2012.02	10	380,000,000	3,800,000,000	278,358,910	2,783,589,100	Cancellation of treasury shares 67,620,000	None	Note 3

Note 1: Chang of registration was approved by the Letter Jin-Shang-Shou-Zhi No.09801044030, dated March 10, 2009, by MOEA.

2: Chang of registration was approved by the Letter Jin-Shang-Shou-Zhi No.09801181690, dated August 12, 2009, by MOEA.

3: Chang of registration was approved by the Letter Jin-Shang-Shou-Zhi No.10101015610, dated February 3, 2012, by MOEA.

Type of shares	Approved share capital			Remarks
	Outstanding shares (Note)	Unissued shares	Total	
Registered common shares	278,358,910 shares	101,641,090 shares	380,000,000 shares	-

Note: The shares are listed in TPEX

(II) Shareholder structure

April 09, 2024 Unit: Share/Person

Shareholder structure	Governmental agencies	Financial institution	Other institution	Foreign institutions and foreigners	Individual	Treasury shares	Total
Foreign institutions and foreigners	0	4	275	153	66,953	0	67,385
No. of shares held	0	2,512,000	92,926,476	15,129,006	167,791,428	0	278,358,910
Shareholding ratio%	0.00%	0.90%	33.38%	5.44%	60.28%	0.00%	100.00%

(III) Share ownership distribution

April 09, 2024 Unit: Share

Classification of shareholding	Number of shareholders	No. of shares held	Shareholding ratio%
1-999	26,901	1,742,454	0.63%
1,000-5,000	35,107	63,769,450	22.91%
5,001-10,000	3,065	24,077,139	8.65%
10,001-15,000	810	10,401,645	3.74%
15,001-20,000	498	9,331,404	3.35%
20,001-30,000	368	9,432,119	3.39%
30,001-40,000	184	6,677,734	2.40%
40,001-50,000	131	6,070,607	2.18%
50,001-100,000	177	12,729,405	4.57%
100,001-200,000	83	11,872,680	4.27%
200,001-400,000	32	8,920,673	3.20%
400,001-600,000	5	2,539,000	0.91%
600,001-800,000	9	6,274,703	2.25%
800,001-1,000,000	3	2,728,000	0.98%
More than 1,000,001 shares	12	101,791,897	36.57%
Total	67,385	278,358,910	100.00%

Note: No preferred share is issued.

(IV) List of major shareholders (shareholders with shareholding for 5% or more, or top ten shareholders in terms of shareholding)

April 09, 2024 Unit: Share; %

Name of major shareholder	No. of shares held	Shares Ratio
Quanta Computer Inc.	82,881,664	29.78%
HUANG, CHIU-HSIUNG	3,453,000	1.24%
Jun-Wei Investment Inc.	2,736,000	0.98%
JP Morgan Chase Bank N.A. Taipei Branch in custody for Vanguard Total International Stock Index Fund a series of Vanguard Star Funds.	2,042,136	0.73%
Tseng, Jin-Feng	1,774,000	0.64%
THE SHANGHAI COMMERCIAL & SAVINGS BANK, LTD.	1,678,000	0.60%
JP Morgan Chase Bank Taipei Branch as custodian of Vanguard group's Vanguard Emerging Markets Stock Index Fund Investment Account.	1,392,000	0.50%
Shih-Wei Investment Inc.	1,317,000	0.47%
Quanta Computer Technology Investment Corp.	1,212,000	0.44%
HSBC (Taiwan) in custody for Goldman Sachs Inv.	1,159,000	0.42%

(V) Market share price, net worth, earnings, dividend and relevant information for the most recent two years:

Unit: NTD/Thousand Shares

Item		Year	2022	2023	As of April 12, 2024
Market price per share	Highest		49.50	126.00	112.50
	Lowest		35.70	39.95	75.90
	Average (Note 1)		41.07	71.49	84.34
Net value per share	Before distribution		32.21	33.19	-
	After distribution		29.01	29.99	-
Earnings per Share	Before the retrospective adjustment	Weighted average outstanding shares	278,359	278,359	-
		Basic earnings per share	3.91	4.00	-
	After the retrospective adjustment	Weighted average outstanding shares	278,359	278,359	-
		Basic earnings per share	3.91	4.00	-
Dividend per share	Cash dividends(Note 5)		3.20	3.20	-
	Bonus shares	Shares dividend from surplus	0	0	-
		Share dividend from capital reserve	0	0	-
	Cumulative unpaid dividends		0	0	-
Analysis of return on investment	Price earnings ratios(Note 2)		10.50	17.87	-
	Price dividend ratio(Note 3)		12.83	22.34	-
	Dividend Yield(Note 4)		7.79%	4.48%	-

- Note: 1. The average market value was calculated based on the closing price every day in the year.
2. Price/Earnings Ratio = Average Closing Price for the Year / Earnings per Share.
3. Price to dividend ratio = Average closing price for the period / Cash dividend per share.
4. Dividend Yield = Cash dividend per share / Average closing price for the period.
5. The Board of Directors resolved the amount of dividends for 2023 on March 04, 2024.

(VI) The Company's Dividend Policy and Implementation Status:

1. Dividend policy set forth in the Articles of Incorporation

Article 25 of the Company's Articles of Incorporation: If the Company has gained profit within a fiscal year, no less than 5% of the profit shall be reserved as the employees' compensation and no more than 3% shall be reserved as the directors' remuneration. However, if the Company still has accumulated losses, an amount shall first be reserved to cover the losses.

Employee's compensation as prescribed in the preceding paragraph is distributed in the form of stocks or cash, the employees qualifying for such distribution may include employees of companies controlled by the company or subsidiaries of the company meeting certain specific requirements. However, distribution to employees of subordinate companies shall only be by way of new shares issued by the company. The specific requirements shall be specified by the board of directors.

Distribution of employees' compensation and directors' remuneration shall be approved by the board of directors and reported to the shareholders.

Article 25-1 of the Company's Articles of Incorporation: When allocating profit for each fiscal year, the company shall pay tax in accordance with the law and cover accumulated losses of previous years. If there is still a surplus, the company shall set aside 10% as legal reserve, until the accumulated legal capital reserve equals the total capital of the company; then, after adding or removing from a special capital reserve depending on the necessity for the company's operations or relevant laws, it will be accumulated as distributable surplus together with the accumulated undistributed surplus of previous fiscal years. The board of directors is in charge of making a proposal for the amount and method of distributing retained earnings to the shareholders' meeting in accordance to the company's dividend policy. However, the issuing of dividends in cash shall be approved by a majority vote at a meeting of the board of directors attended by two-thirds of the total number of directors, and it shall be reported to the shareholders' meeting.

The cash dividend policy is established by board of directors on the basis of the company's operating and investment plan, capital expenditure budget and the internal and external business environment.

Article 25-2 of the Company's Articles of Incorporation: The Company may consider factors such as finance, business and management for the amount of earnings to distribute. Distribution of retained earnings in cash dividends take precedence, and can also be distributed in stock dividends. The Company is currently in a phase steady growth. However in consideration of financial planning and capital need, the company uses a remaining dividends policy. The retained earnings will first be reserved as capital, and the remaining earnings are distributed in the form of cash dividends, and the total cash dividends per year will not less than 50% of the total dividends allocated in the current year.

Article 25-3 of the Company's Articles of Incorporation: The Company may, in accordance with Article 241 of the Company Act, issue part or all of the legal reserve and the capital reserve in proportion to the number of shares held by the original shareholders. It shall be approved by a majority vote at a meeting of the board of

directors attended by two-thirds of the total number of directors, and it shall be reported to the shareholders' meeting.

2. The proposed distribution of dividends in this AGM

Quanta Storage Inc.
The 2023 Statement of Retained Earnings

Unit: NT\$

Item	Amount	
Undistributed surplus at the beginning of the period		1,766,837,055
Add: Total other comprehensive income		243,866
		1,767,080,921
Undistributed surplus at the beginning of the period after adjustment		
Add: Net income after tax for the period	1,112,063,407	
Reversal of special reserves	<u>52,540,731</u>	1,164,604,138
Less: Legal reserve from surplus	<u>(111,230,727)</u>	(111,230,727)
Distributable net profit		2,820,454,332
Distribution items		(890,748,512)
Common stock cash (NT\$3.20 dividend per share)		
Unappropriated retained earnings at the end of the period		1,929,705,820

On March 04, 2024, the Board of Directors resolved to distribute the shareholders' bonus in cash for NT\$890,748,512 from the 2023 undistributed earnings, or NT\$3.20 per share; The proposal is submitted to 2024 AGM.

- (VII) The impact on the operating performance of the Company and earnings per share by the proposal of the Shareholders' Meeting to issue bonus shares: not applicable.
- (VIII) Employees' and directors remunerations:
1. Employees' and directors remunerations policies as stated in the Articles of Incorporation:
Article 25 of the Company's Articles of Incorporation: If the Company has gained profit within a fiscal year, no less than 5% of the profit shall be reserved as the employees' compensation and no more than 3% shall be reserved as the directors' remuneration. However, if the Company still has accumulated losses, an amount shall first be reserved to cover the losses. Employee's compensation as prescribed in the preceding paragraph is distributed in the form of stocks or cash, the employees qualifying for such distribution may include employees of companies controlled by the company or subsidiaries of the company meeting certain specific

requirements. However, distribution to employees of subordinate companies shall only be by way of new shares issued by the company. The specific requirements shall be specified by the board of directors.

Distribution of employees' compensation and directors' remuneration shall be approved by the board of directors and reported to the shareholders.

2. The estimation basis of the remuneration for employees, and directors for the current period, the computation basis for employees' remuneration distributed in shares, and accounting treatments for any discrepancies between the amounts estimated and the amounts disbursed:
 - (1) The remuneration of directors for the current period will not be estimated. The basis for the estimation of employees' remuneration is the net profit after tax multiplied by the company's estimated employee remuneration ratio.
 - (2) The calculation basis for the number of shares distributed is the closing price of the day before the resolution of the shareholders meeting while taking account of effect of ex-rights and ex-dividends.
 - (3) However, if there is a discrepancy between the actual distributed amount and the estimated amount after the resolution of the shareholders' meeting, it will be deemed as a change in accounting estimates and listed as the profit and loss of the year when the distribution takes place.
3. Remuneration distribution approved by the Board of Directors:
 - (1) It is proposed to distribute NT\$0 for employees' shares, NT\$85,914,096 for employees' remuneration, and NT\$0 for directors' remuneration. If any discrepancy from the recognized annual estimated amount, the difference, reasons, and treatment shall be disclosed: no difference.
 - (2) The amount of employees' remuneration distributed by shares and its proportion to the sum of parent company-only or individual financial statement net profit after-tax and total employee remuneration for the current period: no share is distributed to employees for the period, so this is not applicable.
 - (3) Earnings per share calculated after considering the proposed distribution of employees, directors remunerations : Not applicable as the employee bonuses are deemed expenses.
4. Actual disbursement of employee bonus and remuneration to Directors for the preceding year:

(1) Directors remuneration: NT\$0.

Employees' remuneration in cash: NT\$103,634,480.

Employees' remuneration in share: NT\$0.

(2) In circumstances where any differences between the aforesaid amount and recognized employees, and directors remuneration, the difference, reasons and handling of such matter shall be stated as follows: no difference.

(IX) Share repurchase by the Company: None.

II. Issue of Corporate Bonds: None.

III. Issue of Preferred Stock: None.

IV. Issue of Overseas Depositary Receipts: None.

V. Employee stock warrants: None.

VI. Restricted of employee new stock warrants: None.

VII. Mergers and Acquisitions (Mergers, Acquisitions, and Demergers): None.

VIII. The Implementation of the Fund Utilization Plan:

For the period as of the quarter preceding the date of publication of the annual report, with respect to each uncompleted public issue or private placement of securities, and to such issues and placements that were completed in the most recent 3 years but have not yet fully yielded the planned benefits: not applicable.

Five.Overview of Operations

I. Information on Business

(I) Business Scope

1. Major business of the Company

- (1) Electrical Appliances and Audiovisual Electronic Products Manufacturing
- (2) Data Storage Media Manufacturing and Duplicating
- (3) Electronics Components Manufacturing
- (4) Optical Instruments Manufacturing
- (5) Wholesale of Computers and Clerical Machinery Equipment
- (6) Wholesale of Computer Software
- (7) Wholesale of Electronic Materials
- (8) International Trade
- (9) Controlled Telecommunications Radio-Frequency Devices and Materials Manufacturing
- (10) Restrained Telecom Radio Frequency Equipments and Materials Import
- (11) Controlled Telecommunications Radio-Frequency Devices Installation Engineering
- (12) Mechanical Equipment Manufacturing
- (13) Wholesale of Machinery
- (14) Retail Sale of Machinery and Tools
- (15) Retail Sale of Electronic Materials
- (16) Electric Appliance and Electronic Products Repair
- (17) Computer and Peripheral Equipment Manufacturing
- (18) All business items that are not prohibited or restricted by law, except those that are subject to special approval.

2. Major products of the Company in 2023 and their weights in the business:

Unit: NTD thousand

Product	Amount	Percentage
Product sales (Storage devices, consumer products, and automated production equipment)	10,262,645	98.91%
Service provision	113,388	1.09%
Total	10,376,033	100.00%

3. The Company's current major products:

- (1) External Hard Disk Drive
- (2) Solid State Dis
- (3) External SSD
- (4) Thunderbolt/USB3.0 Storage Devices
- (5) Thunderbolt/USB4.0 Storage Devices
- (6) Collaborative Industrial Robot TM5-700/TM5-900/TM12/TM14/TM16/TM5S/TM7S/TM12S/TM14S/TM25S
- (7) Robot Management System
- (8) Application of 3D Visual Random Bin Picking of Robot
- (9) TM AI+ AOI Solution
- (10) TM manager Smart Factory Management System
- (11) Palletizing Solution, TM Palletizing Operator
- (12) TM Vision: Complete AOI Solution
- (13) Created the Software Platform for TM Operator
- (14) TM AI Cobot
- (15) TM AI +Training server
- (16) TM image Management System

4. New products planned to be developed:

- (1) High performance SSD JBOF storage device
- (2) Hybrid USB-C PD Dock
- (3) Thunderbolt 5 Storage Dock
- (4) Wi-Fi 7 Gateway
- (5) High-load collaborative industrial robots of TM30S
- (6) One-stop offline development platform for automation solutions

(II) Overview of industry

The Company's main business of our company is to provide information storage solutions for both consumer and enterprise levels, including hard disk drives, external hard drives, solid-state drives, and external solid-state drives. Another focus area is connectivity solutions, such as audiovisual expansion bases and industrial networking equipment. Our primary objective is to deliver secure, stable, and high-speed storage and connectivity solutions. In addition to professional storage devices, in response to the needs of Industry 4.0, the Company also actively develops smart robotic arms, combining various sensing

components, and highly integrated software, hardware, and human-machine interfaces, leading the market to provide simpler operations and safer, smarter robots.

With the flourishing development of cloud computing and the internet have led the Internet to provide more diverse services, and storage media and methods are evolving rapidly. Because solid-state hard disks have the advantages of power saving, fast access speed, small size, and adaptability to various environments, while hard disk technology is getting more mature and the process is rapidly evolving, the price is generally accepted by the market. Various advantages are in line with the current development trend and demand of the information industry. The built-in rate and shipment volume of solid-state hard disks are expected to continue to grow.

In recent times, the traditional hard disk drive (HDD) industry has also recognized its significance. Storage is classified into the reading and writing of hot data and cold data, each with different performance and quality requirements. Therefore, a hybrid storage design is adopted: solid-state drives (SSD) are used for fast access to hot data, while large-capacity hard disk drives (HDD) are used for cold data.

The current circumstances of the main industries in which the Company operates are listed as follows:

“Hard Disks”

Current situation and development of the industry

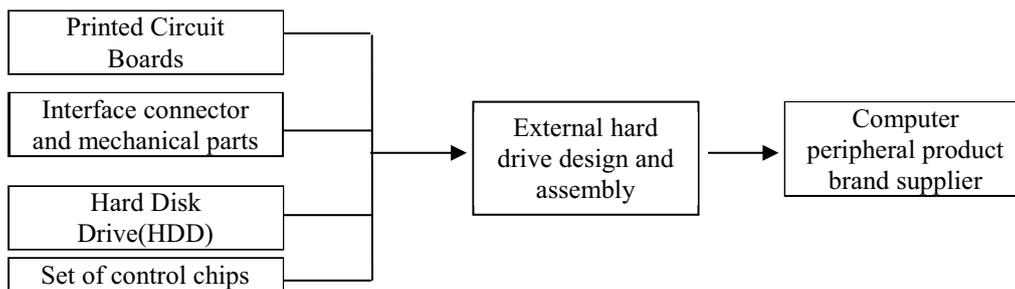
With the advancement of NAND flash memory technology, the data capacity of solid state disk (SSD) has rapidly increased, and the traditional hard disk (HDD) market has been squeezed, and the unit capacity price has gradually fallen. In the long run, the output of large-capacity 3D NAND flash memory continues to increase rapidly, and PCs, the main hard disk users in the consumer market are turning to SSD. On the other hand, driven by demands from 5G, AIoT, and smart factories, the volume of data storage will be further increased. According to IDC's statistics, the global data storage capacity will be approximately 175ZB by 2025, and the data volume that needs to be repeated and real-time will increase simultaneously, which in turn drives the demand for storage to continue to increase. Because the cost per unit of HDD's data capacity is still lower than that of SSD, although the rapidly increasing demand for data storage brought by 5G

and AIoT, HDD is still the main market force in large-capacity data storage.

Due to the maturity of AI applications, there has been a continuous increase in diverse industry demands. With the substantial requirements for capturing, transmitting, and accessing vast amounts of audiovisual data, our information storage and connectivity solutions continue to evolve to provide the corresponding products needed by industries.

Links between the upstream, midstream, and downstream segments of the industry supply chain

The upstream is the manufacturers of printed circuit boards and key components (mainly interface connectors and mechanical components, HDDs and control chipsets), and the downstream is brand suppliers of computer peripheral products. The linkage diagrams of upstream, midstream, and downstream is shown below:



Development trend of products

The Company continuously accumulate technology platforms and develops various functional interface technologies. In addition to the multi-functional docking stations, the R&D team also develops various customized peripheral products simultaneously, with more flexible development and optimized production processes, it helps a lot in the expansion of market applications and the improvement of customer satisfaction. For the development of various new technologies, the close cooperation with upstream chip suppliers and the real-time market intelligence update from downstream customers are all necessary conditions for successful product developments. Nonetheless, as HDDs are being replaced by SSD in recent years, relevant products in this field have also been replaced by SSD products gradually. For channel brand companies, flexible market penetration and high-efficiency product development cycles have always been their best market development tools.

Storage can be classified into the reading and writing of hot data and cold data, each with different performance and quality requirements. Therefore, a hybrid storage design is adopted: hot data is stored on fast-access SSDs, while cold data is stored on high-capacity HDDs. Currently, the development focus of the research and development team has shifted towards hybrid storage systems. In terms of high-capacity design requirements, HDDs still offer higher cost-effectiveness.

Competition

In terms of the formation of an industry, other than demand-driven, the development of various new technologies, the close cooperation with upstream chip suppliers and the real-time market intelligence update from downstream customers are all necessary conditions for successful product ecosystem. The design solutions and manufacturing services of various consumer electronic products may be divided into major manufacturers of traditional notebook brands and general-purpose channel brand manufacturers. If the product quality stability and the flexibility of customized configurations can be provided at the same time, the loyalty and satisfaction of customers in the whole market will be improved simultaneously. This is in line with the development direction of the R&D team, and it is also the best weapon for the entire team to continue to win word of mouth in the market. Due to the impact of the recent imbalance between supply and demand of electronic components, the choice of solutions will be very critical. Our R&D team is also striving hard to develop a more flexible solution mix, to allow for a better business collaboration model for customers and upstream suppliers.

“Solid state disks”

Current situation and development of the industry

Solid state disk, i.e. SSD, is a storage device composed of NAND Flash particle structure. Among all components, NAND Flash plays the most important role in SSD. Because SSD has the characteristics of low power, durability, compact, especially fast reading and writing, be it personal or industrial computer applications, portable product applications, and cloud server applications, SSD has the performance advantage. As NAND flashes have become more widely used in handheld devices, computer peripherals, and the cloud applications, and the capacity of them has increased; which has prompt the rapidly increasing demands for NAND, as well as

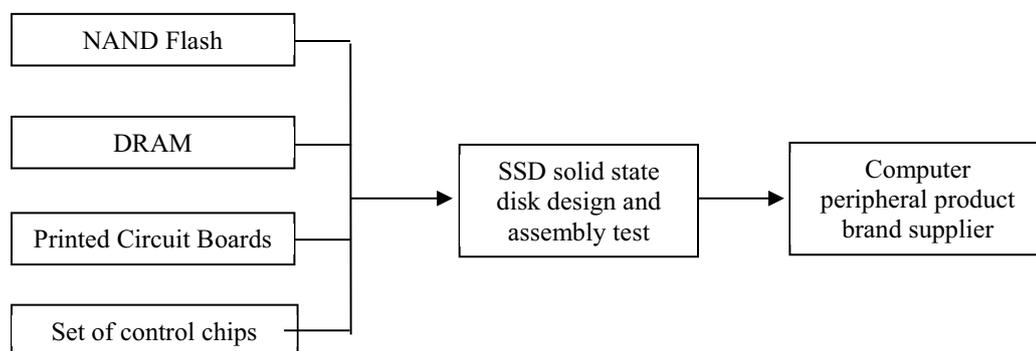
the acceleration of NAND manufacturing process evolution. The unit price of particles has fallen sharply. With the advantages of reasonable price and speed, the acceptance and utilization rate of SSD continue to increase.

On the other hand, with the vigorous development of Internet cloud services, the scope of applications has become more and more extensive, and data has been multiplied. Speed requirements are more stringent for network servers and storage devices, so that the huge volume of data may be stored, read, and computed on time. The traditional HDDs do not have the speed advantage, and the speed and performance at the cloud applications are obviously insufficient. The market also expects that the application of SSDs in cloud services will be the key to the growth of SSDs.

As the unit price continues to drop, it has been able to replace most of the applications of 2.5" HDD, such that Slim NB demand increases significantly. Accordingly, the application of SSD is expected to expand rapidly, and the market share will continue to grow.

Links between the upstream, midstream, and downstream segments of the industry supply chain

The upstream is a manufacturer of printed circuit boards and key components (mainly NAND flashes, DRAM, and control chipsets), and the downstream is a brand supplier of computer peripheral products. The upper, middle, and downstream relationship diagrams are listed Shown as follows:



Development trend of products

Safe, high speed, and stable

The application of cloud computing has become more and more extensive:

from the smart cities developed by governments of various countries to the blockchain established by the global financial community; from the high-speed computing required by academic research institutes to the increasingly popular audio and video streaming services of media; from private enterprises' establishment of corporate data centers, to the various online real-time transactions that occur all the time around the world; be it public cloud, private cloud, or hybrid cloud, these are the ultimate applications of cloud computing. These applications have extremely stringent requirements for the system. From the CPU speed, network bandwidth, storage equipment, all the requirements' ultimate goal is high-speed and stability. Among them, storage devices have the most direct impact on the most important factors: data access speed, data stability, and data security; SSDs have also become the mainstream configuration of storage devices; Quanta Storage is currently committed to manufacturing and production of consumer and enterprise-level solid state hard disks, seeking to provide the most professional SSD storage devices for the entire information market.

Competition

Quanta Storage has successfully obtained the recognition of many NAND flash manufacturers in Europe and the United States with its accumulated SSD manufacturing technologies for many years. Quanta Storage differentiation lies in its ability to provide self-developed testing equipment and related technologies, plus the team with high degree of professionalism and flexibility that has repeatedly successfully won the trust from both customers and upstream manufacturers. With the full support of raw materials suppliers, the accumulation of experience in its own manufacturing technology, and the professional technologies of the R&D team, it is expected that this business model will be successfully replicated in the next few years, while achieving higher business goals and bring greater contributions to the global storage market.

“External Docking Stations”

Current situation and development of the industry

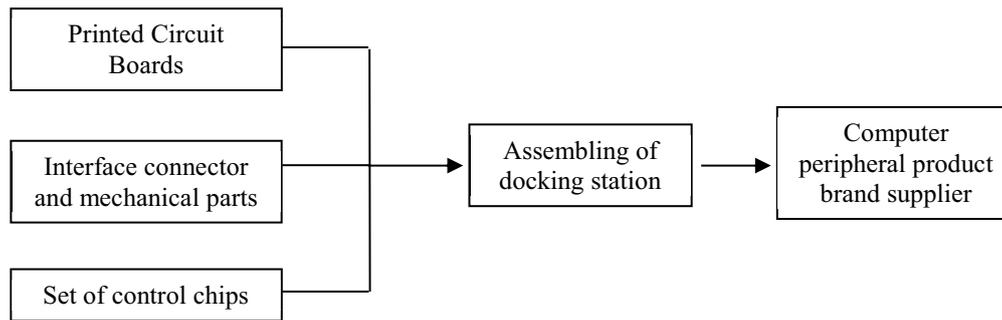
With the rise of environmental protection awareness, in addition to the pursuit of continuous innovation and refinement of specifications, for electronic products, the consistent specifications of the ports and the charging interface will greatly improve the commonality of products, thereby reducing the legacy of parts unable

to be shared when the generations of electronic products change. In light of this, for the USB interface widely used in consumer electronic products, under the vigorous promotion of the association, the USB-C has gradually become familiar to the public and integrated into various electronic devices. At the application level, from traditional laptops to mobile devices, such as mobile phones, the single connection port technology of USB-C can achieve data/audio-visual transmission and charging functions at the same time, which has promoted the actual application and further improved consumer satisfaction. Along with the trend of technology evolution and the integration advantages of the upstream supply chain, Quanta Storage has gathered strong research and development momentum and enhanced mass production technology to be at an advantage of design and manufacture, so we are able to provide customers with a rapid product development schedule meeting the market demand.

The Thunderbolt interface, which has been occupying a leading position in the wired transmission interface, not only continues to improve in terms of specifications, through the continuous promotion of the upstream and downstream supply chain, and constant introduction of related peripheral products, it has also gradually expanded from the high-end niche market to the common small studios, personal application fields, and the emerging gaming industry. Such a market trend is in line with the development trend of the Quanta Storage team that has invested in R&D energy for a long time. The accumulated development experience and professional design spirit continues to successfully develop a new generation of new technology products. Meanwhile, the progress and integration of USB specifications has accelerated to move toward higher-speed bandwidth. The newly released USB4 specification includes Thunderbolt 40G, bringing the USB technology to higher-speed bandwidth. Among them, In the future, Thunderbolt 5 technology with speeds of 80/120G will lead the new generation of USB technology, enabling it to maintain its leadership position in the industry. This will also broaden the applications of products.

Links between the upstream, midstream, and downstream segments of the industry supply chain

The upstream is a manufacturer of printed circuit boards and key components (mainly interface connectors and mechanical components, and control chipsets), and the downstream is a brand supplier of computer peripheral products. The upper, middle, and downstream relationship diagrams are listed Shown as follows:



Development trend of products

In addition to continuous improvement in the electronic technology platform, the development of human-machine interfaces is also an important topic for enhancing consumer experience. In light of this, the R&D team has also simultaneously developed various customized peripheral products, matching with the design strength of software and hardware, more flexible development and optimized production processes, to continue investing in automation and AI technology. It is expected that the product will become a strong support infusing the profit for the Company.

Competition

Quanta Storage upholds excellent traditions and manufacturing experience, with the integration of upstream and downstream supply chains, it elevates the development of electronic products from the model of individual combat to the strategic level of team combat; not only it grasps the latest development and market trends all the time, but also achieves the most efficient management for the development cycle of each new product, so that Quanta Storage stands out in the highly competitive consumer market and continues to maintain its leading position in the industry. Quanta Storage the continued is also striving hard to develop a more flexible IC solution mix, to allow for a better business collaboration model for customers and upstream suppliers. The Company will collaborate with hardware partners to develop the latest platform along with the investment in sufficient software resources, thereby improving the competitiveness of Quanta Storage.

“Intelligence Robotics”

Current situation and development of the industry

In addition to the rising labor costs of the original world factory model, and the rapid increase in automation demand in recent years, the COVID-19 pandemic has ravaged the world from 2020 to 2022, A huge amount of manpower was unable to

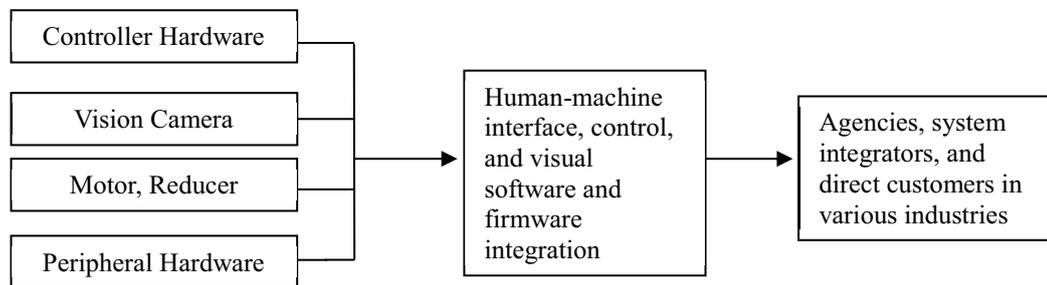
go to work in the original place due to the lockdown. Both the global manufacturing production capacity and end demands were greatly impacted, and thus the application of robots to replace manpower for filling shortages, has become an extremely important future demand and investment project for the manufacturing industry. According to the analysis by the International Federation of Robotics, the sales volume of robots will have an annual growth rate of 10% from 2022 to 2025. In addition, according to the statistics of the Department of Industrial Technology of the Ministry of Economic Affairs, the general robotics industry in Taiwan has indicated a total production volume growth rate of nearly 27% over the last five years. Since 2021, the electronics, automobile, food, pharmaceutical, and medical industries have turned to production automation. In nutshell, the robot's working area is not only limited to the repetitive, monotonic, and 3D (dirty, dangerous, and dull) production operations, but have relatively higher requirements for smart applications, human-machine collaboration, and easy operation. This is the key development focus of collaborative robots and the intellectualization of the Industry 4.0 industries. The development of collaborative robots will break the original traditional robot application market and create a new blue ocean market.

The traditional robot industry is dominated by the machinery industry; but in the smart robot industry, smart software is the key to winning the competition, and this aspect is the Company's strong advantage in the robot industry. The Company has built a robotics technology development team with software and hardware research and development as the core. Based on the original solid software strength in IT, plus an exclusive robot vision team, a full range of complete soft- and hardware team is integrated as a brand new combination. Current, the Company has mastered most of the key core technologies of the robot, from axis servo control, motor, drive circuit, real-time motion control core, visual algorithm, mechanical structure design, and even human-machine interface, all of these are developed by the Company itself. Only such a complete establishment of a system, will enable the Company to develop robot products required by the new era.

Links between the upstream, midstream, and downstream segments of the industry supply chain

A product with a high degree of software, hardware, and electromechanical integration is different from traditional robotic arm companies. The Company develops 100% independently from motion control, motors, drive circuits, visual software to human-machine interfaces, and only then has the opportunity to

achieve the smart (what it sees is what it picks), easily operated, and safe collaborative robotic arm. The correlation diagrams of the upstream, midstream, and downstream are summarized as follows:



Development trend of products

Simple operation, safe use, smart

The development of the Company's robotics business takes Smart, Simple, and Safe as the product development objectives. The robot products developed have built-in visual recognition and computation capabilities in a simple interface, breaking through the limitations of traditional robots that require additional manpower and hardware costs to integrate vision. In terms of the human-machine relationship, a graphical interface is developed to get rid of the traditional robot instructional programming, so that non-robot experts may easily write robot actions, with the hand-pulling function to quickly complete the teaching; for the human-machine safety, the focus is on the latest development of international safety regulations. The robot with built-in safety functions is developed to work together with humans in the same area. The combination of the aforesaid characteristics will change the current situation of traditional robot applications requiring specialized automation system integration experts and significant system integration costs, which is positive to direct and massive applications by end users. The market is locked in the two major areas, namely the large-scale factory automation and the small and medium-sized enterprise automation in various industries. The common needs of these two major markets are user-friendly and complete more works unable to be done by traditional robot automation capabilities through the intelligence of robots. This is where the Company's robot products are good at and thus this is the competitive advantage in the international market.

Furthermore, as the AI technology becomes more mature, the Company's AI technology development, based on the no-code software development

concept, will focus on the AI technology instrumentalization, such that without the drafting of any programming languages, users are able to utilize friendly user interface to easily train their exclusive AI model and to deploy in their own fields. This year's AI technology development focuses on two areas: first, the development of AI instance segmentation models, and second, the development of rapid labeling tools based on the built-in generic image segmentation model (SAM). AI instance segmentation models enable pixel-level AI visual positioning. Compared to traditional visual positioning methods, they are better equipped to handle occlusion between objects and adapt to changes and disturbances in the external environment. The rapid labeling tool based on the built-in generic image segmentation model (SAM) simplifies the image labeling process for users. Instead of requiring multiple clicks to outline objects in images, it only requires a single click to complete the task. This reduces the manpower and time costs associated with labeling.

Competition

The Company's first collaborative robot TM5 was officially mass-produced in the second half of 2016. Except for Taiwan and the China, the product was successfully promoted to Southeast Asia and Northeast Asia countries, as well as Europe. TM12 and TM14 were officially released in mid-2018, as the successful mass production of collaborative robots with the world's largest load of 12 and 14 kg. In addition to the TM5/TM12/TM14 series which make the product line more complete, each series also provides extended products, such as the products series suitable for the semiconductor industry via SEMI S2 certification, and mobile robot series are designed through built-in DC input, suitable for being equipped with automated conveying vehicles. All standard products, supplemented with SEMI and mobile robots, enable the full range of Techman Robot to provide customers in different fields and industries with more complete solutions.

The Company's technology and product development are focused on four major aspects. First of all, the progress of the intelligent functions of the robot itself, including programming parameterization to enhance application flexibility, development of TM 3D Vision for random pick and place, integration of six-axis Force/Torque Sensor to achieve power control assembly, curve polishing and deburring applications, completion of developing TM software editor to integrate with the TM Plug & Play software and hardware kits developed by peripheral equipment manufacturers, to expand the TM Robot application ecosystem, and

update product hardware to increase the input and output connection of safety components for mechanical safety, to facilitate market applications. The second aspect is to engage in the development of visual AI and data deep learning, to grasp the technology of deep learning in industrial applications, and carry out the development of robot AI. Through the Techman Robot AI vision solution, the end users may simply apply the Techman AI solutions for image identification, from image collection, image sample marking, through the AI learning, to the actual application of learnt AI models. The third aspect is the development of the industry 4.0 trend, TM image management system is developed to manage AOI inspection images, and uniform backup and management allow the TM AI Cobot to photograph the inspection photos, and users are able to use browser program interface to perform search, determination and output operations on the images, thereby effectively assisting customers to establish digital product resume. The fourth aspect is for the development of ready-to-use TM operators. we will launch a Techman arm automation solution with unique technology as per each application field, develop it into standardized equipment depending on each application, and customize software and hardware platform based on the needs in different regions. The applicable fields include standardized palletizing equipment, standardized testing equipment, standardized loading and unloading equipment, and standardized welding equipment. Such standardized equipment can standardize the tedious operating procedures and make it easier for end users to operate, while making it easier for partners to copy and launch to the market.

Looking ahead to 2024, in addition to continuing the TM AI+ strategy of highly integrating artificial intelligence and automatic recognition technology, there is also a redefinition of products as AI Cobots. This involves embedding AI inference technology into the controller of robotic arms, significantly enhancing the recognition capabilities of the built-in visual system. In addition to the existing positioning function, this expansion includes AOI inspection capabilities, such as OCR text recognition, assembly detection, defect detection, and more, all greatly improved through AI technology in areas traditional visual technology couldn't cover. To meet the high demand for robotic arms in the semiconductor market, there are plans to develop robotic arms suitable for photolithography processes, as well as to devise methods to protect robots in specific harsh environments. In addition to supporting more easy-to-use safety functions, it will integrate the simulation software TMstudio Pro. Users will be able to perform offline editing and simulation of application scenarios on the arm or on their own computer. Besides, an API is

provided for customers to integrate the original upper-level software and Robot arm to achieve more complete production automation requirements.

The Company's will continue to invest more resources and efforts to continue product and business development. This is not just an update of the hardware platform architecture. The focus is on software development and innovation. Based on the advantage of world's only platform equipped with collaborative robot with vision system, and through continuous software innovation, the goal of simple operation, being smart and safety will be truly achieved.

(III) Overview of technology and R&D

1. R&D Expenditures

Unit: NTD thousand

Project/Year	2023	As of March 31, 2024
R&D expenses	634,446	165,655

2. Technologies or product successfully developed

Year	Technologies or product successfully developed
2023	1.Wi-Fi HaLoW (802.11ah) Wireless Module 2.Wi-Fi HaLoW (802.11ah) Gateway 3.4K Hybrid USB-C PD Dock 4.Slim USB4 high-performance external devices SSD 5.Meeting Box Gen1 6.USB 40G Gaming external SSD 7.Thunderbolt 4 Hybrid Interface Multimedia Access Dock

3. Research and development work to be carried out in the future, and further expenditures expected for research and development work:

In response to market changes, in the future, the focus of research and development will gradually expand to the application of external storage devices, the development of solid state disks, and the part of automated production equipment. The estimated investment in research and development expenses is approximately NT\$695,189 thousand.

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

1. Short-term business development plans

Continue to develop new products and new customers, fully meet customer needs, and provide services such as product joint development, engineering technology, and inventory and marketing management support in a timely manner in response to customer demands, to create a win-win

model with customers.

Hire more R&D personnel to strengthen the R&D team, continue to increase the development team and strength for new products, and accelerate the process of product development, while improving the quality of existing products and being committed to reduce costs from design, to maintain the leading position in terms of product design and production competitiveness.

Introduce automated production equipment, improve production efficiency, reduce production costs, and strengthen product planning and process management, while implementing a quality control system to improve product quality; in addition, flexibly use of outsourcing manufacturers' production to maintain flexibility in capacity, and achieve the goal of customer satisfaction and recognition.

Continue to computerize the company's operation and management, to improve the efficiency and capabilities of the Company's overall enterprise resource management planning.

Strengthen the Company's financial management and operation, strengthen risk control, while strengthening the efficiency of capital use, and evaluating the acceleration of the new product and new business units development through investment or M&A.

2. Long-term business development plans

With high-quality product image and perfect customer service, we will continue to develop long-term cooperative relationships with customers, and seek to create a win-win transaction model with customers.

Strengthen the research and development teams, expand the leading position and advantages in optical, mechanical, electronics, and soft- and hardware integration technologies, while collaborating with customers and vendors to develop new product technologies, so that the Company continues to gain a leading position in next-generation product technologies.

Continue to improve production technology capabilities, increase the proportion of automated production, shorten production cycles, improve design quality, increase production efficiency, and increase inventory turnover, to achieve the goal of reducing production costs.

Through comprehensive internal training and communication, we cultivate the professional abilities and qualities of employees, comply with relevant laws and regulations on occupational safety and health, protect the rights and interests of employees, fulfill corporate social responsibilities, and establish a good corporate image and culture of the Company.

Strengthen comprehensive financial planning and control capabilities to reduce operational risks and improve competitiveness. Accelerate the development of new products or new business units through investment or M&A.

II. Overview of Market, Production, and Sales

(I) Market analysis

1. Major products and geographic areas for sales:

Unit: NTD thousand

Geographic areas for sales	Year	2022		2023	
		Amount	%	Amount	%
Mainland China		3,758,142	31.01	4,746,631	45.75
Thailand		2,106,575	17.38	1,775,503	17.11
America		2,159,922	17.82	1,546,529	14.90
Korea		755,341	6.23	557,322	5.37
Netherlands		820,196	6.77	430,100	4.15
Japan		577,395	4.76	336,475	3.24
Other countries		1,940,923	16.03	983,473	9.48
Total		12,118,494	100.00	10,376,033	100.00

2. Market share

The Company's current business is mainly to design and assemble optoelectronic storage devices and computer peripheral storage devices (including external hard disks, external docking stations, and solid state disks) as OEM for major international companies, and the self-branded collaborative robots

External hard disks are a relatively mature industry, and the number of OEM manufacturers is gradually shrinking. Current, the manufacturers which are more competitive and large-scale are mainly concentrated in a few Taiwan manufacturers.

The docking stations effectively use the new TYPE C technology to achieve practical charging and IO expansion; TYPE C technology continues to be introduced in new IT and consumer products, The future market is expected to continue to grow.

For solid-state hard disks, because of the high threshold for product development, production technology, and customer certification, there are currently relatively limited professional OEMs with better technology and scale. It is expected that the market will continue to grow in the future, and the Company is one of the relatively leading companies.

For the collaborative robot independently developed and designed by the Company, after the TM5 was officially released in 2017, due to the uniqueness of the visual and graphical human-machine interface, it quickly attracted market attention. In 2022, the introduction of AI Cobots and the high-load TM20 marked the completion of our product line. The distinctiveness of our products resulted in rapid growth in sales within a short period, establishing us as the world's second-largest collaborative robot brand by market share. In addition to aggressively expanding industry coverage and targeting sectors such as logistics and automotive, our company integrates various applications to meet diverse demands. We have also signed a strategic cooperation agreement with OMRON Corporation to leverage OMRON's global sales channels for distribution.

3. The demand and supply conditions for the market in the future, and growth potential

The optoelectronic storage devices and computer peripheral storage devices (including external hard disks, docking stations, and solid state disks) produced by the Company are mainly peripheral storage devices related to computers and handheld devices. According to the survey institution's estimation, for 2024 as a whole, the price of storage products is rise, but the overall application is also applied to different new products as people's quality of life improves, so that the overall market can still maintain a stable demand.

The economic growth drives the increase in wages around the world. Products are becoming more diversified, and customers have relatively higher requirements for product quality; automation provides effective solutions to control manufacturing costs and improve quality. Comparing to traditional collaborative robots, the robotic arm is simpler and more flexible to use. Therefore, the market predicts that automation will be an important topic in various industries in the next decade, and the robotics industry will continue to grow. Collaborative robots with flexible manufacturing and simple operation

advantages are expected to grow much faster in the field of automation than other industries.

4. Competitive niches

The Company's current business is OEM of computer peripheral storage devices (including hard disks, solid state disks, external docking stations) for major international companies, and the self-branded collaborative robots. In addition to the excellent R&D team and rich technical strength, the Company can provide services such as joint product development and engineering technical support to meet the needs of customers. It can also provide different levels of OEM services based on customers' needs.

With years of efforts and accumulated experience, the Company has jointly developed related products with customers, and the quality of its products has been highly recognized by customers.

In terms of customer service, the Company may jointly design suitable products according to customers' different product requirements, and deliver them in the first time, to provide customers with timely technical support, and grasp competitive advantages and service niches. The Company also accommodate customers' demands to set up production and assembly facilities, to provide customers continuously with comprehensive and immediate services, and further maintain good relationships with customers.

Other than the above-mentioned basic requirements in modern design and manufacturing OEMs, customers also require partners to provide real-time information systems that are closely connected with customers. In addition, for shipment and inventory management and subsequent maintenance services, real-time data must be provided through the Company's production and management information system, to synchronize planning and control with customers. Based on the past experience in cooperating with major international manufacturers, the Company has also built a corresponding information system in the Company to meet the needs of customers.

The Company's self-developed collaborative robots, integrated with visual and graphical human-machine interfaces, are more intuitive and simple to use than other similar products on the market, making TM5 highly praised by the market and customers as soon as it is launched. On the basis of existing advantages, the Company continues to launch products with heavier loads, TM12/TM14, with versions supporting semiconductor Semi and supporting mobile robot, to strengthen product completeness. In addition to the hardware

expansion for products, the Company has spared no effort in the development of software solutions. It has successfully developed TM AI+, integrating the traditional vision supported already, to create a complete AOI solution for TM Vision; in order to achieve the purpose of smart manufacturing, the Company also provides the smart factory management system, TMmanager, managing and displaying the utilization rate, health level, and production status of each machine in real time, greatly reducing the entry barrier for TM Robot users to enter Industry 4.0. In addition, through the strategic alliances and deployment of sales channels, sales channels are established to help customers smoothly introduce automation, meet customer needs, and provide customers with the most immediate service.

5. Positive and negative factors for future development, and the company's response to such factors.

A. Positive factors

The market competition of information products is becoming more and more fierce. In order to reduce costs and improve product development and production efficiency, major international manufacturers are looking for strategic partners overseas for OEM. With the advantages of R&D speed, production cost and flexible delivery, the Company is highly recognized by global clients.

The Company has cultivated and continued to recruit excellent technical talents, which will help to enter the development and design of products and related components with higher technical thresholds.

The Company's main management has a professional technical background in information and consumer electronics related fields, and has a strong R&D team. Its new product development and technological innovation capabilities are not inferior to its peers, enabling the Company to not only take orders, but also be more favored and affirmed by customers.

The Company has built a complete information system to provide customers with real-time information related production, shipment and management, to meet customer needs and further improve the efficiency of internal management and operation of the Company.

B. Negative factors and responses to such factors

Since the key components of the Company's major products are mainly supplied by foreign suppliers, the Company cannot fully control meanwhile, the

supply of parts is often affected by foreign suppliers. With short product life cycles, this will be challenges that the Company has to overcome.

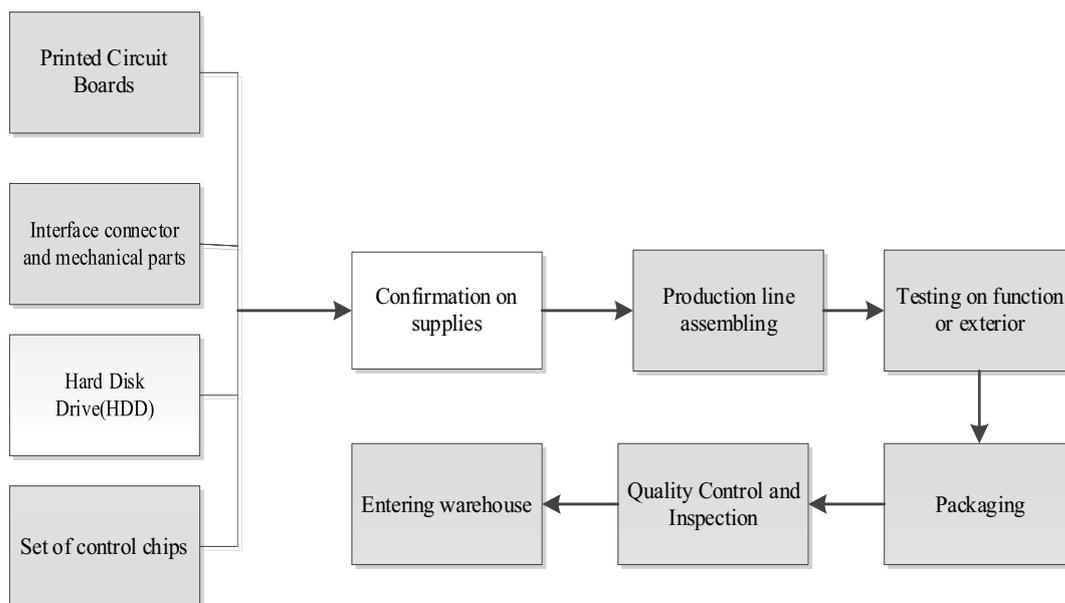
Responses:

- (a) Strengthen the Company's own procurement capabilities, establish a good long-term cooperative relationship with suppliers, and develop sources of supply from multiple parties to diversify the risk of concentrated purchases.
- (b) Joint research and development with manufacturers and joint investment in the production of key components and new technologies, to strengthen mutual trust and mutual dependence.
- (c) Seek various alternative materials without reducing the functionalities of the product.

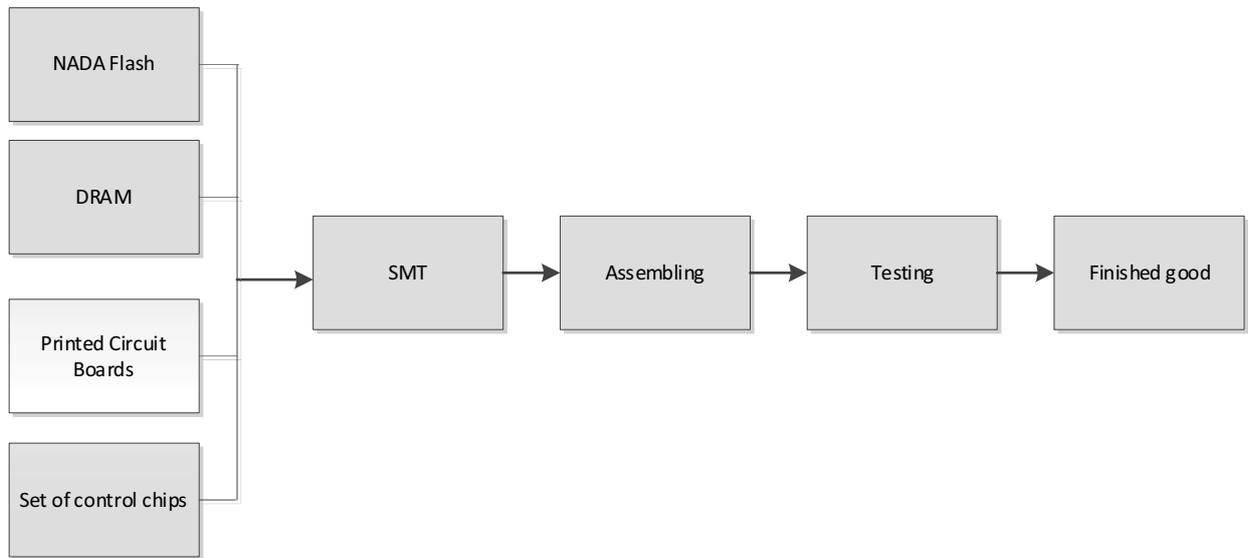
(II) Usage and manufacturing process of major products

The Company's current business is mainly to design and assemble optoelectronic storage devices and computer peripheral storage devices (including hard disks, solid state disks, external docking stations) as OEM for majore international companies, and the self-branded collaborative robots The manufacturing process is summarized as following:

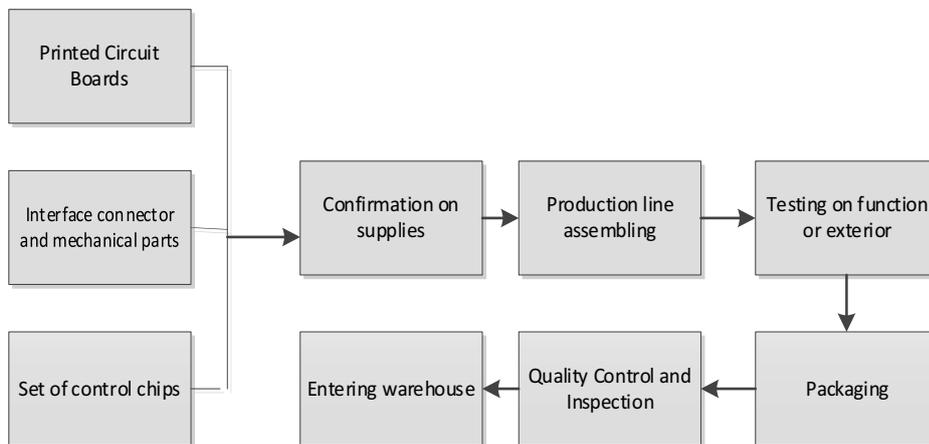
Hard disks



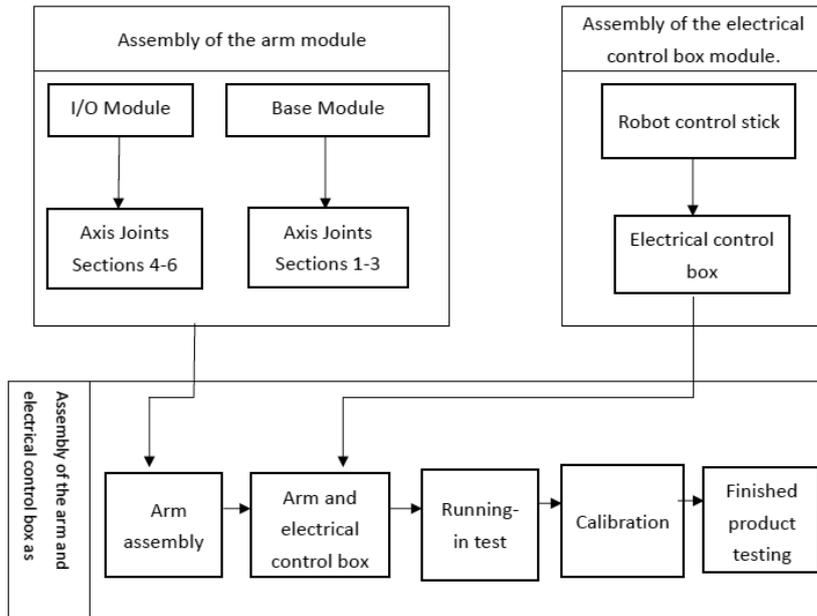
Solid state disks



Docking stations



Intelligence robotics



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

For the products sold by the Company, other than that the memories for storage products are mostly provided by customers, most of the raw materials are purchased from well-known domestic and international manufacturers or their agents. They have good and stable long-term supply relationships with the Company with long-term partnerships. Therefore, in addition to providing a stable and normal source of raw materials, the prices also appropriately reflect market conditions, and the timeliness of supply is under control; so far, the supply of major raw materials is normal, no serious shortages and supply dispute has occurred yet.

(IV) List of any major suppliers and clients of the 2 most recent fiscal years:

1. Major suppliers of the 2 most recent fiscal years

Unit: NTD thousand

Item	2022				2023				2024 up to March 31			
	Name	Amount	Percentage to the whole year net purchase of goods (%)	Relationship with the issuer	Name	Amount	Percentage to the whole year net purchase of goods (%)	Relationship with the issuer	Name	Amount	Percentage to the net purchase of goods for the current year up to March 31(%)	Relationship with the issuer
1	A	443,576	5.38	None	A	556,231	9.06	None	A	132,735	9.32	None
2	B	90,153	1.09	None	B	358,897	5.85	None	B	81,261	5.71	None
3	C	404,955	4.91	None	C	174,177	2.84	None	C	32,878	2.31	None
	Others	7,304,461	88.62	None	Others	5,050,431	82.25	None	Others	1,176,829	82.66	None
	Net purchase of goods	8,243,145	100.00		Net purchase of goods	6,139,736	100.00		Net purchase of goods	1,423,703	100.00	

The reason for the increase or decrease in the two years: the increase and decrease of major suppliers is mainly due to changes in product lines and strategic adjustments.

2. Major clients of the 2 most recent fiscal years

Unit: NTD thousand

Item	2022				2023				2024 up to March 31			
	Name	Amount	Percentage to the whole year net sales (%)	Relationship with the issuer	Name	Amount	Percentage to the whole year net sales (%)	Relationship with the issuer	Name	Amount	Percentage to the net sales for the current year up to March 31(%)	Relationship with the issuer
1	A	3,267,028	26.96	None	A	4,420,312	42.60	None	A	1,094,006	49.86	None
2	B	1,403,341	11.58	None	B	1,228,233	11.84	None	B	283,601	12.93	None
3	C	2,012,220	16.60	None	C	710,325	6.85	None	C	132,239	6.03	None
4	D	939,296	7.75	None	D	638,566	6.15	None	D	95,597	4.36	None
	Others	4,496,609	37.11		Others	3,378,597	32.56		Others	588,546	26.82	
	Net sales	12,118,494	100.00		Net sales	10,376,033	100.00		Net sales	2,193,990	100.00	

The reason for the increase or decrease in these two years: the increase and decrease of major clients, is mainly due to the needs in the markets.

(V) Production volume and value in the recent two years

Unit: Thousand unit/NTD thousand

Production volume and value	Year	2022			2023		
		Capacity	Production volume	Production value	Capacity	Production volume	Production value
Major products							
Storage devices and consumer goods.		-	-	8,697,016	-	-	7,150,920
Robot arms and related components.		-	-	684,952	-	-	570,053
Total		-	-	9,381,968	-	-	7,720,973

(VI) Sales volume and value in the recent two years

Unit: Thousand unit/NTD thousand

Sales volume and value	Year	2022				2023			
		Domestic sales		Export		Domestic sales		Export	
		Volume	Value	Volume	Value	Volume	Value	Volume	Value
Major products (or segments)									
Storage devices and consumer goods.		-	35	-	10,726,697	-	577	-	9,115,443
Robot arms and related components.		-	205,441	-	1,186,321	-	179,651	-	1,080,362
Total		-	205,476	-	11,913,018	-	180,228	-	10,195,805

Note: Due to the diverse range of products, it is difficult to categorize and classify them statistically.

III. Information on Employees

Year		2022	2023	March 31, 2024
Number of employees	Direct employees	535	613	513
	Indirect employees	1,355	1,213	1,195
	Total	1,890	1,826	1,708
Average age		35.94	36.87	37.06
Average years of service		3.93	4.37	4.37
Distribution of academic qualifications	PhD (%)	0.48	0.44	0.47
	Master (%)	11.64	13.36	14.23
	College (%)	52.28	47.75	49.18
	Senior high school (%)	20.63	21.85	19.96
	Under senior high school (%)	14.97	16.60	16.16
	Total (%)	100	100	100

IV. Disbursements for environmental protection

- (I) Any losses suffered by the company in the most recent 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): none.
- (II) Estimate of possible expenses that could be incurred currently and in the future and measures being or to be taken: not applicable.

V. Labor-management 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:

The Company upholds the philosophy of perfect care for employees, with a number of welfare measures. Therefore, employees are highly loyal to the Company, with harmonious relations between labor and management maintained without any labor dispute. The employee welfare measures, retirement system and its implementation, and agreements between labor and management are listed as following:

1. Employee benefits

In order to improve employee welfare measures and benefit employees' needs in work, life, safety, and health, in addition to allocating welfare funds pursuant to laws, establishing the Employee Welfare Committee, selecting Welfare Committee members to formulate annual plans for various welfare activities, the Company also provide the group insurance subsidies, and sets up gyms, to stimulate the employees' loyalty to the Company. In addition, the Company has the related measures for work and leisure, described below:

- A. Employees' performance bonuses, to share the operating results.
- B. Establish the Employee Welfare Committee, responsible for promoting various employee welfare tasks.
- C. Appropriate care are given to employees during the Chinese New Year, Labor Day, Dragon Boat Festival, Mid-Autumn Festival, year-end parties, and employee birthdays, to express the encouragement and congratulations to employees.
- D. Organize employee tours and various club activities every year to enrich the leisure lives of employees.

2. Employees' education and trainings

To effectively control the direction of talent training, with the purpose of nurturing outstanding talents, the Company has specifically formulated the "Education and Training Implementation Operation Management Procedures." Since the Company emphasizes on internal education and training courses, the excellent colleagues from relevant departments within the Company are invited as instructors for courses; in 2023, 583 sessions related to R&D professional design, test engineering, manufacturing quality, information management, general knowledge, R&D core functions were held, with 44,934 attendees, for a total 84,009 training hours; for the external training courses, there were total 60 sessions, with 86 attendees for a total of 504 training hours. The training expenditure was NT\$472 thousand.

Personnel related to financial information transparency in the Group obtained relevant certificates designated by the competent authority: International internal Auditor Certificate- obtained by two persons in the General Administration Department, total of two persons.

The Company's managerial officers' participation in the continuing

education courses related to corporate governance is as follows:

Attended personnel	Name of course	Hours
Financial and Accounting Manager	How the board of directors and senior executives review ESG sustainability reports.	12
	"Information Security" related laws and internal control management practices.	
	Corporate tax governance practices in the era of ESG	
	Patterns of illegal conduct, legal responsibilities, and case analysis in corporate "business competition behavior.	
Corporate Governance Officer	Advocacy for sustainable development action plans of listed company.	15
	Insider Equity Workshop for Companies Listed on Taipei Exchange and the Emerging Stock Market.	
	Practical operations of the audit committee.	
	Board performance evaluation.	
	Common illegal cases analysis under the Securities Exchange Act.	
	Protection of trade secrets.	

Tasks carried out in 2023 are as follows:

- (1) Assisted independent directors and directors in performing their duties, provided required materials, and arranged continuing education courses for directors:
 - ① Regularly notified the board members of the latest amendments to laws and regulations related to the Company's business and corporate governance.
 - ② Reviewed the confidentiality level of relevant information and provided the company information required by the directors, to maintain smooth communication between directors and business managers.
 - ③ Assisted in arranging relevant meetings when independent directors needed to meet with the internal audit officer or CPAs separately to understand the needs of the Company's financial business as per the Corporate Governance Best Practice Principles.
 - ④ Assisted independent directors and directors in formulating annual training plans and arranging courses for them as per the Company's industry characteristics and their education and experience.
- (2) Assisted the board meeting and shareholders' meeting procedures and compliance with resolutions:
 - ① Reported on the Company's corporate governance operation to the Board of Directors, independent directors, and the Audit Committee, and confirm whether the Company's shareholders' meeting and board meetings are in compliance with relevant laws and the Corporate Governance Best Practice Principles.
 - ② Assisted and reminded directors of the laws and regulations to be

complied with during performance of duties or adopting formal resolutions at board meetings, and made suggestions when the Board of Directors was about to adopt resolutions illegally.

- ③ Reviewed the material information release of the important resolutions adopted by the Board of Directors after board meetings to ensure the legality and correctness of the material information, so as to ensure investors' access to transaction information.
- (3) Maintained investor relations: Arranged directors to communicate with major shareholders, institutional investors, or general shareholders as necessary, so that investors could access sufficient information to evaluate and determine the enterprise's reasonable capital market value, thereby safeguarding their rights and interests.
- (4) Set out an agenda for a board meeting, notified the directors seven days in advance, convened the meeting, and provided the meeting materials. Reminded directors of any recusal in advance and completed the minutes of the board meeting within 20 days after the meeting.
- (5) Handled the pre-registration of the date of the shareholders' meeting according to the law, prepared the meeting notice, meeting agenda handbook, and minutes prior to a deadline as required by law, and handled change registration in the event of amendment to the Articles of Incorporation or the election of directors.
- (6) Report to the board of directors the results of the review regarding whether the qualifications of independent directors comply with relevant laws and regulations during the nomination, appointment, and tenure.

3. Retirement system and implementation

Since July 1, 2005, coping with the enactment of the Labor Pension Act (hereinafter referred to as the "new system"), for employees who had been originally applicable to this measure, if they chose to apply the service years applicable to the new system, or employees who are employed after the implementation of the new system, their years of service are changed to a definite contribution system, and the pension payment is contributed by the Company on a monthly basis at the rate no less than 6% of the monthly salary, and deposited in the individual labor pension account.

According to the Company's employee retirement regulations, any employee who have served the Company for 15 years and is over 55 years of age, may apply for voluntary retirement. If based on business needs and the consent of the employee to extend the service is obtained, the Company may continue the employment up to 60 years old, but the process needs to be renewed every year.

4. Other important agreements between labor and management

The Company's first priority is on humanized management and it recognizes that labor and management are the same entity for coexisting and co-prosperity. Therefore, it adopts two-way coordination in the regards of communication of labor and management issues, so that labor and management have better understanding and acknowledgment to each other, for working together toward a common goals. Therefore, the Company does not have any loss due to labor disputes or issues need negotiation.

- (II) Any losses suffered by the company in the most recent 2 fiscal years and up to the annual report publication date due to labor disputes (including any violations of the Labor Standards Act found in labor inspection): none.

Estimate of possible expenses that could be incurred currently and in the future and measures being or to be taken: not applicable.

The Company's implementation of various employment conditions are better or equivalent to the Labor Standards Act; it is estimated that reasonable and stable labor-management cooperation should be maintained in the future. If in the future, as required, the Company will be settled the disputes reasonably through labor-management negotiation, the relevant competent authorities and mediations.

- (III) Employees' Code of Ethical Conducts

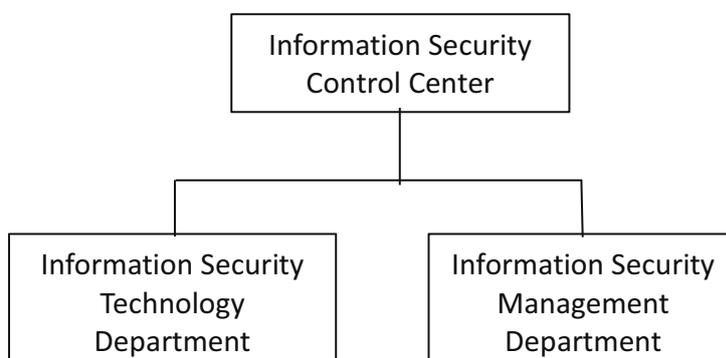
The Company has established the "Rules for Employees;" some of which have clear specified the employees' conducts or ethics. The summary is as follows:

- Employees should be cautious and ethical in their words and deeds, upholding honesty and credibility when handling official affairs as the principle; for any information related to the Company's business and technology, the confidentiality shall be strictly observed without leaking.
- Employees shall not use their positions to profit themselves or others; and shall not accept rebates, improper gifts, entertainment or other illegal benefits due to their duties or conducts breaching their duties.

The Company values the ethics and integrity of employees highly, and the employees are required to sign the "Employee Integrity Contract," prohibiting employees from accepting bribes or committing frauds.

VI. Information and Communication Security Management

(I) Information security risk management structure



The company has established a dedicated information security unit, consisting of four members, to manage information security risks in accordance with the company's "Information Security Control Guidelines." They are responsible for reviewing the company's information security governance policies, supervising the operation of information security management, and the Chief Information Security Officer regularly reports relevant risks, issues, and management effectiveness to the President. Additionally, they report on the execution of information security to the board of directors at least once a year.

(II) Information security risk management programs

We have formulated information security risk management programs with reference to the requirements and standards of information security management system certification, established a risk management system for various information system services, assessed information security and network risks through a risk assessment process, and conduct risk management and control as per the risk impact level and probability of occurrence. We implement a corresponding management mechanism for high-risk systems based on the assessment results and establish a high-availability high-reliability architecture, a data backup mechanism, and an off-site backup center, to ensure uninterrupted services. We have also established a dedicated line and send data to the off-site backup center for storage. We hold system switching exercises every six months to ensure the normal operations of the backup mechanism and meet the system recovery goals. We provide protection against various information security risks, and formulate relevant regulations on and countermeasures against the impact of various significant information security incidents and inspect information security, hold information security incident exercises every year, and increase the employees' information security crisis awareness, while enhancing information security personnel's ability to respond, in order to prevent and effectively detect and curb an incident from further escalating in the first place. The audit unit performs regular audits of each information and communication security projects every year, reviews the items

audited in its annual audit plan, verifies the implementation performance, and submits it to the Company's routine meetings, while establishing a tracking and improvement mechanism to continuously track the improvement.

(III) Information security policy

Quanta Storage information security policy aims to achieve:

1. Formulate relevant information security management regulations in compliance with laws and regulations and provide appropriate protection measures for the Company's information assets to ensure the confidentiality, integrity, availability, and compliance.
2. Regularly assess the impact of various man-made and natural disasters on the Company's information assets and formulate disaster prevention measures and disaster recovery plans for important information assets and key business to ensure the continuity of the Company's business.
3. Supervise employees' implementation of information security protection work, establish the concept of "information security is everyone's responsibility, and increase various business departments and personnel's awareness of information security.
4. Require all employees and suppliers who use or connect with the Company's computer system to strictly comply with the Company's information security regulations. In the event of a violation, they will be punished according to the Company's regulations or contractual penalties. A lawsuit may be filed if the circumstances are severe.
5. Hold information security trend analysis seminars from time to time to establish employees' concept of information security.

The Company studies the definition and quality requirements for our confidential information (or important information), the degree of informatization, the reliability of the information system used, and the degree of outsourcing of information operations, and evaluates the information security inspection required as per the scope of the Company's environment, frequency, and items as the basis for selection of information security inspection and control models. The results of the implementation of the information security inspection work are reviewed by the audit unit and submitted to the company's regular meeting by signing opinions and establishing a tracking improvement mechanism to continuously track the improvements. The Company arranged two information security trend analysis seminars on March 15, 2023 and July 31, 2023 and required all employees to participate to develop their information security concepts with the aim of reducing the information security incidents and the damage thereof to the Company.

(IV) Specify the losses suffered due to significant information security incidents in the most recent year and up to the publication date of this annual report: None.

(V) Impact and countermeasures:

1. Computer system security management:
 - (1) System environment: The settings of the computer operating

system environment and the settings of the access permissions shall be approved by the relevant supervisors and executed by the system administrators.

(2) Security management: There are backup measures for the data on the previous business day before and after changes in a computer system file; program access and use are detailed in written control instructions. Users shall apply for applicable access permissions according to the procedure, which shall be approved by the supervisors. Passwords are stored in garbled strings or a hidden manner. When there is a change in personnel, their access permissions shall be updated in a timely manner, and users who forget their passwords need to undergo strict identity verification procedures.

2. Network security management:

We regularly assess the security of the network system and timely patch the security loopholes in the network environment. We announce and notify computer network security matters in real time. Each computer host and important software and hardware equipment are handled by special persons for firewall security, user account management, and computer virus and malware prevention.

3. System development and maintenance security management:

When outsourcing the development of information services, we prudently assess the potential security risks that may occur in advance and sign an appropriate information security agreement with the provider with relevant security management responsibilities included in the agreement terms to ensure data and system security. We carry out reasonable inspections to ensure the correctness of the data before being placed in the database; establish control procedures and execute them strictly for the application software, to reduce the risk that may cause harm to the operating system.

4. Information asset security management:

User groups are set up in the information public folders and access permissions are set by group; before the physical information equipment is scrapped, the Information Department shall destroy the data on the hard disk drive to prevent the leakage of the Company's and personal information.

5. Physical and environmental security management:

Information-related equipment is placed in an appropriate server room and protected. Computer equipment is equipped with an independent power supply system, including an uninterruptible power supply system, to protect important application systems. The computer and server room is locked at all times and equipped with effective fire extinguishers. Backup data shall be stored in different places; the computer and server room is protected with strict access control measures, and the time and purpose of visitors' entry and exit shall be

recorded to ensure that only authorized personnel can access.

VII. Important Contracts

Nature of contract	Counterparty	Commencement dates and expiration dates	Key content	Key restrictive terms
Development contract	Not to be disclosed due to NDA	Not to be disclosed due to NDA	Development contract of firmware and software for storage devices	with NDA attached
Commissioned manufacturing contract	Not to be disclosed due to NDA	Not to be disclosed due to NDA	Manufacturing of storage devices	with NDA attached
Sales contract	Not to be disclosed due to NDA	Not to be disclosed due to NDA	Sales agreement	with NDA attached
Purchase contract	Not to be disclosed due to NDA	Not to be disclosed due to NDA	Purchase agreement	with NDA attached
Purchase contract	Not to be disclosed due to NDA	Not to be disclosed due to NDA	Purchase agreement	with NDA attached

Six. Overview of Financial Status

I. Condensed Balance Sheet and Statement of Comprehensive Income in the Last Five Years

(I) IFRS adopted- consolidated financial statements

1. Consolidated condensed balance sheet

Unit: NTD thousand

Item		Year				
		2019	2020	2021	2022	2023
Current asset		10,587,670	10,071,741	12,294,982	11,475,912	11,097,906
Property, Plant and Equipment		1,287,721	1,258,239	1,591,607	2,117,303	2,193,244
Intangible asset		19,008	23,697	25,139	22,946	20,959
Other assets		498,310	462,287	451,446	435,386	928,147
Total assets		12,392,709	11,815,964	14,363,174	14,051,547	14,240,256
Current liabilities	Before distribution	4,096,779	4,070,112	5,080,460	4,128,920	4,372,314
	After distribution	4,653,497	4,348,471	5,859,864	5,019,668	5,263,062
Non-current liabilities		398,573	362,850	531,075	609,966	280,540
Total liabilities	Before distribution	4,495,352	4,432,962	5,611,535	4,738,886	4,652,854
	After distribution	5,052,070	4,711,321	6,390,939	5,629,634	5,543,602
Equity attributable to owners of the parent company		7,883,354	7,283,881	8,436,269	8,965,173	9,239,287
Share capital		2,783,589	2,783,589	2,783,589	2,783,589	2,783,589
Capital reserve		1,900,087	1,776,228	2,027,242	1,888,140	1,748,975
Retained earnings	Before distribution	3,438,980	3,134,537	3,993,571	4,446,223	4,780,691
	After distribution	3,021,442	2,995,358	3,353,346	3,694,654	3,916,213
Other equities		(239,302)	(410,473)	(368,133)	(152,779)	(100,238)
Treasury shares		-	-	-	-	-
Non-controlling interests		14,003	99,121	315,370	347,488	348,115
Total Equity	Before distribution	7,897,357	7,383,002	8,751,639	9,312,661	9,587,402
	After distribution	7,340,639	7,104,643	7,972,235	8,421,913	8,696,654

Note 1. Figures of financial information all have been audited or reviewed by the CPAs.

- Pursuant to Article 25, paragraph 1, the distribution of cash dividends may be resolved in a board meeting with more than two-thirds of the board present, voted in favor by more than half of attending directors. The 2023 cash dividends have been resolved by the Board of directors on March 04, 2024 for reference.

2. Consolidated condensed comprehensive income statement

Unit: NTD thousand

Year	2019	2020	2021	2022	2023
Item					
Operating revenue	9,352,785	10,476,353	11,028,508	12,118,494	10,376,033
Gross profit	1,973,546	2,316,905	2,592,950	2,736,526	2,655,060
Operating profit or loss	652,221	1,032,266	976,717	1,092,574	1,150,880
Non-operating income and expense	39,504	(875,909)	239,030	315,641	255,682
Profit before tax	691,725	156,357	1,215,747	1,408,215	1,406,562
Net profit from continuing operations	513,735	104,540	1,000,548	1,120,077	1,113,311
Loss from discontinuing operation	-	-	-	-	-
Current net profit (loss)	513,735	104,540	1,000,548	1,120,077	1,113,311
Other comprehensive income recognized for the period (net of tax)	(232,792)	(173,379)	46,393	220,272	52,000
Total comprehensive income in the current period	280,943	(68,839)	1,046,941	1,340,349	1,165,311
Net profit attributable to owners of the parent company	513,971	114,338	993,231	1,089,075	1,112,063
Net profit attributable to non-controlling interest	(236)	(9,798)	7,317	31,002	1,248
Total comprehensive income attributable to owners of the parent	281,557	(58,076)	1,040,553	1,308,231	1,164,848
Total comprehensive income attributable to the non-controlling interest	(614)	(10,763)	6,388	32,118	463
Earnings per Share	1.85	0.41	3.57	3.91	4.00

Note: Figures of financial information all have been audited or reviewed by the CPAs.

(II) IFRS adopted- parent company-only financial statements

1. Parent company-only condensed balance sheet

Unit: NTD thousand

Item		Year				
		2019	2020	2021	2022	2023
Current asset		4,763,850	4,135,703	5,055,341	5,803,543	7,214,181
Property, Plant and Equipment		9,332	5,772	490,956	520,460	523,878
Intangible asset		15,993	13,571	10,045	7,684	7,441
Other assets		6,564,231	6,785,982	7,190,322	6,953,843	5,901,108
Total assets		11,353,406	10,941,028	12,746,664	13,285,530	13,646,608
Current liabilities	Before distribution	3,146,764	3,334,085	3,955,331	3,902,938	4,204,759
	After distribution	3,703,482	3,612,444	4,734,736	4,793,686	5,905,507
Non-current liabilities		323,288	323,062	355,064	417,419	202,562
Total liabilities	Before distribution	3,470,052	3,657,147	4,310,395	4,320,357	4,407,321
	After distribution	4,026,770	3,935,506	5,089,799	5,211,105	5,298,069
Equity attributable to owners of the parent company		7,883,354	7,283,881	8,436,269	8,965,173	9,239,287
Share capital		2,783,589	2,783,589	2,783,589	2,783,589	2,783,589
Capital reserve		1,900,087	1,776,228	2,027,242	1,888,140	1,748,975
Retained earnings	Before distribution	3,438,980	3,134,537	3,993,571	4,446,223	4,806,961
	After distribution	3,021,442	2,995,358	3,353,346	3,694,654	3,916,213
Other equities		(239,302)	(410,473)	(368,133)	(152,779)	(100,238)
Treasury shares		-	-	-	-	-
Non-controlling interests		-	-	-	-	-
Total Equity	Before distribution	7,883,354	7,283,881	8,436,269	8,965,173	9,239,287
	After distribution	7,326,636	7,005,522	7,656,864	8,074,425	8,348,539

Note: 1. Figures of financial information have all been audited or certified by the CPAs.

2. Pursuant to Article 25, paragraph 1, the distribution of cash dividends may be resolved in a board meeting with more than two-thirds of the board present, voted in favor by more than half of attending directors. The 2023 cash dividends have been resolved by the Board of directors on March 04, 2024 for reference.

2. Parent company-only condensed comprehensive income statement:

Unit: NTD thousand

Item	Year				
	2019	2020	2021	2022	2023
Operating revenue	7,399,734	9,299,738	9,846,666	10,800,705	9,152,767
Gross profit	1,025,932	1,612,620	1,516,958	1,345,883	1,567,114
Operating profit or loss	616,788	1,166,356	946,656	673,218	1,023,568
Non-operating income and expense	11,537	(1,010,449)	187,822	655,388	325,080
Profit before tax	628,325	155,907	1,134,478	1,328,606	1,348,648
Net profit from continuing operations	513,971	114,338	993,231	1,089,075	1,112,063
Loss from discontinuing operation	-	-	-	-	-
Current net profit (loss)	513,971	114,338	993,231	1,089,075	1,112,063
Other comprehensive income recognized for the period (Net amount after tax)	(232,414)	(172,414)	47,322	219,156	52,785
Total comprehensive income in the current period	281,557	(58,076)	1,040,553	1,308,231	1,164,848
Net profit attributable to owners of the parent company	513,971	114,338	993,231	1,089,075	1,112,063
Net profit attributable to non-controlling interest	-	-	-	-	-
Total comprehensive income attributable to owners of the parent	281,557	(58,076)	1,040,553	1,308,231	1,164,848
Total comprehensive income attributable to the non-controlling interest	-	-	-	-	-
Earnings per Share	1.85	0.41	3.57	3.91	4.00

Note: Financial information has all been audited or certified by the CPAs.

(III) Name of the CPAs and Audit Opinions in the Recent Five Years

Year	Certifying CPAs	Audit opinions
2019	WU, TSAO-JEN LIEN, SHU-LING	Unqualified opinion
2020	WU, TSAO-JEN LIEN, SHU-LING	Unqualified opinion
2021	WU, TSAO-JEN LIEN, SHU-LING	Unqualified opinion
2022	WU, TSAO-JEN LIEN, SHU-LING	Unqualified opinion
2023	LIEN, SHU-LING CHEN, YI-CHUN	Unqualified opinion

II. Financial Analysis in the Last Five Years

(I) Consolidated financial analysis: IFRS adopted

Analysis item		Year				
		2019	2020	2021	2022	2023
Financial structure (%)	Ratio of liabilities to assets	36.27	37.52	39.07	33.73	32.67
	Ratio of long-term capital to property, plant and equipment	644.23	615.61	583.23	468.64	449.92
Debt service ability (%)	Current ratio	258.44	247.46	242.01	277.94	253.82
	Quick ratio	220.75	214.70	206.71	244.27	238.33
	Interest protection multiples	17.72	51.15	221.64	337.65	434.46
Operating abilities	Average collection turnover (time)	4.18	4.62	4.38	4.31	3.90
	Days sales outstanding	88	80	84	85	94
	Inventory turnover (times)	4.99	5.32	5.35	6.10	7.78
	Accounts payable turnover (times)	3.48	3.59	3.43	3.95	3.64
	Average inventory turnover days	74	69	69	60	47
	Property, plant and equipment turnover (times)	7.54	8.23	7.74	6.53	4.81
	Total assets turnover (times)	0.66	0.87	0.84	0.85	0.73
Profitability	Assets return ratio (%)	3.87	0.88	7.68	7.91	7.89
	Equity return ratio (%)	6.46	1.37	12.40	12.40	11.78
	Pre-tax profit to paid-in capital (%)	24.85	5.62	43.68	50.59	50.53
	Net profit margin (%)	5.50	1.00	9.07	9.24	10.73
	Earnings per share (NT\$)	1.85	0.41	3.57	3.91	4.00
Cash flows	Cash flow ratio (%)	18.06	3.57	32.33	17.78	3.72
	Cash flow adequacy (%)	96.85	70.69	65.57	67.66	68.09
	Cash flow reinvestment ratio (%)	3.34	(4.44)	13.25	(0.40)	(6.42)
Leverage	Operating leverage	1.44	1.36	1.43	1.41	1.39
	Financial leverage	1.07	1.00	1.01	1.00	1.00

Reasons of changes of financial ratio reaching 20% in the past two years:
Interest protection multiples: It was mainly because the net interest expenses in this period decreased compared with the previous period, causing the ratios to increase.
Inventory turnover: It was mainly because average inventory in this period decreased compared with the previous period, causing the ratios to increase.
Ratio of long-term capital to property, plant and equipment: It was mainly because the net sales revenue in this period decreased, the average property, facility and equipment net value increased from last period, causing the ratios to decreased.
Cash flow ratio and Cash flow reinvestment ratio: It was mainly because the net cash inflow from operating activities in this period decreased compared with the previous period, causing relevant ratios to decreased.

Note: Figures of financial statements all have been audited or reviewed by the CPAs.

(II) Parent-company only financial analysis: IFRS adopted

Analysis item		Year				
		2019	2020	2021	2022	2023
Financial structure (%)	Ratio of liabilities to assets	30.56	33.43	33.82	32.52	32.30
	Ratio of long-term capital to property, plant and equipment	87,940.87	131,790.42	1,790.66	1,802.75	1,802.30
Debt service ability (%)	Current ratio	151.39	124.04	127.81	148.70	171.57
	Quick ratio	150.71	123.77	127.64	148.66	171.53
	Interest protection multiples	3,361.03	1,368.61	602.21	826.73	1,874.12
Operating abilities	Average collection turnover (time)	5.87	6.30	4.41	4.25	3.90
	Days sales outstanding	63	58	83	86	94
	Inventory turnover (times)	436.17	995.23	2,309.64	3,334.45	17,848.60
	Accounts payable turnover (times)	2.64	3.62	3.93	4.32	3.29
	Average inventory turnover days	1	1	1	1	1
	Property, plant and equipment turnover (times)	650.27	1,231.43	39.65	21.36	17.53
	Total assets turnover (times)	0.61	0.83	0.83	0.83	0.68
Profitability	Assets return ratio (%)	4.27	1.03	8.40	8.38	8.26
	Equity return ratio (%)	6.46	1.51	12.64	12.52	12.22
	Pre-tax profit to paid-in capital (%)	22.57	5.60	40.76	47.73	48.45
	Net profit margin (%)	6.95	1.23	10.09	10.08	12.15
	Earnings per share (NT\$)	1.85	0.41	3.57	3.91	4.00
Cash flows	Cash flow ratio (%)	14.00	21.17	26.70	8.45	(1.85)
	Cash flow adequacy (%)	299.66	156.70	285.08	145.09	103.82
	Cash flow reinvestment ratio (%)	0.28	1.95	8.84	(4.80)	(10.23)
Leverage	Operating leverage	1.06	1.03	1.04	1.03	1.60
	Financial leverage	1.00	1.00	1.00	1.00	1.00

Reasons of changes of financial ratio reaching 20% in the past two years:

Interest protection multiples: It was mainly because the net interest expenses in this period decreased compared with the previous period, causing the ratios to increase.

Inventory turnover : It was mainly because the average inventory in this period decreased compared with the previous period, causing the ratios to increase.

Accounts payable turnover : It was mainly because the Cost of sales in this period decreased compared with the previous period, causing the ratios to decreased.

Cash flows: It was mainly because the net cash inflow from operating activities in this period decreased compared with the previous period, causing relevant rations to decreased.

Note: Financial statements have all been audited or certified by the CPAs.

Formula for the analysis items are as following:

1. Financial structure
 - (1) Liabilities to Assets Ratio = Total Liabilities / Total Assets.
 - (2) Long-term Capital to Fixed Assets Ratio = (Shareholders' Equity + Long-term Liabilities) / Net Fixed Assets.
2. Solvency
 - (1) Current Ratio = Current Assets / Current Liabilities.
 - (2) Quick Ratio = (Current Assets - Inventories - Prepaid Expenses) / Current Liabilities.
 - (3) Interest Protection Multiples = Earnings before Interest and Taxes / Interest Expenses.
3. Operating abilities
 - (1) Average Collection Turnover (including accounts receivable and notes receivable resulted from business operation) = Net Sales / Average Trade Receivables (including accounts receivable and notes receivable resulted from business operation).
 - (2) Days Sales Outstanding = 365 / Average Collection Turnover.
 - (3) Average Inventory Turnover = Cost of Sales / Average Inventory.
 - (4) Average Payment Turnover (including accounts payables and notes payables resulted from business operation) = Cost of Sales / Average Trade Payables (including accounts payables and notes payables resulted from business operation).
 - (5) Average Sales Days = 365 / Average Inventory Turnover.
 - (6) Property, Plant and Equipment Turnover = Net Sales / Average Net Property, Plant and Equipment.
 - (7) Total Assets Turnover = Net Sales / Average Total Assets.
4. Profitability
 - (1) Return on Total Assets = (Net Income + Interest Expenses * (1 - Effective Tax Rate)) / Average Total Assets.
 - (2) Equity return ratio = Net Income / Average Total Equity.
 - (3) Net Margin = Net Income / Net Sales.
 - (4) Earnings Per Share = (Net Income - Preferred Stock Dividend) / Weighted Average Number of Shares Outstanding.
5. Cash Flow
 - (1) Cash Flow Ratio = Net Cash Provided by Operating Activities / Current Liabilities.
 - (2) Cash Flow Adequacy Ratio = Five-year Sum of Cash from Operations / Five-year Sum of Capital Expenditures, Inventory Additions, and Cash Dividend.
 - (3) Cash Flow Reinvestment Ratio = (Cash Provided by Operating Activities - Cash Dividends) / (Property, Plant and Equipment + Long-term Investments + Other Assets + Working Capital).
6. Leverage:
 - (1) Operating Leverage = (Net Sales - Variable Cost) / Income from Operations
 - (2) Financial Leverage = Operating Profit / (Operating Profit - Interest Expenses)

III. Audit Committees' Review Report of the Financial Report for the Last Year

Quanta Storage Inc. Audit Committee Report

Hereby Approved,

The Board of Directors has prepared and submitted to us the Company's 2023 Business Report, Financial Statements, Consolidated Financial Statements and Proposal for Allocation of Distributable Earnings. The Financial Statements and Consolidated Financial Statements have been audited and certified by CPAs LIEN,SHU-LING and CHEN,YI-CHUN from KPMG Certified Public Accountants. We hereby produce this report in accordance with provisions specified in Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act and hereinafter submit it for your review.

To

2024 Annual Meeting of Shareholders

Quanta Storage Inc.

Chairperson of the Audit Committee: WANG, KUAN-SHEN

March 04, 2024

IV. The Consolidated Financial Report for the Last Year Audited by CPAs



安侯建業聯合會計師事務所

KPMG

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Independent Auditors' Report

To the Board of Directors of Quanta Storage Inc.:

Opinion

We have audited the consolidated financial statements of Quanta Storage Inc. and its subsidiaries (“the Group”), which comprise the consolidated balance sheet as of December 31, 2023 and 2022, the consolidated statement of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of material accounting policies.

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

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matters to be communicated in our report.

Revenue Recognition

Please refer to Note (4)(o) for accounting policies of revenue recognition and refer to Note (6)(s) for explanation of significant accounts.

Description of the key audit matter:

Sales revenue is the main indicator for investors and management to evaluate the financial statements or business performance of the Group. Revenue recognized at the point of time correctly is significant for the financial statements. Therefore, the timing for revenue recognition has been identified as a key audit matter.



How the matter was addressed in our audit:

In relation to the key audit matter above, our key audit procedures include understanding and testing the design and implementation of internal control over revenue recognition; understanding the accounting policy of revenue recognition and confirming whether the accounting treatment is in line with the accounting standard regulations; reviewing relevant shipping documents and forms during a period before and after the balance sheet date to ensure that sales revenue is recognized in the appropriate period in the financial statements.

Other Matter

Quanta Storage Inc. has prepared its parent-company-only financial statements as of and for the years ended December 31, 2023 and 2022 on which we have issued an unmodified opinion.

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partners on the audit resulting in this independent auditors' report are Lien, Shu-Ling and Chen, Yi-Chun.

KPMG

Taipei, Taiwan (Republic of China)
March 4, 2024

Notes to Readers

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

The independent auditors' report and the accompanying consolidated financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' report and consolidated financial statements, the Chinese version shall prevail.

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)
QUANTA STORAGE INC. AND SUBSIDIARIES

Consolidated Balance Sheets

December 31, 2023 and 2022

(Expressed in Thousands of New Taiwan Dollars)

	December 31, 2023		December 31, 2022			December 31, 2023		December 31, 2022	
	Amount	%	Amount	%		Amount	%	Amount	%
Assets					Liabilities and Equity				
Current assets:					Current liabilities:				
1100 Cash and cash equivalents (Note 6(a))	\$ 2,019,785	14	2,032,187	14	2120 Current financial liabilities at fair value through profit or loss (Note 6(b))				
1110 Current financial assets at fair value through profit or loss (Note 6(b))	3,420,744	24	1,121,680	8	2130 Current contract liabilities (Note 6(s))	400,301	3	3,276,888	2
1120 Current financial assets at fair value through other comprehensive income (Note 6(c))	905,308	6	796,388	6	2171 Accounts payable (Note 7)	2,124,166	15	2,123,933	15
1170 Notes and accounts receivable, net (Notes 6(e) and (7))	2,533,359	18	2,762,374	20	2200 Other payables	1,020,826	8	1,009,560	8
1200 Other receivables (Note 6(e))	96,810	-	179,820	1	2230 Current tax liabilities	397,389	3	181,058	1
1220 Current tax assets	610	-	22,244	-	2250 Current provisions (Note 6(m))	299,817	2	283,971	2
1310 Inventories (Note 6(l))	640,563	5	1,344,098	10	2280 Current lease liabilities (Note 6(o))	63,974	-	63,280	-
1476 Other current financial assets (Notes 6(a), (k) and (8))	1,364,832	10	3,093,540	22	2300 Other current liabilities	44,797	-	109,000	1
1479 Other current assets, others	115,895	1	123,581	1	2365 Current refund liabilities	17,241	-	30,430	-
	<u>11,097,906</u>	<u>78</u>	<u>11,475,912</u>	<u>82</u>		<u>4,372,314</u>	<u>31</u>	<u>4,128,920</u>	<u>29</u>
Non-current assets:					Non-Current liabilities:				
1510 Non-current financial assets at fair value through profit or loss (Note 6(b))	-	-	794	-	2570 Deferred tax liabilities (Note 6(o))	189,231	2	497,078	4
1535 Non-current financial assets at amortised cost, net (Note 6(d))	476,224	3	-	-	2580 Non-current lease liabilities (Note 6(l))	52,425	-	89,882	1
1550 Investments accounted for using equity method (Note 6(g))	21,792	-	21,941	-	2640 Net defined benefit liability, non-current (Note 6(o))	1,359	-	1,367	-
1600 Property, plant and equipment (Note 6(b))	2,193,244	16	2,117,303	15	2670 Other non-current liabilities, others	37,525	-	21,639	-
1755 Right-of-use assets (Note 6(i))	122,652	1	159,902	1	Total liabilities	<u>280,540</u>	<u>2</u>	<u>609,966</u>	<u>5</u>
1780 Intangible assets (Note 6(j))	20,959	-	22,946	-		<u>4,652,854</u>	<u>33</u>	<u>4,738,886</u>	<u>34</u>
1840 Deferred tax assets (Note 6(o))	255,373	2	226,839	2	Equity attributable to owners of parent (Notes 6(c) and (p)):				
1980 Other non-current financial assets (Note 8))	28,810	-	24,468	-	Ordinary share	2,783,589	20	2,783,589	20
1995 Other non-current assets, others	23,296	-	1,442	-	Capital surplus	1,748,975	12	1,888,140	13
	<u>3,142,350</u>	<u>22</u>	<u>2,575,635</u>	<u>18</u>	Retained earnings	4,806,961	34	4,446,223	32
					Other equity	(100,233)	(1)	(152,779)	(1)
					Total equity attributable to owners of parent:	<u>9,239,287</u>	<u>65</u>	<u>8,965,173</u>	<u>64</u>
					Non-controlling interests	348,115	2	347,488	2
					Total equity	<u>9,587,402</u>	<u>67</u>	<u>9,312,661</u>	<u>66</u>
Total assets	<u>\$ 14,240,256</u>	<u>100</u>	<u>14,051,547</u>	<u>100</u>	Total liabilities and equity	<u>\$ 14,240,256</u>	<u>100</u>	<u>14,051,547</u>	<u>100</u>

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

QUANTA STORAGE INC. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the years ended December 31, 2023 and 2022

(Expressed in Thousands of New Taiwan Dollars , Except Earnings Per Share)

	<u>2023</u>		<u>2022</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
Operating Revenues:				
4110 Sales revenue (Notes (6)(s) and (7))	\$ 10,376,033	100	12,118,494	100
Operating costs:				
5110 Cost of sales (Note (6)(f))	<u>7,720,973</u>	<u>74</u>	<u>9,381,968</u>	<u>77</u>
Gross profit from operations	<u>2,655,060</u>	<u>26</u>	<u>2,736,526</u>	<u>23</u>
Operating expenses:				
6100 Selling expenses	473,467	5	513,074	4
6200 General and administrative expenses	413,972	4	461,098	4
6300 Research and development expenses	638,446	6	670,673	6
6450 Expected credit gain (Note (6)(e))	<u>(21,705)</u>	<u>-</u>	<u>(893)</u>	<u>-</u>
	<u>1,504,180</u>	<u>15</u>	<u>1,643,952</u>	<u>14</u>
Net operating income	<u>1,150,880</u>	<u>11</u>	<u>1,092,574</u>	<u>9</u>
Non-operating income and expenses:				
7100 Interest income (Note (6)(u))	137,246	2	79,582	-
7010 Other income (Note (6)(u))	35,942	-	56,509	-
7020 Other gains and losses, net (Note (6)(u))	85,888	1	191,303	2
7050 Financial costs (Note (6)(u))	(3,245)	-	(4,183)	-
7070 Share of loss of associates accounted for using equity method (Note (6)(g))	<u>(149)</u>	<u>-</u>	<u>(7,570)</u>	<u>-</u>
	<u>255,682</u>	<u>3</u>	<u>315,641</u>	<u>2</u>
Profit before income tax	<u>1,406,562</u>	<u>14</u>	<u>1,408,215</u>	<u>11</u>
7950 Less: Income tax expense (Note (6)(o))	<u>293,251</u>	<u>3</u>	<u>288,138</u>	<u>2</u>
Profit	<u>1,113,311</u>	<u>11</u>	<u>1,120,077</u>	<u>9</u>
8300 Other comprehensive income (loss):				
8310 Items that may not be reclassified subsequently to profit or loss				
8311 Gains on remeasurements of defined benefit plans(Note (6)(n))	381	-	3,802	-
8316 Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income (Note (6)(p))	80,450	-	(18,038)	-
8349 Less: Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	<u>76</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total items that may not be reclassified subsequently to profit or loss	<u>80,755</u>	<u>-</u>	<u>(14,236)</u>	<u>-</u>
8360 Items that may be reclassified subsequently to profit or loss:				
8361 Exchange differences on translation (Note (6)(p))	(28,755)	-	234,508	2
8399 Less: Income tax related to components of other comprehensive income that will be reclassified to profit or loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total items that may be reclassified subsequently to profit or loss	<u>(28,755)</u>	<u>-</u>	<u>234,508</u>	<u>2</u>
8300 Other comprehensive income (after tax)	<u>52,000</u>	<u>-</u>	<u>220,272</u>	<u>2</u>
8500 Total comprehensive income	<u>\$ 1,165,311</u>	<u>11</u>	<u>1,340,349</u>	<u>11</u>
Profit (loss) attributable to:				
8610 Owners of parent	\$ 1,112,063	11	1,089,075	9
8620 Non-controlling interests	<u>1,248</u>	<u>-</u>	<u>31,002</u>	<u>-</u>
	<u>\$ 1,113,311</u>	<u>11</u>	<u>1,120,077</u>	<u>9</u>
Comprehensive income (loss) attributable to:				
8710 Owners of parent	\$ 1,164,848	11	1,308,231	11
8720 Non-controlling interests	<u>463</u>	<u>-</u>	<u>32,118</u>	<u>-</u>
	<u>\$ 1,165,311</u>	<u>11</u>	<u>1,340,349</u>	<u>11</u>
Earnings per share (Note (6)(r))				
9750 Basic earnings per share (in New Taiwan Dollars)	<u>\$ 4.00</u>		<u>3.91</u>	
9850 Diluted earnings per share (in New Taiwan Dollars)	<u>\$ 3.98</u>		<u>3.87</u>	

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
QUANTA STORAGE INC. AND SUBSIDIARIES

Consolidated Statements of Changes in Equity

For the years ended December 31, 2023 and 2022

(Expressed in Thousands of New Taiwan Dollars)

	Equity attributable to owners of parent							Non-controlling interests	Total equity	
	Share capital			Other equity						
	Ordinary shares	Capital surplus	Legal reserve	Retained earnings		Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income			
Special reserve				Unappropriated retained earnings	Total equity attributable to owners of parent					
Balance at January 1, 2022	2,783,589	2,027,242	1,565,929	410,473	2,017,169	(303,142)	(64,991)	8,436,269	315,370	8,751,639
Profit for the year ended December 31, 2022	-	-	-	-	1,089,075	-	-	1,089,075	31,002	1,120,077
Other comprehensive income for the year ended December 31, 2022	-	-	-	-	3,802	233,392	(18,038)	219,156	1,116	220,272
Comprehensive income for the year ended December 31, 2022	-	-	-	-	1,092,877	233,392	(18,038)	1,308,231	32,118	1,340,349
Appropriation and distribution of retained earnings:										
Legal reserve	-	-	99,685	-	(99,685)	-	-	-	-	-
Special reserve	-	-	-	(42,340)	42,340	-	-	-	-	-
Cash dividends on ordinary shares	-	(139,179)	-	-	(640,225)	-	-	(779,404)	-	(779,404)
Others	-	77	-	-	-	-	-	77	-	77
Balance at December 31, 2022	2,783,589	1,888,140	1,665,614	368,133	2,412,476	(69,750)	(83,029)	8,965,173	347,488	9,312,661
Profit for the year ended December 31, 2023	-	-	-	-	1,112,063	-	-	1,112,063	1,248	1,113,311
Other comprehensive income for the year ended December 31, 2023	-	-	-	-	244	(27,921)	80,462	52,785	(785)	52,000
Comprehensive income for the year ended December 31, 2023	-	-	-	-	1,112,307	(27,921)	80,462	1,164,848	463	1,165,311
Appropriation and distribution of retained earnings:										
Legal reserve	-	-	109,424	-	(109,424)	-	-	-	-	-
Special reserve	-	-	-	(215,354)	215,354	-	-	-	-	-
Cash dividends on ordinary shares	-	(139,179)	-	-	(751,569)	-	-	(890,748)	-	(890,748)
Changes in non-controlling interests	-	-	-	-	-	-	-	-	164	164
Others	-	14	-	-	-	-	-	14	-	14
Balance at December 31, 2023	2,783,589	1,748,975	1,775,038	152,779	2,879,144	(97,671)	(2,567)	9,239,287	348,115	9,587,402

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

QUANTA STORAGE INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the years ended December 31, 2023 and 2022

(Expressed in Thousands of New Taiwan Dollars)

	<u>2023</u>	<u>2022</u>
Cash flows from (used in) operating activities:		
Profit before income tax	\$ 1,406,562	1,408,215
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	350,143	351,587
Amortization expense	20,632	21,723
Expected credit gain	(21,705)	(893)
Net profit on financial assets or liabilities at fair value through profit or loss	(59,382)	(74,553)
Interest expense	3,245	4,183
Interest income	(137,246)	(79,582)
Dividend income	(35,942)	(35,698)
Share of loss of associates accounted for using equity method	149	7,570
Losses on disposal of property, plan and equipment	8,247	7,344
Impairment loss on non-financial assets	-	27,488
Expenses on employee stock options	164	-
Losses (gains) from lease modification	516	(1,814)
Total adjustments to reconcile profit (loss)	<u>128,821</u>	<u>227,355</u>
Changes in operating assets and liabilities:		
Changes in operating assets:		
Financial assets at fair value through profit or loss, mandatorily measured at fair value	(2,235,085)	(798,364)
Notes and accounts receivable	245,159	170,053
Other receivables	81,013	2,541
Inventories	689,964	521,648
Net defined benefit asset	-	49,135
Other current assets	6,412	18,323
Total changes in operating assets	<u>(1,212,537)</u>	<u>(36,664)</u>
Changes in operating liabilities:		
Contract liabilities	72,605	(14,115)
Accounts payable	34,996	(686,616)
Other payables	13,830	20,114
Provisions	15,846	5,707
Other non-current liabilities	(63,247)	8,945
Net defined benefit liability	373	1,367
Refund liabilities	(13,189)	(9,660)
Total changes in operating liabilities	<u>61,214</u>	<u>(674,258)</u>
Total changes in operating assets and liabilities	<u>(1,151,323)</u>	<u>(710,922)</u>
Total adjustments	<u>(1,022,502)</u>	<u>(483,567)</u>
Cash inflows generated from operations	384,060	924,648
Interest received	139,129	69,268
Dividends received	35,942	35,698
Interest paid	(3,245)	(4,283)
Income taxes paid	(393,097)	(291,218)
Net cash flows from operating activities	<u>162,789</u>	<u>734,113</u>
Cash flows from (used in) investing activities:		
Acquisition of financial assets at fair value through other comprehensive income	(28,470)	-
Acquisition of financial assets at amortised cost	(476,224)	-
Acquisition of property, plant and equipment	(366,084)	(725,774)
Proceeds from disposal of property, plant and equipment	2,026	2,385
Acquisition of intangible assets	(18,617)	(18,970)
Decrease in other financial assets	1,707,225	940,375
Increase in other non-current assets	(22,174)	(439)
Increase in other non-current liabilities	12,199	-
Net cash flows from investing activities	<u>809,881</u>	<u>197,577</u>
Cash flows from (used in) financing activities:		
Decrease in short-term borrowings	-	(442,899)
Return of dividends over the years	14	77
Payment of lease liabilities	(69,537)	(68,328)
Cash dividends paid	(890,748)	(779,404)
Net cash flows used in financing activities	<u>(960,271)</u>	<u>(1,290,554)</u>
Effect of exchange rate changes on cash and cash equivalents	<u>(24,801)</u>	<u>47,971</u>
Net decrease in cash and cash equivalents	<u>(12,402)</u>	<u>(310,893)</u>
Cash and cash equivalents at beginning of period	<u>2,032,187</u>	<u>2,343,080</u>
Cash and cash equivalents at end of period	<u>\$ 2,019,785</u>	<u>2,032,187</u>

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
QUANTA STORAGE INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
For the years ended December 31, 2023 and 2022
(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

(1) Company history

Quanta Storage Inc. (the “Company”) was incorporated on February 10, 1999, as a company limited by shares and registered under the Ministry of Economic Affairs, R.O.C. The address of the Company’s registered office is 3F., No. 188, Wenhua 2nd Rd., Guishan Dist., Taoyuan City 333010, Taiwan (R.O.C.). In view of the future of operations, the address of the Company was changed to 6F., No. 58-2, Huaya 2nd Rd., Guishan Dist., Taoyuan City 333411, Taiwan (R.O.C.) and authorized by the Board of Directors on December 22, 2021. The Company has registered the relocation under the laws. The Company and its subsidiaries (together referred to as the “Group”) engage primarily in the researching, developing, producing, manufacturing, and selling data storage and processing equipment, electronic components, optical instruments, and collaborative industrial robots.

(2) Approval date and procedures of the consolidated financial statements:

These consolidated financial statements were authorized for issue by the Board of Directors on March 4, 2024.

(3) New standards, amendments and interpretations adopted:

- (a) The impact of the International Financial Reporting Standards (“IFRSs”) endorsed by the Financial Supervisory Commission, R.O.C. which have already been adopted.

The Group has initially adopted the following new amendments, which do not have a significant impact on its consolidated financial statements, from January 1, 2023:

- Amendments to IAS 1 “Disclosure of Accounting Policies”
- Amendments to IAS 8 “Definition of Accounting Estimates”
- Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”

The Group has initially adopted the new amendment, which do not have a significant impact on its consolidated financial statements, from May 23, 2023:

- Amendments to IAS 12 “International Tax Reform—Pillar Two Model Rules”

(Continued)

QUANTA STORAGE INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(b) The impact of IFRS issued by the FSC but not yet effective

The Group assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2024, would not have a significant impact on its consolidated financial statements:

- Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”
- Amendments to IAS 1 “Non-current Liabilities with Covenants”
- Amendments to IAS 7 and IFRS 7 “Supplier Finance Arrangements”
- Amendments to IFRS 16 “Lease Liability in a Sale and Leaseback”

(c) The impact of IFRS issued by IASB but not yet endorsed by the FSC

The Group does not expect the following new and amended standards, which have yet to be endorsed by the FSC, to have a significant impact on its consolidated financial statements:

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”
- IFRS 17 “Insurance Contracts” and amendments to IFRS 17 “Insurance Contracts”
- Amendments to IFRS 17 “Initial Application of IFRS 17 and IFRS 9 – Comparative Information”
- Amendments to IAS21 “Lack of Exchangeability”

(4) Summary of material accounting policies

The material accounting policies presented in the consolidated financial statements are summarized below. Except for those specifically indicated, the following accounting policies were applied consistently throughout the periods presented in the consolidated financial statements.

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (hereinafter referred to as “the Regulations”) and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations endorsed and issued into effect by the Financial Supervisory Commission, R.O.C. (hereinafter referred to as “the IFRSs endorsed by FSC”).

(Continued)

QUANTA STORAGE INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(b) Basis of preparation

(i) Basis of measurement

Except for the following significant accounts, the consolidated financial statements have been prepared on a historical cost basis:

- 1) Financial instruments at fair value through profit or loss are measured at fair value;
- 2) Financial assets at fair value through other comprehensive income are measured at fair value;
- 3) Hedging financial instruments are measured at fair value;
- 4) The defined benefit liabilities and assets are measured at fair value of the plan assets less the present value of the defined benefit obligation, limited as explained in Note (4)(q).

(ii) Functional and presentation currency

The functional currency of each Group entity is determined based on the primary economic environment in which the entity operates. The consolidated financial statements are presented in New Taiwan Dollar (NTD), which is the Company's functional currency. All financial information presented in NTD has been rounded to the nearest thousand.

(c) Basis of consolidation

(i) Principles of preparation of the consolidated financial statements

The consolidated financial statements comprise the Company and subsidiaries. Subsidiaries are entities controlled by the Group. The Group 'controls' an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases. Intragroup balances and transactions, and any unrealized income and expenses arising from Intragroup transactions are eliminated in preparing the consolidated financial statements. The Group attributes the profit or loss and each component of other comprehensive income to the owners of the parent and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

The Group prepares consolidated financial statements using uniform accounting policies for like transactions and other events in similar circumstances.

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received will be recognized directly in equity and the Group will attribute it to the owners of the parent.

(Continued)

QUANTA STORAGE INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) List of subsidiaries in the consolidated financial statements

Name of investor	Name of subsidiary	Principal activity	Shareholding		Description
			December 31, 2023	December 31, 2022	
The Company	Quanta Storage International Ltd.(QSI (CAYMAN))	Investment company	100 %	100 %	
"	Techman Electronics (Thailand) Co., Ltd. (TMT)	Manufacture and sale of computer storage devices and components of peripherals	100 %	100 %	
"	TM SMT SDN. BHD. (JVM)	Sale of computer storage devices and components of peripherals	51 %	51 %	
"	Techman Robot Inc. (TRI)	Manufacture and sale of industrial collaborative robots	80 %	80 %	
QSI (CAYMAN)	Quanta Storage (BVI) Ltd.(QSL (BVI))	Investment company	100 %	100 %	
"	E-Forward Technology Ltd. (SAMOA)(E-Forward (SAMOA))	Manufacture and sale of computer storage devices and components of peripherals	100 %	100 %	(Note 1)
QSL (BVI)	Quanta Storage Holding (HONG KONG) Ltd. (QHH)	Investment company	100 %	100 %	
"	Techman Electronic (Hong Kong) Limited (QIH)	Investment company	100 %	100 %	
QHH	Quanta Storage (Shanghai),Ltd. (QSS)	Manufacture and sale of computer storage devices and components of peripherals	100 %	100 %	
QIH	Techman Electronics (Changshu) Ltd. (Techman)	Manufacture and sale of computer storage devices and components of peripherals	100 %	100 %	
E-Forward (SAMOA)	Quanta Storage Asia Ltd. (SAMOA) (QSA)	Sale and after-sales service of computer storage devices and components of peripherals	100 %	100 %	(Note 2)
TRI	Techman Robot (HONG KONG) Ltd. (TRH)	Investment company	100 %	100 %	
TRH	Techman Robot (Shanghai)Ltd. (TRS)	After-sales service and sale of industrial collaborative robots and components of peripherals	100 %	100 %	

(Continued)

QUANTA STORAGE INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Name of investor	Name of subsidiary	Principal activity	Shareholding		Description
			December 31, 2023	December 31, 2022	
JVM	TM SMT (Thailand) COMPANY LIMITED (JVMT)	Sale of computer storage devices and components of peripherals	100 %	100 %	

Note 1: E-Forward Technology Ltd. (SAMOA) was approved for liquidation by the board of directors on December 25, 2023. As of now, the liquidation process is still in progress.

Note 2: Quanta Storage Asia Ltd. (SAMOA) was approved for liquidation by the board of directors on December 25, 2023. As of now, the liquidation process is still in progress.

(iii) Subsidiaries excluded from the consolidated financial statements: None.

(d) Foreign Currencies

(i) Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currencies of Group entities at the exchange rates at the dates of the transactions. At the end of each subsequent reporting period, monetary items denominated in foreign currencies are translated into the functional currencies using the exchange rate at that date. Non-monetary items denominated in foreign currencies that are measured at fair value are translated into the functional currencies using the exchange rate at the date that the fair value was determined. Non-monetary items denominated in foreign currencies that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

Exchange differences are generally recognized in profit or loss, except for those differences relating to the following, which are recognized in other comprehensive income:

- 1) an investment in equity securities designated as at fair value through other comprehensive income;
- 2) a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; or
- 3) qualifying cash flow hedges to the extent that the hedges are effective.

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into the presentation currency at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into the presentation currency at the average exchange rate. Exchange differences are recognized in other comprehensive income.

(Continued)

QUANTA STORAGE INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

When a foreign operation is disposed of such that control, significant influence, or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

(e) Classification of current and non-current assets and liabilities

An asset is classified as current under one of the following criteria, and all other assets are classified as non-current.

- (i) It is expected to be realized, or intended to be sold or consumed, in the normal operating cycle;
- (ii) It is held primarily for the purpose of trading;
- (iii) It is expected to be realized within twelve months after the reporting period; or
- (iv) The asset is cash or a cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

A liability is classified as current under one of the following criteria, and all other liabilities are classified as non-current.

- (i) It is expected to be settled in the normal operating cycle;
- (ii) It is held primarily for the purpose of trading;
- (iii) It is due to be settled within twelve months after the reporting period; or
- (iv) The Group does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by issuing equity instruments do not affect its classification.

(f) Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. Time deposits which meet the above definition and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes should be recognized as cash equivalents.

(Continued)

QUANTA STORAGE INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(g) Financial instruments

Accounts receivables are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Group becomes a party to the contractual provisions of the instrument. A financial asset (unless it is an account receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. An account receivable without a significant financing component is initially measured at the transaction price.

(i) Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a settlement date basis.

On initial recognition, a financial asset is classified as measured at: amortized cost; Fair value through other comprehensive income (FVOCI) –equity investment or FVTPL. Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

1) Financial assets measured at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

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

These assets are subsequently measured at amortized cost, which is the amount at which the financial asset is measured at initial recognition, plus/minus, the cumulative amortization using the effective interest method, adjusted for any loss allowance. Interest income, foreign exchange gains and losses, as well as impairment, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

2) Fair value through other comprehensive income (FVOCI)

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

(Continued)

QUANTA STORAGE INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Some accounts receivables are held within a business model whose objective is achieved by both collecting contractual cash flows and selling by the Group; therefore, those receivables are measured at FVOCI. However, they are included in the ‘accounts receivables’ line item.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment’s fair value in other comprehensive income. This election is made on an instrument-by-instrument basis.

Debt investments at FVOCI are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

Equity investments at FVOCI are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in other comprehensive income and are never reclassified to profit or loss.

Dividend income is recognized in profit or loss on the date on which the Group’s right to receive payment is established (usually the ex-dividend date).

3) Fair value through profit or loss (FVTPL)

All financial assets not classified as amortized cost or FVOCI described as above are measured at FVTPL, including derivative financial assets. Accounts receivable that the Group intends to sell immediately or in the near term are measured at FVTPL; however, they are included in the ‘accounts receivable’ line item. On initial recognition, the Group may irrevocably designate a financial asset, which meets the requirements to be measured at amortized cost or at FVOCI, as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.

4) Business model assessment

The Group makes an assessment of the objective of the business model in which a financial asset is held at portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management’s strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realizing cash flows through the sale of the assets;

(Continued)

QUANTA STORAGE INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, and are consistent with the Group's continuing recognition of the assets.

5) Impairment of financial assets

The Group recognizes loss allowances for expected credit losses (ECL) on financial assets measured at amortized cost (including cash and cash equivalents, amortized costs, accounts receivable, notes receivable, other receivable, guarantee deposit paid and other financial assets) and contract assets.

The Group measures loss allowances at an amount equal to lifetime expected credit loss (ECL), except for the following which are measured as 12-month ECL:

- debt securities that are determined to have low credit risk at the reporting date; and
- bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowance for accounts receivable are always measured at an amount equal to lifetime ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Group's historical experience and informed credit assessment as well as forward-looking information.

Lifetime ECL are the ECL that result from all possible default events over the expected life of a financial instrument.

12-month ECL are the portion of ECL that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECL is the maximum contractual period over which the Group is exposed to credit risk.

(Continued)

QUANTA STORAGE INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

ECL are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive). ECL are discounted at the effective interest rate of the financial asset.

At each reporting date, the Group assesses whether financial assets carried at amortized cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial assets is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a delay or over;
- the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;
- it is probable that the borrower will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for a security because of financial difficulties.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. For debt securities at FVOCI, the loss allowance is charge to profit or loss and is recognized in other comprehensive income instead of reducing the carrying amount of the asset.

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For corporate customers, the Group individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

6) Derecognition of financial assets

The Group derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognized in its statement of balance sheet, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

(Continued)

QUANTA STORAGE INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) Financial liabilities and equity instruments

1) Classification of debt or equity

Debt and equity instruments issued by the Group are classified as financial liabilities or equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

2) Equity instrument

An equity instrument is any contract that evidences residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued are recognized as the amount of consideration received, less the direct cost of issuing.

3) Financial liabilities

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

4) Derecognition of financial liabilities

The Group derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

On derecognition of a financial liability, the difference between the carrying amount of a financial liability extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

5) Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount presented in the statement of balance sheet when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

(Continued)

QUANTA STORAGE INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(iii) Derivative financial instruments and hedge accounting

The Group holds derivative financial instruments to hedge its foreign currency and interest rate exposures. Embedded derivatives are separated from the host contract and accounted for separately if the host contract is not a financial asset and certain criteria are met.

Derivatives are initially measured at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognized in profit or loss.

(h) Inventories

Inventories are measured at the lower of cost or net realizable value. The cost of inventories is calculated using the weighted average method, and includes expenditure incurred in acquiring the inventories, production or conversion costs, and other costs incurred in bringing them to their present location and condition. In the case of manufactured inventories and work in process, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realizable value is the estimated selling price in the ordinary course of business, less, the estimated costs of completion and selling expenses.

(i) Investment in associates

Associates are those entities in which the Group has significant influence, but not control or joint control, over their financial and operating policies.

Investments in associates are accounted for using the equity method and are recognized initially at cost. The cost of the investment includes transaction costs. The carrying amount of the investment in associates includes goodwill arising from the acquisition less any accumulated impairment losses.

The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of those associates, after adjustments to align their accounting policies with those of the Group, from the date on which significant influence commences until the date on which significant influence ceases. The Group recognizes any changes of its proportionate share in the investee within capital surplus, when an associate's equity changes due to reasons other than profit and loss or comprehensive income, which did not result in changes in actual proportionate share.

Gains and losses resulting from transactions between the Group and an associate are recognized only to the extent of unrelated Group's interests in the associate.

When the Group's share of losses of an associate equals or exceeds its interests in an associate, it discontinues recognizing its share of further losses. After the recognized interest is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

(Continued)

QUANTA STORAGE INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(j) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost, which includes capitalized borrowing costs, less accumulated depreciation and any accumulated impairment losses.

If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognized in profit or loss.

(ii) Subsequent expenditure

Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Group.

(iii) Depreciation

Depreciation is calculated on the cost of an asset less its residual value and is recognized in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment.

Land is not depreciated.

The estimated useful lives of property, plant and equipment for current and comparative periods are as follows:

1) Buildings and construction	5 ~ 20 years
2) Machinery and miscellaneous equipment	2 ~ 5 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(k) Lease

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

(i) As a lessee

The Group recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

(Continued)

QUANTA STORAGE INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be reliably determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

Lease payments in the measurement of the lease liability are fixed payments, including in-substance fixed payments.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when:

- 1) there is a change of its assessment on whether it will exercise a extension or termination option; or
- 2) there is any lease modification in lease subject, scope of the lease, or other terms.

When the lease liability is remeasured to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease, the Group accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognize in profit or loss any gain or loss relating to the partial or full termination of the lease.

The Group has elected not to recognize right-of-use assets and lease liabilities for short-term leases of office equipment that have a lease term of 12 months or less and leases of low-value assets. The Group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(ii) As a lessor

When the Group acts as a lessor, it determines at lease commencement whether each lease is a finance lease or an operating lease. To classify each lease, the Group makes an overall assessment of whether the lease transfers to the lessee substantially all of the risks and rewards of ownership incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then the lease is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset. The Group recognizes lease payments received under operating leases as income on a straight-line basis over the lease term as part of 'rent income'.

(Continued)

QUANTA STORAGE INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(l) Intangible assets

(i) Recognition and measurement

Other intangible assets, including computer software, that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortization and any accumulated impairment losses.

(ii) Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognized in profit or loss as incurred.

(iii) Amortization

Amortization is calculated over the cost of the asset, less its residual value, and is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, from the date that they are available for use.

The estimated useful lives for current and comparative periods are as follows:

- | | |
|--------------------------------|-------------|
| 1) Computer software and other | 1 ~ 5 years |
| 2) Trademarks and patents | 3 years |

Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(m) Impairment of non-financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than inventories, contract assets and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units (CGUs).

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognized in profit or loss.

For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(Continued)

QUANTA STORAGE INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(n) Provisions

Provision is recognized if, as a result of a past event, the Group has a present obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

A provision for warranties is recognized when the underlying products or services are sold, based on historical warranty data and a weighting of all possible outcomes against their associated probabilities.

Management periodically assesses the cost of obligation of all litigation and related legal costs. Provision for loss contingencies arising from claims, assessments, litigation, fines, and penalties and other sources are recognized when it is probable the present obligation as a result of a past event will result in an outflow of resources and the amount can be reasonably estimated.

Provisions recognized are the best estimates of the expenditure for settling the present obligation at each reporting date.

(o) Revenue

Revenue from contracts with customers

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring goods or services to a customer. The Group recognizes revenue when it satisfies a performance obligation by transferring control of a good or a service to a customer. The accounting policies for the Group's main types of revenue are explained below.

1) Sale of goods

The Group recognizes revenue when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

The Group's obligation to provide a refund under the standard warranty terms is recognized as a provision for warranty; please refer to Note (4)(n).

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QUANTA STORAGE INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

2) Rendering of services

The Group provides business advisory and management services. Revenue from providing services is recognized in the accounting period in which the services are rendered. For fixed-price contracts, revenue is recognized based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided. The proportion of services provided is determined based on the amount of work incurred to date as a proportion of the total estimated amount of work of the transaction.

Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by management.

3) Financing components

The Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the group does not adjust any of the transaction prices for the time value of money.

(p) Government grants

The Group recognizes an unconditional government grant in non-operating income when the grant becomes receivable. The Government grants the compensate that the Group for expenses or losses incurred are recognized in profit or loss. The Group will comply with the conditions associated with the grant and when they will be received on a systematic basis in the periods in which the expenses or losses are recognized.

(q) Employee benefits

(i) Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in future payments is available.

(ii) Defined benefit plans

The Group's net obligation in respect of defined benefit plans is calculated separately for each the plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Group, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

(Continued)

QUANTA STORAGE INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income, and accumulated in retained earnings within equity. The Group determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset). Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Group recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

(iii) Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(r) Share-based payment

The grant-date fair value of equity-settled share-based payment arrangements granted to employees is generally recognized as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognized is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

For share-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

The fair value of the amount payable to employees in respect of share appreciation rights, which are settled in cash, is recognized as an expense with a corresponding increase in liabilities, over the period during which the employees become unconditionally entitled to payment. The liability is remeasured at each reporting date and at settlement date based on the fair value of the share appreciation rights. Any changes in the liability are recognized in profit or loss.

(s) Income taxes

Income taxes comprise current taxes and deferred taxes. Except for expenses related to business combinations or recognized directly in equity or other comprehensive income, all current and deferred taxes are recognized in profit or loss.

(Continued)

QUANTA STORAGE INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Current taxes comprise the expected tax payables or receivables on the taxable profits (losses) for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payables or receivables are the best estimate of the tax amount expected to be paid or received. It is measured using tax rates enacted or substantively enacted at the reporting date.

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred taxes are recognized except for the following:

- (i) temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and at the time of the transaction affects neither accounting nor taxable profits (losses) and does not give rise to equal taxable and deductible temporary differences;
- (ii) temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future.

Deferred tax assets are recognized for the carry forward of unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefits will be realized, such reductions are reversed when the probability of future taxable profits improves.

Deferred taxes are measured at tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset if the following criteria are met:

- (i) the Group has a legally enforceable right to set off current tax assets against current tax liabilities; and
 - (ii) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:
 - 1) the same taxable entity; or
 - 2) different taxable entities which intend to settle current tax assets and liabilities on a net basis, or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.
- (t) Earnings per share

The Group discloses the Company's basic and diluted earnings per share attributable to ordinary shareholders of the Company. Basic earnings per share is calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding. Diluted earnings per share is calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding after adjustment for the effects of all potentially dilutive ordinary shares, such as employee remuneration.

(Continued)

QUANTA STORAGE INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(u) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Group). Operating results of the operating segment are regularly reviewed by the Group's chief operating decision maker to make decisions about resources to be allocated to the segment and to assess its performance. Each operating segment consists of standalone financial information.

(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty:

In preparing these consolidated financial statements, management has made judgments, estimates, and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

The management continues to monitor the accounting estimates and assumptions. The management recognizes any changes in accounting estimates during the period and the impact of those changes in accounting estimates in the following period.

There are no critical judgments in applying accounting policies that have significant effect on the amounts recognized in this financial report.

After assessment, there are no assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year.

(6) Explanation of significant accounts:

(a) Cash and cash equivalents

	December 31, 2023	December 31, 2022
Cash	\$ 1,500	1,558
Checking account deposits	7,936	10,667
Demand deposits	338,813	124,705
Foreign currency deposits	1,488,002	1,213,276
Time deposits	183,534	651,271
Cash equivalents - Bonds	-	30,710
Cash and cash equivalents in the consolidated statement of cash flows	<u>\$ 2,019,785</u>	<u>2,032,187</u>

Time deposits with a maturity exceeding three months, were presented in other financial assets—current and non-current according to their respective maturity dates.

Please refer to Note (6)(v) for the exchange rate risk and sensitivity analysis of the financial assets of the Group.

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QUANTA STORAGE INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(b) Financial assets and liabilities at fair value through profit or loss

	<u>December 31,</u> <u>2023</u>	<u>December 31,</u> <u>2022</u>
Mandatorily measured at fair value through profit or loss:		
Beneficiary certificate—open-ended fund	\$ 3,396,756	1,116,736
Ordinary shares	-	794
Domestic listed preferred stocks	3,387	3,707
Domestic listed convertible corporate bonds	20,601	-
Held-for-trading financial assets (liabilities):		
Forward foreign exchange contracts	<u>(3,803)</u>	<u>1,237</u>
Total	<u>\$ 3,416,941</u>	<u>1,122,474</u>
Current	\$ 3,416,941	1,121,680
Non-current	<u>-</u>	<u>794</u>
Total	<u>\$ 3,416,941</u>	<u>1,122,474</u>

The Group uses derivative financial instruments to hedge the certain foreign exchange and interest risk the Group is exposed to, arising from its operating, financing and investing activities. The following derivative instruments, without the application of hedge accounting, were classified as mandatorily measured at fair value through profit or loss and held-for-trading financial liabilities:

	<u>December 31, 2023</u>			
	<u>Amount</u> <u>(in thousands)</u>		<u>Currency</u>	<u>Maturity period</u>
Forward foreign exchange contracts				
US dollars sold	USD 15,000		USD to TWD	January 11, 2024~ January 29, 2024
US dollars purchased	USD 24,000		TWD to USD	January 5, 2024~ February 6, 2024
	<u>December 31, 2022</u>			
	<u>Amount</u> <u>(in thousands)</u>		<u>Currency</u>	<u>Maturity period</u>
Forward foreign exchange contracts				
US dollars sold	USD 8,000		USD to TWD	January 6, 2023~ January 9, 2023
US dollars purchased	USD 31,000		TWD to USD	January 6, 2023~ March 27, 2023

(Continued)

QUANTA STORAGE INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(i) Preferred stocks

The Group purchased preferred stocks issued by domestic listed companies, all of which are non-cumulative preferred stocks. Dividends are distributed according to the agreed annual rate and are periodically adjusted and reset during the period. These stocks have no maturity date, but the issuing company may redeem all or part of the issued preferred stocks at the original issuance price upon the expiration of the agreed term. Unredeemed shares will continue to be subject to the original terms and conditions. The preferred stocks held by the Group are non-voting rights and non-convertible.

(ii) Convertible bonds

- 1) The Group purchased unsecured convertible corporate bonds issued by TAI-TECH Advanced Electronics Co., Ltd.. The maturity date of corporate bond is on October 31, 2026, and the conversion period runs from February 1, 2024, to October 31, 2026.
- 2) The Group purchased unsecured convertible corporate bonds issued by Yulon Finance Corporation. The maturity date of corporate bond is on November 20, 2028, and the conversion period runs from February 21, 2024, to November 20, 2028.

(iii) For the informations of liquidity risk, please refer to Note (6)(v).

(iv) The aforesaid financial assets were not pledged as collateral.

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

	December 31, 2023	December 31, 2022
Equity investments at fair value through other comprehensive income:		
Domestic listed stocks	\$ 876,896	796,388
Domestic listed preferred stocks	28,412	-
Total	\$ 905,308	796,388

(i) Preferred stocks

The Group purchased preferred stocks issued by domestic listed companies, all of which are non-cumulative preferred stocks. Dividends are distributed according to the agreed annual rate and are periodically adjusted and reset during the period. These stocks have no maturity date, but the issuing company may redeem all or part of the issued preferred stocks at the original issuance price upon the expiration of the agreed term. Unredeemed shares will continue to be subject to the original terms and conditions. The preferred stocks held by the Group are non-voting rights and non-convertible.

(ii) Equity investments at fair value through other comprehensive income

The Group designated the investments shown above as equity securities at fair value through other comprehensive income because these equity securities represent those investments that the Group intends to hold for long-term strategic purposes.

(Continued)

QUANTA STORAGE INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

There were no disposals of strategic investments and transfers of any cumulative gain or loss within equity relating to these investments as of December 31, 2023 and 2022.

- (iii) For price risk of equity and fair value information, please refer to Note (6)(v).
 - (iv) The aforesaid financial assets were not pledged as collateral.
- (d) Financial assets measured at amortized cost

	December 31, 2023	December 31, 2022
Investments in debt instruments	\$ 476,224	-

- (i) Investments in debt instruments measured at amortized cost

The Group has assessed that these financial assets are held to maturity to collect contractual cash flows, which consist solely of payments of principal and interest on principal amount outstanding. Therefore, these investments were classified as financial assets measured at amortized cost.

- (ii) The Group purchased a corporate bond issued by Fubon Life Insurance Co., Ltd. in September 2023, with a face value of \$180,000. The bond's coupon rate and effective interest rate were both 3.70%.
- (iii) The Group purchased corporate bonds issued by Shin Kong Life Insurance Co., Ltd., and Nan Shan Life Insurance Co., Ltd. in October 2023, with face value of \$50,000 and \$90,000, respectively, the bond's coupon rates were the same as effective interest rates which were 4.00% and 3.75%, respectively.
- (iv) The Group purchased U.S. dollar denominated corporate bonds issued by TSMC GLOBAL LTD. in July and August 2023, with a face value of USD1,000 thousand. The coupon rates were 2.25% and 1.375%, and the effective interest rates were 4.84% and 4.90%, respectively.
- (v) The Group purchased a U.S. dollar denominated corporate bond issued by TSMC Arizona Corporation in August 2023, with a face value of USD1,000 thousand. The coupon rate and the effective interest rate were 2.50% and 5.02%, respectively.
- (vi) The Group purchased a U.S. dollar denominated corporate bond issued by Amazon.com, Inc. in July 2023, with a face value of USD1,000 thousand. The coupon rate and the effective interest rate were 4.05% and 4.80%, respectively.
- (vii) The Group purchased U.S. dollar denominated corporate bonds issued by Apple Inc. on October 5 and 20, 2023, with a face value of USD1,000 thousand. The coupon rate were 3.25% and 1.65%, and the effective interest rate were 4.94% and 5.23%, respectively.
- (viii) For fair value information, please refer to Note (6)(v).
- (ix) The aforesaid financial assets were not pledged as collateral.

(Continued)

QUANTA STORAGE INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(e) Accounts receivable and other receivables

	December 31, 2023	December 31, 2022
Notes receivable	\$ 4,855	28,805
Accounts receivable—measured as amortized cost	2,419,012	2,070,349
Accounts receivable –fair value through other comprehensive income	109,523	684,976
Less: Loss allowance	(31)	(21,756)
	\$ 2,533,359	2,762,374

The Group has assessed a portion of its accounts receivable that was held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; therefore, such accounts receivable were measured at fair value through other comprehensive income.

The Group applies the simplified approach to provide for its expected credit losses, i.e. the use of lifetime expected loss provision for all receivables. To measure the expected credit losses, accounts receivable have been grouped based on shared credit risk characteristics and the days past due, as well as the incorporated forward-looking information, including macroeconomic and relevant industry information. The loss allowance provision were determined as follows:

December 31, 2023			
	Gross carrying amount	Weighted- average loss rate	Loss allowance provision
Current	\$ 2,247,272	0%	-
1 to 90 days past due	283,471	0%	-
More than 91 days past due	2,647	1%	31
	\$ 2,533,390		31
December 31, 2022			
	Gross carrying amount	Weighted- average loss rate	Loss allowance provision
Current	\$ 2,226,514	0~1%	312
1 to 90 days past due	555,623	0~10%	21,396
More than 91 days past due	1,993	11%~100%	48
	\$ 2,784,130		21,756

(Continued)

QUANTA STORAGE INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The movement in the allowance for accounts receivable were as follows:

	<u>2023</u>	<u>2022</u>
Balance at January 1	\$ 21,756	32,173
Reversed impairment losses	(21,705)	(893)
Amounts written off	-	(107)
Foreign exchange losses	(20)	(9,417)
Balance at December 31	<u>\$ 31</u>	<u>21,756</u>

As of December 31, 2023 and 2022, the Group other receivables amounted to \$96,810 and \$179,820 respectively. As the amount overdue was not material, no impairment was recognized after assessment.

The Group entered into non-recourse factoring agreements with different financial institutions to sell its accounts receivable. Under the agreements, the Group does not have the responsibility to assume the default risk of the transferred accounts receivable, which meets the requirement for derecognition of financial assets. As of the reporting date, transferred accounts receivable are as follows:

December 31, 2023						
Purchaser	Amount derecognized	Credit unused	Credit advanced	Amount recognized in other receivables	Range of interest rates	Significant transferring terms
Financial institution	\$ -	USD 3,567	-	-	-	None

December 31, 2022						
Purchaser	Amount derecognized	Credit unused	Credit advanced	Amount recognized in other receivables	Range of interest rates	Significant transferring terms
Financial institution	\$ -	USD 22,305	-	-	-	None

(f) Inventories

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Raw materials	\$ 311,057	696,924
Semi-finished goods	231,599	416,161
Finished goods	97,907	231,013
	<u>\$ 640,563</u>	<u>1,344,098</u>

(Continued)

QUANTA STORAGE INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

For the years ended December 31, 2023 and 2022, the components of cost of goods sold were as follows:

	For the years ended December 31,	
	2023	2022
Cost of goods sold	\$ 7,702,000	9,296,893
Unallocated production overheads	-	45,519
Write-down of inventory valuation and obsolescence	18,973	39,556
Total	\$ 7,720,973	9,381,968

The allowance for inventory valuation and obsolescence loss was due to the decline of inventory to net realizable value or obsolescence, which was recognized as cost of goods sold.

The aforesaid inventories were not pledged as collateral.

(g) Investments accounted for using equity method

(i) Associates

The Group's financial information for investments accounted for using the equity method that are individually insignificant was as follows. The following table summarizes the amounts recognized by the Group and included in the consolidated financial statements:

	December 31,	December 31,
	2023	2022
Carrying amount of individually insignificant associates' equity	\$ <u>21,792</u>	<u>21,941</u>
	For the years ended December 31,	
	2023	2022
Attributable to the Group:		
Loss from continuing operations	\$ <u>(149)</u>	<u>(7,570)</u>

(ii) Pledges

The aforesaid investments accounted for using the equity method were not pledged as collateral.

(Continued)

QUANTA STORAGE INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(h) Property, plant and equipment

The cost, depreciation, and impairment of the property, plant and equipment of the Group were as follows:

	<u>Land</u>	<u>Buildings and construction</u>	<u>Machinery and miscellaneous equipment</u>	<u>Construction in progress and equipment to be inspected</u>	<u>Total</u>
Cost or deemed cost:					
Balance on January 1, 2023	\$ 632,880	489,285	1,852,640	592,940	3,567,745
Additions	-	21,724	159,356	185,004	366,084
Disposal and obsolescence	-	-	(103,926)	-	(103,926)
Reclassification	-	634,848	2,706	(634,848)	2,706
Effect of movements in exchange rates	(27)	(31,775)	(10,842)	25,355	(17,289)
Balance on December 31, 2023	<u>\$ 632,853</u>	<u>1,114,082</u>	<u>1,899,934</u>	<u>168,451</u>	<u>3,815,320</u>
Balance on January 1, 2022	\$ 616,465	493,559	1,657,630	25,591	2,793,245
Additions	-	-	173,813	551,961	725,774
Disposal and obsolescence	-	(2,792)	(88,780)	-	(91,572)
Reclassification	-	(19,326)	18,723	5,427	4,824
Effect of movements in exchange rates	16,415	17,844	91,254	9,961	135,474
Balance on December 31, 2022	<u>\$ 632,880</u>	<u>489,285</u>	<u>1,852,640</u>	<u>592,940</u>	<u>3,567,745</u>
Depreciation and impairments loss:					
Balance on January 1, 2023	\$ -	399,778	1,050,664	-	1,450,442
Depreciation	-	18,664	260,753	-	279,417
Disposal and obsolescence	-	-	(93,653)	-	(93,653)
Effect of movements in exchange rates	-	(6,082)	(8,048)	-	(14,130)
Balance on December 31, 2023	<u>\$ -</u>	<u>412,360</u>	<u>1,209,716</u>	<u>-</u>	<u>1,622,076</u>
Balance on January 1, 2022	\$ -	356,319	845,319	-	1,201,638
Depreciation	-	36,106	246,318	-	282,424
Disposal and obsolescence	-	(2,253)	(79,590)	-	(81,843)
Reclassification	-	(488)	(8)	-	(496)
Effect of movements in exchange rates	-	10,094	38,625	-	48,719
Balance on December 31, 2022	<u>\$ -</u>	<u>399,778</u>	<u>1,050,664</u>	<u>-</u>	<u>1,450,442</u>
Carrying value:					
Balance on December 31, 2023	<u>\$ 632,853</u>	<u>701,722</u>	<u>690,218</u>	<u>168,451</u>	<u>2,193,244</u>
Balance on January 1, 2022	<u>616,465</u>	<u>137,240</u>	<u>812,311</u>	<u>25,591</u>	<u>1,591,607</u>
Balance on December 31, 2022	<u>\$ 632,880</u>	<u>89,507</u>	<u>801,976</u>	<u>592,940</u>	<u>2,117,303</u>

For the purpose of constructing the office building and research and development center of the headquarter, the Group purchased land and building in Guishan District, Taoyuan City from the parent company, Quanta Computer Inc.. The cost of acquisition was \$466,506 and \$14,840, and accounted as Land and Construction in progress, respectively. As of December 31, 2022, the Group had fully paid and transferred the ownership.

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QUANTA STORAGE INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The Group has built new factories and expanded production lines in various operating entities since 2021. As of December 31, 2023, a total of \$634,848 has been completed and accepted, the relevant electrical and decoration engineering were still in progress and accounted as unfinished projects and equipment to be accepted. Please refer to Note (9)(a) for details of significant unrecognized contractual commitments associated with the acquisition of property, plant and equipment.

(i) Collateral

As of December 31, 2023 and 2022, the aforesaid property, plant and equipment were not pledged as collateral.

(ii) Capitalization of interest

As of December 31, 2023 and 2022, no interests shall be capitalized.

(i) Right-of-use assets

The Group leases land, building and construction and transportation equipment. Information about leases for which the Group is a lessee was presented below:

	<u>Land</u>	<u>Building and construction</u>	<u>Transportati on equipment</u>	<u>Total</u>
Cost:				
Balance as of January 1, 2023	\$ 22,431	262,197	495	285,123
Additions	-	43,875	-	43,875
Reductions	-	(73,584)	-	(73,584)
Effect of movements in exchange rates	<u>(153)</u>	<u>1,841</u>	<u>-</u>	<u>1,688</u>
Balance as of December 31, 2023	<u>\$ 22,278</u>	<u>234,329</u>	<u>495</u>	<u>257,102</u>
Balance as of January 1, 2022	\$ 22,700	243,629	468	266,797
Additions	13,329	134,659	495	148,483
Disposal	(13,738)	(122,789)	(468)	(136,995)
Effect of movements in exchange rates	<u>140</u>	<u>6,698</u>	<u>-</u>	<u>6,838</u>
Balance as of December 31, 2022	<u>\$ 22,431</u>	<u>262,197</u>	<u>495</u>	<u>285,123</u>
Accumulated depreciation and impairment losses:				
Balance as of January 1, 2023	\$ 2,983	122,211	27	125,221
Depreciation for the year	4,727	65,833	166	70,726
Reductions	-	(62,687)	-	(62,687)
Effect of movement in exchange rates	<u>(25)</u>	<u>1,215</u>	<u>-</u>	<u>1,190</u>
Balance as of December 31, 2023	<u>\$ 7,685</u>	<u>126,572</u>	<u>193</u>	<u>134,450</u>

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QUANTA STORAGE INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	<u>Land</u>	<u>Building and construction</u>	<u>Transportati on equipment</u>	<u>Total</u>
Balance as of January 1, 2022	\$ 1,460	102,868	338	104,666
Depreciation for the year	4,700	64,306	157	69,163
Reductions	(3,188)	(49,314)	(468)	(52,970)
Effect of movement in exchange rates	11	4,351	-	4,362
Balance as of December 31, 2022	<u>\$ 2,983</u>	<u>122,211</u>	<u>27</u>	<u>125,221</u>
Carrying amount:				
Balance at December 31, 2023	<u>\$ 14,593</u>	<u>107,757</u>	<u>302</u>	<u>122,652</u>
Balance at January 1, 2022	<u>\$ 21,240</u>	<u>140,761</u>	<u>130</u>	<u>162,131</u>
Balance at December 31, 2022	<u>\$ 19,448</u>	<u>139,986</u>	<u>468</u>	<u>159,902</u>

(j) Intangible assets

The cost, amortization and impairment of the intangible assets of the Group were as follows:

	<u>Computer software</u>	<u>Other</u>	<u>Total</u>
Cost:			
Balance at January 1, 2023	\$ 139,907	11,079	150,986
Additions	14,766	3,851	18,617
Write-offs for the year	(119,574)	(10,305)	(129,879)
Effect of movement in exchange rates	5	-	5
Balance at December 31, 2023	<u>\$ 35,104</u>	<u>4,625</u>	<u>39,729</u>
Balance at January 1, 2022	\$ 131,706	10,505	142,211
Additions	16,083	2,887	18,970
Write-offs for the year	(8,591)	(2,313)	(10,904)
Effect of movement in exchange rates	709	-	709
Balance at December 31, 2022	<u>\$ 139,907</u>	<u>11,079</u>	<u>150,986</u>
Accumulated amortization and impairment losses:			
Balance at January 1, 2023	\$ 119,801	8,239	128,040
Amortization for the year	16,629	4,003	20,632
Write-offs for the year	(119,574)	(10,305)	(129,879)
Effect of movement in exchange rates	(23)	-	(23)
Balance at December 31, 2023	<u>\$ 16,833</u>	<u>1,937</u>	<u>18,770</u>

(Continued)

QUANTA STORAGE INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	<u>Computer software</u>	<u>Other</u>	<u>Total</u>
Balance at January 1, 2022	\$ 111,155	5,917	117,072
Amortization for the year	17,088	4,635	21,723
Write-offs for the year	(8,591)	(2,313)	(10,904)
Effect of movement in exchange rates	149	-	149
Balance at December 31, 2022	<u>\$ 119,801</u>	<u>8,239</u>	<u>128,040</u>
Carrying value:			
Balance at December 31, 2023	<u>\$ 18,271</u>	<u>2,688</u>	<u>20,959</u>
Balance at January 1, 2022	<u>\$ 20,551</u>	<u>4,588</u>	<u>25,139</u>
Balance at December 31, 2022	<u>\$ 20,106</u>	<u>2,840</u>	<u>22,946</u>

Amortization recognized

The amortization of intangible assets and their impairment losses are included in the statement of comprehensive income:

	<u>For the years ended December 31,</u>	
	<u>2023</u>	<u>2022</u>
Cost of sales	\$ <u>276</u>	<u>151</u>
Operating expenses	\$ <u>20,356</u>	<u>21,572</u>

(k) Other current financial assets

The Group's other current financial assets are detailed as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
More than three months time deposits	\$ 1,354,379	3,093,540
Restricted assets—bank deposits	<u>10,453</u>	<u>-</u>
	<u>\$ 1,364,832</u>	<u>3,093,540</u>

The assets of the Group had been pledged as collateral; please refer to Note (8).

(Continued)

QUANTA STORAGE INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(l) Lease liabilities

The carrying amounts of the Group's lease liabilities were as follows:

	December 31, 2023	December 31, 2022
Current	<u>\$ 63,974</u>	<u>63,280</u>
Non-current	<u>\$ 52,425</u>	<u>89,882</u>

For the maturities analysis, please refer to Note (6)(v) financial instruments.

The amounts recognized in profit or loss were as follows:

	For the years ended December 31,	
	2023	2022
Interest on lease liabilities	<u>\$ 3,245</u>	<u>3,239</u>
Expenses relating to short-term leases	<u>\$ 6,930</u>	<u>1,101</u>

The amounts recognized in the statement of cash flows for the Group was as follows:

	For the years ended December 31,	
	2023	2022
Total cash outflow for leases	<u>\$ 79,712</u>	<u>72,668</u>

(i) Building and construction

The Group leases buildings for its office, warehouse and factory. The leases typically run for 2 to 5 years. Some leases include an option to renew the lease for an additional period of the same duration at the end of the contract term.

(ii) Other leases

The Group also leases office and mechanical equipment, which are short-term or leases of low-value items. The Group has elected not to recognize right-of-use assets and lease liabilities for these leases.

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QUANTA STORAGE INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(m) Provisions

	<u>Current provisions</u>
Balance at January 1, 2023	\$ 283,971
Provisions made during the year	46,133
Provisions used during the year	(39,291)
Effect of movement in exchange rates	<u>9,004</u>
Balance at December 31, 2023	<u><u>\$ 299,817</u></u>
Balance at January 1, 2022	\$ 278,264
Provisions made during the year	34,082
Provisions used during the year	(38,380)
Effect of movement in exchange rates	<u>10,005</u>
Balance at December 31, 2022	<u><u>\$ 283,971</u></u>

Provisions have been set aside for litigation loss and warranty loss; please refer to Note (9) for litigation loss provision.

(n) Employee benefits

(i) Defined benefit plans

Reconciliation of defined benefit obligations at present value and plan assets at fair value are as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Present value of the defined benefit obligations	\$ 1,465	<u>1,409</u>
Fair value of plan assets	<u>(106)</u>	<u>(42)</u>
Net defined benefit liability	<u><u>\$ 1,359</u></u>	<u><u>1,367</u></u>

The Group makes defined benefit plan contributions to the pension fund account with Bank of Taiwan that provides pensions for employees upon retirement. Plans (covered by the Labor Standards Law) entitle a retired employee to receive retirement benefits based on years of service and average monthly salary for the six months prior to retirement.

(Continued)

QUANTA STORAGE INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

1) Composition of plan assets

The Group allocates pension funds in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, and such funds are managed by the Bureau of Labor Funds, Ministry of Labor. With regard to the utilization of the funds, minimum earnings shall be no less than the earnings attainable from two-year time deposits with interest rates offered by local banks.

The Group's Bank of Taiwan labor pension reserve account balance amounted to \$106 as of December 31, 2023. For information on the utilization of the labor pension fund assets, including the asset allocation and yield of the fund, please refer to the website of the Bureau of Labor Funds, Ministry of Labor.

2) Movements in present value of the defined benefit obligations

The movements in present value of the defined benefit obligations for the Group were as follows:

	For the years ended December 31,	
	2023	2022
Defined benefit obligation at January 1	\$ 1,409	-
Current service cost and interest cost	437	379
Remeasurement of net defined benefit liabilities (assets)		
— Actuarial loss (gain) arising from experience adjustments	(261)	-
— Actuarial loss (gain) arising from changes in population assumptions	(98)	-
— Actuarial loss (gain) arising from changes in financial assumptions	(22)	-
Past service cost	-	1,030
Defined benefit obligations at December 31	<u>\$ 1,465</u>	<u>1,409</u>

3) Movements of defined benefit plan assets

The movements in the present value of the defined benefit plan assets for the Group were as follows:

	For the years ended December 31,	
	2023	2022
Fair value of plan assets at January 1	\$ 42	45,333
Interest income	-	317
Remeasurement of net defined benefit liabilities (assets)		
— Return on plan assets (excluding current interest)	-	3,802
Contributions paid	64	42
Settle and withdraw by the plan	-	(49,452)
Fair value of plan assets at December 31	<u>\$ 106</u>	<u>42</u>

In 2022, the Group reached retirement agreements with employees to settle the labor pension reserve account in accordance with relevant regulations.

(Continued)

QUANTA STORAGE INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

4) Expenses recognized in profit or loss

The expenses recognized in profit or loss for the Group were as follows:

	For the years ended December 31,	
	2023	2022
Net interest of net liabilities (assets) for defined benefit obligations	<u>\$ 437</u>	<u>1,092</u>
Operating cost	\$ 262	(13)
Selling expenses	-	355
Administration expenses	-	(51)
Research and development expenses	<u>175</u>	<u>801</u>
	<u>\$ 437</u>	<u>1,092</u>

5) Actuarial assumptions

The Group's principal actuarial assumptions of Present Value of defined benefit obligations at the reporting date were as follows:

	December 31, 2023	December 31, 2022
Discount rate	1.60%	1.25%~1.55%
Future salary increases rate	3.00%	2.5%~3.00%

The expected allocation payment to be made by the Group to the defined benefit plans for the one-year period after the reporting date is \$76.

The weighted average lifetime of the defined benefits plans is 28 years.

6) Sensitivity analysis

If the actuarial assumptions had changed, the impact on the present value of the defined benefit obligation shall be as follows:

	Influences of defined benefit obligations	
	Increased 0.25%	Decreased 0.25%
December 31, 2023		
Discount rate	(100)	108
Future salary increasing rate	106	(99)
December 31, 2022		
Discount rate	(99)	107
Future salary increasing rate	105	(98)

(Continued)

QUANTA STORAGE INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions remain constant, would have affected the defined benefit obligation by the amounts shown above. The method used in the sensitivity analysis is consistent with the calculation of pension liabilities in the balance sheets.

(ii) Defined contribution plans

The Group allocates 6% of each employee's monthly wages to the labor pension personal account at the Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act. Under these defined contribution plans, the Group allocates a fixed amount to the Bureau of Labor Insurance without additional legal or constructive obligation.

The pension costs incurred from the contributions to the Bureau of the Labor Insurance amounted to \$29,508 and \$26,461 for the years ended December 31, 2023 and 2022, respectively.

(iii) The Group's pension expense of foreign subsidiaries companies in accordance with local laws and regulations were \$107,840 and \$120,718 for the years ended December 31, 2023 and 2022, respectively.

(o) Income taxes

(i) Income tax expense

The components of income tax expense (benefit) in the years 2023 and 2022 were as follows:

	For the years ended December 31,	
	2023	2022
Current tax expense		
Current period	\$ 614,006	273,023
Adjustment for prior periods	18,064	(10,848)
	632,070	262,175
Deferred tax (benefit) expense		
Origination and reversal of temporary differences	(338,819)	25,963
Income tax expense from continuing operations	\$ 293,251	288,138

Income tax expense recognized in other comprehensive income:

	For the years ended December 31	
	2023	2022
Items that will not be reclassified subsequently to profit or loss:		
Remeasurement actuarial gains from defined benefit plans	\$ (76)	-

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QUANTA STORAGE INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Reconciliation of income tax expense and profit before tax is as follows:

	For the years ended December 31,	
	2023	2022
Profit excluding income tax	\$ 1,406,562	1,408,215
Income tax using the Group's domestic tax rate	\$ 321,653	363,984
Withholding tax on overseas income	(117,811)	-
Permanent differences	(8,099)	(21,541)
Tax-exempt income	(31,384)	(49,503)
Changes in temporary differences	89,013	(5,376)
Unrecognized tax loss	(2,651)	3,604
Underestimate (Overestimate) of income tax in prior periods	18,064	(10,848)
Additional tax on undistributed earnings	28,862	15,005
Investment tax credit	(4,396)	(7,187)
Income tax expenses	\$ 293,251	288,138

(ii) Deferred tax assets and liabilities

1) Unrecognized deferred tax assets

The Group's unrecognized deferred tax assets were as follows:

	December 31, 2023	December 31, 2022
Tax effect of deductible temporary differences	\$ 1,975	2,217
Tax losses	114,469	123,064
	\$ 116,444	125,281

The R.O.C. Income Tax Act allows net losses, as assessed by the tax authorities, to offset taxable income over a period of ten years for local tax reporting purposes. Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilize the benefits therefrom.

As of December 31, 2023, the information of the Group's unused tax losses for which no deferred tax assets were recognized are as follow:

Subsidiaries outside the corporation's head office		
Expressed in thousands of CNY		
Year of loss	Non recognized of unused amount	Year of expiry
2018	\$ 1,348	2023
2019	48,897	2024
2020	36,187	2025
2021	19,433	2026
2022	3,142	2027
	\$ 109,007	

(Continued)

QUANTA STORAGE INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

2) Recognized deferred tax assets and liabilities

Changes in the amount of deferred tax assets and liabilities for the years ended December 31, 2023 and 2022 were as follows:

	Unrealized investment profit (loss)	Others	Total
Deferred Tax Liabilities:			
Balance at January 1, 2023	\$ 493,543	3,535	497,078
Recognized in profit or loss	(310,390)	465	(309,925)
Foreign currency translation differences for foreign operations	2,098	(20)	2,078
Balance at December 31, 2023	<u>\$ 185,251</u>	<u>3,980</u>	<u>189,231</u>
Balance at January 1, 2022	\$ 422,175	1,971	424,146
Recognized in profit or loss	59,857	1,517	61,374
Foreign currency translation differences for foreign operations	11,511	47	11,558
Balance at December 31, 2022	<u>\$ 493,543</u>	<u>3,535</u>	<u>497,078</u>
	Unrealized expense	Others	Total
Deferred Tax Assets:			
Balance at January 1, 2023	\$ 134,368	92,471	226,839
Recognized in profit or loss	(1,992)	30,886	28,894
Recognized in other comprehensive income	-	(76)	(76)
Foreign currency translation differences for foreign operations	-	(284)	(284)
Balance at December 31, 2023	<u>\$ 132,376</u>	<u>122,997</u>	<u>255,373</u>
Balance at January 1, 2022	\$ 109,872	79,769	189,641
Recognized in profit or loss	24,496	10,915	35,411
Foreign currency translation differences for foreign operations	-	1,787	1,787
Balance at December 31, 2022	<u>\$ 134,368</u>	<u>92,471</u>	<u>226,839</u>

(Continued)

QUANTA STORAGE INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(iii) Assessment of tax

The Company's tax returns for the years through 2021 were assessed by the Tax Authority.

(p) Capital and other equity

As of December 31, 2023 and 2022, the number of authorized ordinary shares were 278,359 thousand shares with par value of \$10 per share. The total value of authorized ordinary shares amounted to \$2,783,589. All issued shares were paid up upon issuance.

(i) Capital surplus

The balances of capital surplus were as follows :

	December 31, 2023	December 31, 2022
Share premium	\$ 1,343,102	1,482,281
Changes in subsidiaries	405,400	405,400
Others	473	459
	<u>\$ 1,748,975</u>	<u>1,888,140</u>

According to the R.O.C. Company Act, capital surplus can only be used to offset a deficit, and only the realized capital surplus can be used to increase the common stock or be distributed as cash dividends. The aforementioned realized capital surplus includes capital surplus resulting from premium on issuance of capital stock and earnings from donated assets received. According to the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, capital increases by transferring capital surplus in excess of par value should not exceed 10% of the total common stock outstanding.

(ii) Retained earnings

The Company's article of incorporation stipulate that Company's net earnings should first be used to offset the prior years' deficits, if any, before paying any income taxes. Of the remaining balance, 10% is to be appropriated as legal reserve, and then any remaining profit together with any undistributed retained earnings shall be distributed according to the distribution plan proposed by the Board of Directors and submitted to the stockholders' meeting for approval.

The Company, taking into consideration long-term financial planning and demand for capital, adopted a residual dividend policy. The retained earnings are set aside for the demand in capital, after which the remainder is distributed as cash dividends, wherein the annual distribution of cash dividends shall be no less than 50% of the total dividends appropriated. The Group's dividend policy was formulated by the Board of Directors considering factors such as the Company's operation and investment planning, the budget for capital expenditure, and changes in the internal and external context.

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QUANTA STORAGE INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The Company distributes its earnings in cash and distributes the aggregate or a portion of the legal reserve and the capital surplus to shareholders in cash in proportion to shareholdings pursuant to Article 241(i) of the Company Act, before which a resolution has to be made during a board meeting attended by at least two-thirds of the total number of directors and approved by one-half of the present directors. Aside from that, such distribution shall be reported to the shareholders' meeting.

1) Legal reserve

When a company incurs no loss, it may, pursuant to a resolution by a shareholders' meeting, distribute its legal reserve by issuing new shares or by distributing cash, and only the portion of legal reserve which exceeds 25% of capital may be distributed.

2) Special reserve

In accordance with Ruling issued by the Financial Supervisory Commission, a portion of current-period earnings and undistributed prior-period earnings shall be reclassified as a special earnings reserve during earnings distribution. The amount to be reclassified should equal to the current-period total net reduction of other shareholders' equity. Similarly, a portion of undistributed prior period earnings shall be reclassified as a special earnings reserve (and does not qualify for earnings distribution) to account for cumulative changes to other shareholders' equity pertaining to prior periods. Amounts of subsequent reversals pertaining to the net reduction of other shareholders' equity shall qualify for additional distributions.

3) Earnings distribution

Earnings distribution for 2022 and 2021 was decided by the resolution adopted, at the board of directors held on March 15, 2023 and March 18, 2022, respectively. The relevant dividend distributions to shareholders were as follows:

	For the years ended December 31,			
	2022		2021	
	Dividend per share (TWD)	Amount	Dividend per share (TWD)	Amount
Dividends distributed to ordinary shareholders:				
Earnings distribution	\$ 2.70	751,569	2.30	640,225
Capital surplus-share premium	0.50	<u>139,179</u>	0.50	<u>139,179</u>
Total		<u>\$ 890,748</u>		<u>779,404</u>

(Continued)

QUANTA STORAGE INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(iii) Other equity (net of tax)

	Exchange differences on translation of foreign financial statement	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Non-controlling interests	Total
Balance at January 1, 2023	\$ (69,750)	(83,029)	347,488	194,709
Exchange differences on translation of foreign financial statement	(27,921)	-	(834)	(28,755)
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	-	80,462	(12)	80,450
Remeasurement actuarial gains from defined benefit plans	-	-	61	61
Profit (loss) in non-controlling interests	-	-	1,248	1,248
Expenses on employee stock options	-	-	164	164
Balance at December 31, 2023	<u>\$ (97,671)</u>	<u>(2,567)</u>	<u>348,115</u>	<u>247,877</u>
Balance at January 1, 2022	\$ (303,142)	(64,991)	315,370	(52,763)
Exchange differences on translation of foreign financial statement	233,392	-	1,116	234,508
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	-	(18,038)	-	(18,038)
Profit (loss) in non-controlling interests	-	-	31,002	31,002
Balance at December 31, 2022	<u>\$ (69,750)</u>	<u>(83,029)</u>	<u>347,488</u>	<u>194,709</u>

(q) Share-based payment transactions

On August 29, 2023, the Group passed the resolution of the Board of Directors to issue 3,000 thousand shares of employee stock options, which had been reported effective by the Financial Supervisory Commission. On October 25, 2023, it was issued in batches by resolution of the board of directors.

As of December 31, 2023, the Group had the following share-based payment arrangements:

	Equity-settled Employee stock options
Grant date	112.11.01
Number of shares granted	1,824 thousand shares
Contract term	27 months
Vesting conditions	After two years from the issuance of the employee stock options, the holder can exercise all or part of the stock options within three months from the next day. If not exercised within the stipulated period, it will be deemed as relinquishing the stock options.

(Continued)

QUANTA STORAGE INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(i) Determining the fair value of equity instruments granted

The Group adopted the Black-Scholes Model to calculate the fair value of the stock option at grant date, and the assumptions adopted in this valuation model were as follows:

	For the years ended December 31, 2023
	Employee stock options
Fair value at grant date	1.4073
Exercise price	\$60
Expected volatility (%)	15.875%
Expected life of the option (years)	27 months
Risk-free interest rate (%)	1.0498%

(ii) Expenses resulted from share-based payments

The incurred expenses from share-based payments transactions for the years ended December 31, 2023, was as follows:

	For the years ended December 31, 2023
Expenses resulted from share-based payments	\$ 164

(r) Earnings per share

(i) Basic earnings per share

For the years ended December 31, 2023 and 2022, the basic earnings per share were calculated as follows:

1) Profit attributable to ordinary shareholders of the Company

	For the years ended December 31,	
	2023	2022
Profit attributable to ordinary shareholders of the Company	\$ 1,112,063	1,089,075

2) Weighted average number of ordinary shares outstanding

	For the years ended December 31,	
	2023	2022
Weighted average number of ordinary shares outstanding	278,359	278,359

(Continued)

QUANTA STORAGE INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) Diluted earnings per share

For the years ended December 31, 2023 and 2022, the diluted earnings per share were calculated as follows:

1) Profit attributable to ordinary shareholders of the Company

	For the years ended December 31,	
	2023	2022
Profit attributable to ordinary shareholders of the Company	\$ 1,112,063	1,089,075

2) Weighted average number of ordinary shares outstanding

	For the years ended December 31,	
	2023	2022
Weighted average number of ordinary shares outstanding (basic)	278,359	278,359
Effect of employee stock bonus	1,357	2,695
Weighted average number of ordinary shares outstanding (diluted)	279,716	281,054

(s) Revenue from contracts with customer

(i) Details of revenue

	For the years ended December 31,	
	2023	2022
Primary geographical markets:		
Mainland China	\$ 4,746,631	3,758,142
Thailand	1,775,503	2,106,575
America	1,546,529	2,159,922
Korea	557,322	755,341
Netherlands	430,100	820,196
Japan	336,475	577,395
Other countries	983,473	1,940,923
	\$ 10,376,033	12,118,494
Major products/services lines		
Sales of merchandise (storage devices, consumer goods, and automated production equipment)	\$ 10,262,645	11,927,913
Rendering of Services	113,388	190,581
	\$ 10,376,033	12,118,494

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QUANTA STORAGE INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) Contract balances

	December 31, 2023	December 31, 2022	January 1, 2022
Contract liabilities	\$ 400,301	327,688	341,101

For details on notes and accounts receivables and allowance for impairment, please refer to Note (6)(e).

The amount of revenue recognized for the years ended December 31, 2023 and 2022 that was included in the contract liability balance at the beginning of the period were \$83,171 and \$112,088, respectively.

The major change in the balance of contract liabilities is the difference between the time frame in the performance obligation to be satisfied and the payment to be received.

(t) Remuneration to employees and directors

In accordance with the Articles of Incorporation, the Company should contribute no less than 5% of the profit as employee remuneration and less than 3% as directors' remuneration when there is profit for the year. However, if the Company has accumulated deficits, the profit should be reserved to offset the deficit. The recipients of shares and cash may include employees of the Company's affiliated companies who meet certain conditions.

For the years ended December 31, 2023 and 2022, the Company estimated its employee remuneration amounting to \$85,914 and \$103,634, respectively. The estimated amounts mentioned above are calculated based on the net profit before tax, excluding the remuneration to employees of each period, multiplied by the percentage of remuneration to employees and directors as specified in the Articles of Incorporation. These remunerations were expensed under operating costs or operating expenses during 2023 and 2022.

Any differences between the amounts actually paid and the amount previously estimated would be treated as a change in accounting estimate, and recognized as profit or loss in the next year. Related information would be available at the Market Observation Post System website.

The amount of employee remuneration of 2023 and 2022 resolved by the Board of Directors was identical to that of the estimation in the statement.

(u) Non-operating income and expenses

(i) Interest income

The details of interest income were as follows:

	For the years ended December 31,	
	2023	2022
Interest income from bank deposits	\$ 137,246	79,582

(Continued)

QUANTA STORAGE INC. AND SUBSIDIARIES
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(ii) Other income

The details of other income were as follows:

	For the years ended December 31,	
	2023	2022
Rent income	\$ -	10,161
Dividend income	35,942	35,698
Compensation income		10,650
	\$ 35,942	56,509

(iii) Other gains and losses

The details of other gains and losses were as follows:

	For the years ended December 31,	
	2023	2022
Foreign exchange gains	\$ 16,173	147,486
Gains on financial assets at fair value through profit or loss	59,382	74,553
losses on disposals of property, plant and equipment	(8,247)	(7,344)
Subsidy income	3,402	8,596
Impairment loss on non-financial assets	-	(27,488)
Others	15,178	(4,500)
	\$ 85,888	191,303

(iv) Financial costs

The details of financial costs were as follows:

	For the years ended December 31,	
	2023	2022
Interest expense	\$ 3,245	4,183

(v) Financial instruments

(i) Credit risks exposure

The carrying amount of financial assets represents the maximum amount exposed to credit risk. As of December 31, 2023 and 2022, the maximum exposure to credit risk amounted to \$10,845,872, and \$10,011,251, respectively.

As of December 31, 2023 and 2022, the accounts receivable from the Group's top three customers amounted to \$1,999,190 and \$1,680,426 respectively, representing 79% and 61% of accounts receivable, and exposing the Group to significant concentration of credit risk.

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QUANTA STORAGE INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) Liquidity risk

The following are the contractual maturities of financial liabilities of the Group, including estimated interest payments and excluding the impact of netting arrangements:

	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>Within 6 months</u>	<u>6 to 12 months</u>	<u>1 to 2 years</u>	<u>2 to 5 years</u>	<u>Over 5 years</u>
December 31, 2023							
Non-derivative financial liabilities							
Accounts payable	\$ 2,124,166	2,124,166	2,124,166	-	-	-	-
Other payables	1,020,826	1,020,826	1,020,826	-	-	-	-
Lease liabilities	116,399	118,808	32,684	32,739	40,744	12,641	-
Guarantee deposit received	12,199	12,199	-	-	12,199	-	-
Derivative financial liabilities							
Forward exchange contracts not used for hedging:							
Outflow	26,496	26,496	26,496	-	-	-	-
Inflow	(22,693)	(22,693)	(22,693)	-	-	-	-
	<u>\$ 3,277,393</u>	<u>3,279,802</u>	<u>3,181,479</u>	<u>32,739</u>	<u>52,943</u>	<u>12,641</u>	<u>-</u>
December 31, 2022							
Non-derivative financial liabilities							
Accounts payable	\$ 2,123,933	2,123,933	2,123,933	-	-	-	-
Other payables	1,009,560	1,009,560	1,009,560	-	-	-	-
Lease liabilities	153,162	157,362	32,685	32,562	61,700	30,415	-
	<u>\$ 3,286,655</u>	<u>3,290,855</u>	<u>3,166,178</u>	<u>32,562</u>	<u>61,700</u>	<u>30,415</u>	<u>-</u>

The Group does not expect that the cash flows included in the maturity analysis to occur significantly earlier or at significantly different amounts.

(iii) Currency risks

1) Exposure to currency risks

The Group's significant exposure to foreign currency risk of financial assets and liabilities as follows:

	<u>December 31, 2023</u>			<u>December 31, 2022</u>		
	<u>Foreign currency (In thousands)</u>	<u>Exchange rate</u>	<u>TWD</u>	<u>Foreign currency (In thousands)</u>	<u>Exchange rate</u>	<u>TWD</u>
<u>Financial assets</u>						
<u>Monetary items</u>						
USD	\$ 117,283	30.7050	3,601,162	148,591	30.7100	4,563,217
THB	69,624	0.8972	62,466	52,581	0.8885	46,720
EUR	7,575	33.9800	257,389	4,130	32.7200	135,130
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD	51,401	30.7050	1,578,276	35,291	30.7100	1,083,794
THB	188,445	0.8972	169,072	109,732	0.8885	97,501
EUR	7,182	33.9800	244,055	7,187	32.7200	235,163

(Continued)

QUANTA STORAGE INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

2) Sensitivity analysis

The Group's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, accounts and other receivables, other financial assets, loans and borrowings; and accounts and other payables that are denominated in foreign currency. The analysis assumes that all other variables remain constant. A strengthening (weakening) of 5% of the TWD against the USD and THB as of December 31, 2023 and 2022 would have increased (decreased) the net profit after tax by \$77,185 and \$133,144, respectively. The analysis of both periods was performed on the same basis.

3) Foreign exchange gains and losses on monetary items

Since the Group has many kinds of functional currency, the information on foreign exchange gains (losses) on monetary items is disclosed by total amount. For years 2023 and 2022, foreign exchange gains (including realized and unrealized portions) amounted to gains \$16,173 and \$147,486, respectively.

(iv) Price risk of equity

On the reporting date, if the price of equity certificate changes (with the analysis of both periods performed on the same basis and all other variables remained the same), the impact on comprehensive income will be as follows:

<u>Securities price at the reporting date</u>	For the years ended December 31,			
	2023		2022	
	Other comprehensive income after-tax	Profit (loss) after-tax	Other comprehensive income after-tax	Profit (loss) after-tax
Stock , equity certificate and debt instrumentants - 7% increase	\$ <u>63,372</u>	<u>1,679</u>	<u>55,747</u>	<u>304</u>
Stock , equity certificate and debt instrumentants - 7% decrease	\$ <u>(63,372)</u>	<u>(1,679)</u>	<u>(55,747)</u>	<u>(304)</u>
Beneficiary certificate- 1% increase	\$ <u>-</u>	<u>33,968</u>	<u>-</u>	<u>11,167</u>
Beneficiary certificate- 1% decrease	\$ <u>-</u>	<u>(33,968)</u>	<u>-</u>	<u>(11,167)</u>

(v) Interest rate analysis

Please refer to the notes on liquidity risk management and interest rate exposure of the Company's financial assets and liabilities.

The following sensitivity analysis is based on the exposure to the interest rate risk of derivative and non-derivative financial instruments on the reporting date. Regarding assets with variable interest rates, the analysis is based on the assumption that the amount of assets outstanding at the reporting date was outstanding throughout the year. The rate of change is expressed as the interest rate increases or decreases by 5 basis points when reporting to management internally, which also represents the Group management's assessment of the reasonably possible interest rate change.

(Continued)

QUANTA STORAGE INC. AND SUBSIDIARIES
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There were no borrowing with variable rate for the year ended December 31, 2023 and 2022.

(vi) Fair value information

1) Categories of financial instruments and fair value hierarchy

The fair value of financial assets and liabilities at fair value through profit or loss, financial instruments used for hedging, and financial assets at fair value through other comprehensive income is measured on a recurring basis. The carrying amount and fair value of the Group's financial assets and liabilities, including the information on fair value hierarchy were as follows; however, except as described in the following paragraphs, for financial instruments not measured at fair value whose carrying amount is reasonably close to the fair value, disclosure of fair value information is not required:

	December 31, 2023				
	Book value	Fair Value			Total
	Level 1	Level 2	Level 3		
Financial assets at fair value through profit or loss					
Mandatorily measured at fair value through profit or loss	\$ 3,420,744	3,420,744	-	-	3,420,744
Financial assets at fair value through other comprehensive income					
Domestic listed stocks	876,896	876,896	-	-	876,896
Domestic listed preferred stocks	28,412	28,412	-	-	28,412
Accounts receivable	109,523	-	-	-	-
Subtotal	<u>1,014,831</u>	<u>905,308</u>	<u>-</u>	<u>-</u>	<u>905,308</u>
Financial assets measured at amortized cost					
Cash and cash equivalents	2,019,785	-	-	-	-
Investments in debt instruments	476,224	-	533,765	-	533,765
Accounts and notes receivable	2,423,836	-	-	-	-
Other receivables	96,810	-	-	-	-
Other financial assets	1,393,642	-	-	-	-
Subtotal	<u>6,410,297</u>	<u>-</u>	<u>533,765</u>	<u>-</u>	<u>533,765</u>
Total	<u>\$ 10,845,872</u>	<u>4,326,052</u>	<u>533,765</u>	<u>-</u>	<u>4,859,817</u>

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QUANTA STORAGE INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

		December 31, 2023			
		Fair Value			
	Book value	Level 1	Level 2	Level 3	Total
Financial liabilities at fair value through profit or loss					
Forward foreign exchange contracts	\$ 3,803	-	3,803	-	3,803
Financial liabilities at amortized cost					
Accounts payable	2,124,166	-	-	-	-
Other payables	1,020,826	-	-	-	-
Guarantee deposit received (Account for other non-current liabilities)	12,199	-	-	-	-
Lease liabilities	116,399	-	-	-	-
Subtotal	<u>3,273,590</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 3,277,393</u>	<u>-</u>	<u>3,803</u>	<u>-</u>	<u>3,803</u>
		December 31, 2022			
		Fair Value			
	Book value	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss					
Mandatorily measured at fair value through profit or loss	\$ 1,117,530	1,116,736	-	794	1,117,530
Domestic listed stocks	3,707	3,707	-	-	3,707
Forward foreign exchange contracts	1,237	-	1,237	-	1,237
Subtotal	<u>1,122,474</u>	<u>1,120,443</u>	<u>1,237</u>	<u>794</u>	<u>1,122,474</u>
Financial assets at fair value through other comprehensive income					
Domestic listed stocks	796,388	796,388	-	-	796,388
Accounts receivable	684,976	-	-	-	-
Subtotal	<u>1,481,364</u>	<u>796,388</u>	<u>-</u>	<u>-</u>	<u>796,388</u>

(Continued)

QUANTA STORAGE INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	December 31, 2022				
	Book value	Fair Value			Total
		Level 1	Level 2	Level 3	
Financial assets measured at amortized cost					
Cash and cash equivalents	2,032,187	-	-	-	-
Notes and accounts receivable	2,077,398	-	-	-	-
Other receivables	179,820	-	-	-	-
Other financial assets	<u>3,118,008</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Subtotal	<u>7,407,413</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 10,011,251</u>	<u>1,916,831</u>	<u>1,237</u>	<u>794</u>	<u>1,918,862</u>
Financial liabilities at amortized cost					
Accounts and notes payable	\$ 2,123,933	-	-	-	-
Other payables	1,009,560	-	-	-	-
Lease liabilities	<u>153,162</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 3,286,655</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

2) Valuation techniques for financial instruments not measured at fair value

The Group's financial liabilities/assets measured at amortized cost

If there is quoted price generated by transactions, the recent transaction price and quoted price data is used as the basis for fair value measurement.

3) Fair value valuation technique of financial instruments measured at fair value

a) Non-derivative financial instruments

Fair value measurement of financial instruments was based on quoted market prices if these prices were available in an active market. The fair value of listed equity instruments and debt instruments with actively traded market quotations publicly available are based on the market prices that were published at main stock exchanges and announced by the TPEx for bonds determined to be popular securities.

A financial instrument is regarded as being quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's-length basis. Whether transactions are taking place 'regularly' is a matter of judgment and depends on the facts and circumstances of the market for the instrument.

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QUANTA STORAGE INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Quoted market prices may not be indicative of the fair value of an instrument if the activity in the market is infrequent, the market is not well-established, only small volumes are traded, or bid-ask spreads are very wide. Determining whether a market is active involves judgment.

The categories and nature of the fair value for the Group's financial instruments which have active market are presented as follows:

Open-end funds, listed stocks, and debt instruments with quoted market price are financial assets which had standard terms and be traded in an active market, and their fair values are determined based on the respective market quoted prices.

The categories and nature of the fair value for the Group's financial instruments which without an active market are as below:

Equity instrument without quoted prices: The market price method and the net asset value method are used to estimate the fair value. The market price method uses recent financing activity of investment target or market price of similar financial instrument, including consider market condition, to estimate fair value. The main assumption for the net asset value method is using the net asset value per share as the measuring basis.

b) Derivative financial instruments

Fair value of forward currency exchange is determined by using the forward currency exchange rate.

4) Transfers between Level 1 and Level 2

There were no transfers in either direction in 2023 and 2022,

5) Reconciliation of Level 3 fair values

	Non derivative mandatorily measured at fair value through profit or loss
Balance at January 1, 2023	\$ 794
Derecognized	(790)
Effect of movement in exchange rates	(4)
Balance at December 31, 2023	<u>\$ -</u>
Balance at January 1, 2022	\$ 715
Effect of movement in exchange rates	79
Balance at December 31, 2022	<u>\$ 794</u>

The aforesaid total gains and losses were recognized in "other gains and losses".

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QUANTA STORAGE INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

- 6) Quantified information on significant unobservable inputs (Level 3) used in fair value measurement

The Group's financial instruments that use Level 3 inputs to measure fair value include financial assets measured at fair value through profit or loss—equity investments.

Quantified information of significant unobservable inputs was as follows:

<u>Item</u>	<u>Valuation technique</u>	<u>Significant unobservable inputs</u>	<u>Inter-relationship between significant unobservable inputs and fair value measurement</u>
Financial assets at fair value through profit or loss	Net asset investment method	Net asset value	Not applicable

- 7) Quantitative information on significant unobservable inputs (Level 3) used in fair value measurement

The Group's measurement on the fair value of financial instruments is deemed reasonable despite different valuation models or parameters may lead to different results.

The favorable and unfavorable effects represent the changes in fair value, and fair value is based on a variety of unobservable inputs calculated using a valuation technique.

- (w) Financial risk management

- (i) Overview

The Group has exposures to the following risks from its financial instruments:

- 1) credit risk
- 2) liquidity risk
- 3) market risk

The following likewise discusses the Group's objectives, policies and processes for measuring and managing the above mentioned risks. For more disclosures about the quantitative effects of these risks' exposures, please refer to the respective notes in the report.

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QUANTA STORAGE INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) Structure of risk management

The Group's finance management department provides business services for the overall internal department. It sets the objectives, policies and processes for managing the risk and the methods used to measure the risk arising from both the domestic and international financial market operations. The Board of Directors regulated the use of derivative financial instruments in accordance with the Group's policy about risks arising from financial instruments such as currency risk, interest rate risk, credit risk, the use of derivative and non-derivative financial instruments and the investments of excess liquidity. The internal auditors of the Group continue with the review of the amount of the risk exposure in accordance with the Group's policies and the risk management policies and procedures. The Group has no transactions in financial instruments (including derivative financial instruments) for the purpose of speculation. The financial management department reports to the Board of Directors on a quarterly basis.

(iii) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers, time deposits and investment.

1) Accounts receivable and other receivables

The Group's credit policy is transacting with creditworthy customers, and obtains collateral to mitigate risks arising from financial loss due to default. The Group assesses the ratings based on other publicly available financial information and transactions records with its major customers. The Group continues to monitor the exposure to credit risk and the credit rating of counterparties, and divide the total transaction amounts among all qualified customers, with management reviewing and approving annually the credit facilities of counterparties, so as to control credit risk exposure.

The Group's exposure to credit risk is mainly influenced by the condition of each customer. However, management also considers the demographics of the Company's customer base, including the default risk of the industry and the country in which customers operate, as these factors may have an influence on credit risk.

The Group continuously assesses the financial position of customers from whom the accounts receivable are due, ; if necessary, it also purchases credit guarantee insurance or requests advance sales receipts. Except for the Group's three largest customers, the Group does not have significant credit exposure to any single counterparty or any group of counterparties with similar characteristics. Counterparties that are an associate to each other are defined by the Group as a counterparty with similar characteristics.

(Continued)

QUANTA STORAGE INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

2) Investment

The exposure to credit risk for the bank deposits, fixed income investments, and other financial instruments is measured and monitored by the Group's finance department. The Group only deals with banks, other external parties, corporate organizations, government agencies and financial institutions with good credit rating. The Group does not expect any counterparty above fails to meet its obligations hence there is no significant credit risk arising from these counterparties.

3) Guarantees

The Group's policy is to provide financial guarantees only to wholly owned subsidiaries. As of December 31, 2023 and 2022, the subsidiaries applied for credit lines of bank loans, the Group was required to provide letters of support for Techman Electronic (Thailand) Co., Ltd., stating the commitment to maintain the agreed percentage of ownership in the aforementioned associates.

(iv) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

In general, the Group aims to maintain the level of its cash and cash equivalents at an amount in excess of expected cash flows on operating expenses, including financial liabilities, over the succeeding 60 days. The Group also monitors the level of expected cash outflows on account and other payables. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. Besides, the Group's unused borrowing facilities amounted to TWD 1,600,000, THB 200,000 thousand and USD 115,000 thousand as of December 31, 2023, and TWD 1,600,000, THB 400,000 thousand, and USD 105,000 thousand as of December 31, 2022.

(v) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices, will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

The Group buys and sells derivatives, and also incurs financial liabilities, in order to manage market risk. All such transactions are carried out within the guidelines set by the Risk Management Committee.

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QUANTA STORAGE INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

1) Currency risk

The Group is exposed to currency risk on sales, purchases, and borrowings that are denominated in a currency other than the respective functional currencies of the Group's entities, primarily the TWD, USD and CNY. The currencies used in these transactions are the TWD, USD, CNY, EUR and THB.

Loan interest was denominated in the currency of the principal. The utilizes loans to hedge related currency risk; the gain or loss on foreign currency assets and liabilities arising from the movements in exchange rates will roughly offset each other, which is a natural hedge. This provided an economic hedge without derivatives being entered into, and therefore, hedge accounting was not applied in these circumstances.

2) Interest rate risk

The Group's exposure to changes in interest rates is mainly attributable to short-term and long-term loans at floating rates. Any change in interest rates will cause the effective interest rates of short-term and long-term loans to change, and thus cause the future cash flows to fluctuate over time.

3) Other market price risks

The Group's management harmonize the combination of stocks and bonds in its investment portfolio based on market price index. Material investments within the portfolio were managed on an individual basis, and all trading decisions were approved by management.

The Group's primary investment strategy is to maximize return on investment, wherein the performance of some investments is actively monitored and managed based on fair value, and thus these investments are designated as measured at fair value through profit or loss.

(x) Capital management

The Group's objectives for managing capital to safeguard the capacity to continue to operate, to continue to provide a return on shareholders, to maintain the interest of other related parties, and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the dividend payment to the shareholders, reduce the capital for redistribution to shareholders, issue new shares, or sell assets to settle any liabilities.

The Group and other entities in the same industry use the debt-to-equity ratio to manage capital. This ratio is the total net debt divided by the total capital. The net debt from the balance sheet is derived from the total liabilities less cash and cash equivalents. The total capital and equity include share capital, capital surplus, retained earnings, and other equity plus net debt.

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QUANTA STORAGE INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The debt-to-equity ratios were as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Total liabilities	\$ 4,652,854	4,738,886
Less: cash and cash equivalents	<u>(2,019,785)</u>	<u>(2,032,187)</u>
Net debt	2,633,069	2,706,699
Total equity	<u>9,587,402</u>	<u>9,312,661</u>
Total capital	<u>\$ 12,220,471</u>	<u>12,019,360</u>
Debt-to-equity ratio	<u>21.55 %</u>	<u>22.52 %</u>

To plan for the use of working capital, the Group have transferred cash and cash equivalents to time deposits for increasing profits. On December 31, 2023 and 2022, the time deposits with a maturity of over three months, pledged time deposits and restricted bank deposits amounted to \$1,364,832 and \$3,093,540, respectively, and were recognized as other current financial assets. After all of the aforementioned amounts were deducted, the debt-to-capital ratio turned out to be 11.68% and 0.00% on December 31, 2023 and 2022.

As of December 31, 2023, the Group's approach to capital management has remained unchanged.

(y) Investing and financing activities not affecting current cash flow

The Group's investing and financing activities which did not affect the current cash flow in the years ended December 31, 2023 and 2022, were as follows:

Reconciliation of liabilities arising from financing activities were as follows:

	<u>January 1, 2023</u>	<u>Cash flows</u>	<u>Non-cash changes</u>		<u>December 31, 2023</u>
			<u>Other</u>	<u>Foreign exchange movement</u>	
Lease liabilities	\$ 153,162	(69,537)	33,494	(720)	116,399
			<u>Non-cash changes</u>		
	<u>January 1, 2022</u>	<u>Cash flows</u>	<u>Acquisition</u>	<u>Foreign exchange movement</u>	<u>December 31, 2022</u>
Short-term borrowings	\$ 440,817	(442,899)	-	2,082	-
Lease liabilities	157,516	(68,328)	62,644	1,330	153,162
Total liabilities from financing activities	<u>\$ 598,333</u>	<u>(511,227)</u>	<u>62,644</u>	<u>3,412</u>	<u>153,162</u>

(Continued)

QUANTA STORAGE INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(7) Related-party transactions:

(a) Parent company and ultimate controlling company

Quanta Computer Inc. is both the parent company and the ultimate controlling party of the Group. It owns 29.77% of all shares outstanding of the Company, and has issued the Consolidated Financial Statements Available for Public Use.

(b) Names and relationship with related parties

The followings are entities that have had transactions with related party during the periods covered in the consolidated financial statements.

<u>Name of related party</u>	<u>Relationship with the Group</u>
Quanta Computer Inc. (QCI)	The parent company
Tech-Front (Shanghai) Computer Co., Ltd. (TFC)	An associate
Tech-Com (Shanghai) Computer Co., Ltd. (TCC)	"
Tech-Trend (Shanghai) Computer Co., Ltd. (TTC)	"
Tech-Front (Chongqing) Computer Co., Ltd. (TFQ)	"
EBN Technology Corporation (EBN)	"
Kenseisha Shanghai P.M.P. Co., Ltd. (KSH)	"
QMB Co., Ltd. (QMB)	"
OMRON Corporation (OMC)	The Group's other related parties (Note)
Omron Robotics and Safety Technologies, Inc. (ORT)	"

Note: It is an affiliate of Omron Taiwan Electronics Inc., which is the director of the consolidated subsidiary, TRI. Omron Taiwan Electronics Inc. has served as a director of the subsidiary, TRI, since June 2022, and was initially listed as a related party.

(c) Significant transactions with related parties

(i) Sales

The amounts of significant sales by the Group to related parties were as follows:

	<u>For the years ended December 31,</u>	
	<u>2023</u>	<u>2022</u>
Parent	\$ 10,673	20,576
Associates	78,628	112,368
Other related parties	513,444	300,659
	<u>\$ 602,745</u>	<u>433,603</u>

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QUANTA STORAGE INC. AND SUBSIDIARIES
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Selling price of the aforementioned transactions was determined through negotiations and there were no other transactions with non-related parties to compare. The term of payment was 60-90 days.

(ii) Purchases

The amounts of significant purchases by the The Group from related parties were as follows:

	For the years ended December 31,	
	2023	2022
Parent	\$ -	4,960
Other related parties	-	717
	\$ -	5,677

Purchase price of the aforementioned transactions was determined through negotiations and there were no other transactions with non-related parties to compare. The term of payment was 90 days.

There was no purchase transactions conducted with related parties in 2023.

(iii) Receivables from Related Parties

The receivables from related parties were as follows:

Account	Relationship	December 31, 2023	December 31, 2022
Accounts receivable	Parent company	\$ 3,043	6,191
"	Associates	48,745	25,302
"	Other related parties	78,900	84,930
Other receivables	Associates	7	-
		\$ 130,695	116,423

Receivables from related parties were not pledged as collateral, and assessed not to estimate any allowance for doubtful debts.

(iv) Payables to Related Parties

The payables to related parties were as follows:

Account	Relationship	December 31, 2023	December 31, 2022
Other payables	Associates	\$ 1,157	615

(v) Other expenses

For the years ended December 31, 2023 and 2022, other expenses of the Group, the parent company, and the associates amounted to \$9,918 and \$11,252, respectively.

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QUANTA STORAGE INC. AND SUBSIDIARIES
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(vi) Other non-operating revenues

For the years ended December 31, 2023 and 2022, other non-operating revenues of the Group, the parent company, and the associates amounted to \$355 and \$359, respectively.

(d) Key Management Personnel Compensation

Key management personnel compensation comprised:

	For the years ended December 31,	
	2023	2022
Short-term employee benefits	\$ 65,538	70,339
Post-employment benefits	683	585
	\$ 66,221	70,924

(8) Pledged assets:

The carrying values of pledged assets were as follows:

Pledged assets	Object	December 31, 2023	December 31, 2022
Other non-current financial assets	Housing deposit and customs deposit	\$ 28,810	24,468
Other current financial assets	Guarantee deposit for projects and tenders	10,453	-
		\$ 39,263	24,468

(9) Commitments and contingencies:

(a) Unrecognized contractual commitments

(i) The contractual commitments for the acquisition of property, plant and equipment not recognized by the Group were as follows:

	December 31, 2023	December 31, 2022
Acquisition of property, plant and equipment	\$ 11,974	195,296

(ii) Promissory notes issued by the Group as guarantee for purchasing, borrowings, foreign exchange forward contracts and export bills advance were as follows:

	December 31, 2023	December 31, 2022
Guarantee Notes Submitted		
TWD	\$ 1,750,000	1,750,000
USD	\$ 95,600	95,600

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QUANTA STORAGE INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

- (b) As of December 31, 2023 and 2022, the guarantee notes received from vendor performance and construction contracts amounted to \$0 and \$105,680, respectively.
- (c) Contingencies:
- (i) In October 2017, the Company and its subsidiary, Quanta Storage America, Inc., received the investigation result of the antitrust lawsuit from the European Union Court, pursuant to which a fine of 7,146 thousand euros was imposed on them. In September 2019, an appeal was filed for the case. On June 16, 2022, the European Union Court ruled in the final appeal to uphold the previous verdict, pursuant to which a fine of 7,146 thousand euros was imposed on the Company and its subsidiary, Quanta Storage America, Inc.. In addition, the Court ruled that Company was entitled to claim from the European Commission half of the costs related to the 1st instance proceedings and the full amount of the costs related to the 2nd instance. The amount of penalty imposed on the Company, which was fully recognized in 2017, has not caused any significant influence on the Company's finance and business.
 - (ii) The subsidiary, Techman Electronics (Thailand) Co., Ltd., received the notice of contract dispute about human resource from the outsourcing human resourcing agency in May 2020. The claiming amount of the contract dispute is THB 6,229 thousand. Techman Electronics (Thailand) Co., Ltd. was ordered by the court to pay a total amount of THB1,300 thousand, all of which was paid in 2022.
 - (iii) For the purpose of constructing the headquarters, the Company and QCI signed a purchase contract for the real estate located at Wenming 1st St., Guishan Dist., Taoyuan City on October 19, 2021, and the Company completed the registration and acquired the ownership of the real estate on November 10, 2021. However, after the Company completed the registration of the ownership, the real estate was still occupied by the previous lessees, Beautiful Card Corporation (hereinafter referred to as "Beautiful Card") and Valid Card Manufacturing Taiwan Limited (hereinafter referred to as "Valid Card"). The Company had hired a lawyer to file a lawsuit with the court for both return of ownership and compensatory damages on December 9, 2021. In August and December 2022, Valid Card and Beautiful Card entered into settlement agreements and paid the settlement payment. In July 2022, Beautiful Card had returned the aforementioned premises to the Company.
 - (iv) In 2021, the ownership of the factory and land in Chonburi, Thailand was transferred from World Electric (Thailand) Ltd., the seller, to Techman Electronics (Thailand) Co., Ltd., a subsidiary of the Company. After the close of escrow, World Electric (Thailand) claimed that some of its assets were still placed in the factory area and filed a lawsuit against Techman Electronics (Thailand) Co., Ltd. for obstructing its access to the factory area to retrieve its assets that remained in the factory, demanding the compensatory damages of THB9,440 thousand on July 11, 2022. Techman Electronics (Thailand) Co., Ltd., was ordered by the court to pay a total amount of THB2,186 thousand on November 2023. Techman Electronics (Thailand) Co., Ltd., has appealed.

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QUANTA STORAGE INC. AND SUBSIDIARIES
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- (v) QSI's subsidiary, TMT, and World Electric (Thailand) Ltd., completed the registration of ownership transfer for Chonburi plant in Thailand in 2021. However, TCL Overseas Marketing Ltd. (TCL), the creditor of World Electric (Thailand) Ltd., filed a lawsuit in March 2023 against TMT, alleging that the registration of ownership transfer infringed its claims against the seller, World Electric (Thailand) Ltd., and demanded for an annulment of the above contract. TCL Overseas Marketing Ltd. withdrew the aforementioned litigation charges and claims from the court in July 2023.

The Group has made certain provisions with respect to certain of the above lawsuits as the management deems appropriate, considering factors such as the nature of the litigation or claims, the materiality of the amount of possible loss, the progress of the cases and the opinions or views of legal counsel and other advisors. Management will reassess all litigation and claims at each reporting date based on the facts and circumstances that exist at that time, and will make additional provisions or adjustments to previous provisions. The ultimate amount cannot be ascertained until the relevant cases are closed. The ultimate resolution of the legal proceedings and/or lawsuits cannot be predicted with certainty. The Group is willing to defend the aforesaid litigations actively; however, due to the unpredictable nature of lawsuits and the probable loss that cannot be precisely estimated, the Group cannot rule out the possibility that it fails to win or settle all the related cases. The fines, judgment amounts, or settlements may result in significant adverse effects on the Group's business, operations, or prospects.

(10) Losses Due to Major Disasters: None

(11) Subsequent Events:

During the Board of Directors meeting held on January 5, 2024, the Company constructs a new office building to support future business development and operations by using a self-owned land, and a construction contract which cost \$1,018,980 was signed on February 19, 2024.

(12) Other:

- (a) A summary of employee benefits, depreciation, and amortization, by function, is as follows:

By item	By function	For the year ended December 31, 2023			For the year ended December 31, 2022		
		Cost of Sale	Operating Expense	Total	Cost of Sale	Operating Expense	Total
Employee benefits							
Salary		510,273	883,803	1,394,076	559,187	964,379	
Labor and health insurance		9,762	54,413	64,175	9,222	48,686	
Pension		68,895	68,890	137,785	85,924	71,331	
Others		27,251	31,002	58,253	46,867	32,667	
Depreciation		220,425	129,718	350,143	217,541	134,046	
Amortization		276	20,356	20,632	151	21,572	

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QUANTA STORAGE INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(13) Other disclosures:

(a) Information on significant transactions:

The following is the information on significant transactions required by the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” for the Group for the year ended December 31, 2023:

- (i) Lending to other parties: None
- (ii) Guarantees and endorsements for other parties: None
- (iii) Information regarding securities held at balance sheet date (excluding investment in subsidiaries, associates and joint ventures):

(Amounts Expressed in Thousands of New Taiwan Dollars)

Name of holder	Category and name of security	Relationship with the Company	Account title	Ending balance				Highest	Note
				Number of shares	Book value	Percentage of shares	Market value	Percentage of ownership (%)	
The Company	<u>Common Stock</u>								
	Taiwan Mobile Co., Ltd.	-	Current financial assets at FVOCI	2,556,000	252,022	0.07 %	252,022	0.07 %	
	Far EasTone Telecommunications Co., Ltd.	-	"	3,709,000	295,978	0.10 %	295,978	0.10 %	
	Chunghwa Telecom Co., Ltd.	-	"	2,720,000	326,400	0.04 %	326,400	0.04 %	
The Company	Far Eastern New Century Corporation	-	"	80,000	2,496	- %	2,496	- %	
	<u>Open-ended fund certificates</u>								
	Jih Sun Money Market Fund	-	Current financial assets-mandatorily measured at FVTPL	107,178,500	1,634,954	- %	1,634,954	- %	
	Fubon Chi-Hsiang Money Market Fund	-	"	22,016,766	354,545	- %	354,545	- %	
	Taishin 1699 Money Market Fund	-	"	46,926,829	654,277	- %	654,277	- %	
	<u>Debt Instrument</u>								
	Fubon Life Insurance Co., Ltd. Common Corporate Bonds	-	Non-current financial assets measured at amortized cost	-	90,000	- %	104,631	- %	
	Shin Kong Life Insurance Co., Ltd. Common Corporate Bonds	-	"	-	50,000	- %	59,245	- %	
	Nan Shan Life Insurance Co., Ltd. Common Corporate Bonds	-	"	-	90,000	- %	104,906	- %	
	TAI-TECH unsecured convertible corporate bonds	-	Current financial assets-mandatorily measured at FVTPL	90,000	10,431	- %	10,431	- %	
	Yulon unsecured convertible corporate bonds	-	"	100,000	10,170	- %	10,170	- %	
	<u>Open-ended fund certificates</u>								
	TRI	Jih Sun Money Market Fund	-	Current financial assets-mandatorily measured at FVTPL	20,883,435	318,566	- %	318,566	- %
Taishin 1699 Money Market Fund		-	"	31,157,525	434,414	- %	434,414	- %	
<u>Preferred stock</u>									
CDF Preferred Share B		-	"	479,000	3,387	- %	3,387	- %	
Fubon Financial Holdings Preferred Share A	-	Current financial assets at FVOCI	465,000	28,412	- %	28,412	- %		

(Continued)

QUANTA STORAGE INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Name of holder	Category and name of security	Relationship with the Company	Account title	Ending balance				Highest	Note
				Number of shares	Book value	Percentage of shares	Market value	Percentage of ownership (%)	
TRI	<u>Debt Instrument</u> Fubon Life Insurance Co., Ltd. Common Corporate Bonds	-	Non-current financial assets measured at amortized cost	-	90,000	- %	104,631	- %	
"	Amazon.com, Inc. U.S. dollar-denominated corporate bonds	-	"	-	27,459	- %	27,714	- %	
"	TSMC Arizona Corporation U.S. dollar-denominated corporate bonds	-	"	-	25,787	- %	26,341	- %	
"	TSMC GLOBAL LTD. U.S. dollar-denominated corporate bonds	-	"	-	50,510	- %	51,086	- %	
"	Apple Inc. U.S. dollar-denominated corporate bonds	-	"	-	52,468	- %	55,211	- %	

- (iv) Accumulated buying/selling of the same marketable securities for which the dollar amount reaches \$300 million or 20% or more of paid-in capital:

(Amounts Expressed in Thousands of New Taiwan Dollars)

Name of company	Category and name of security	Account name	Name of counter-party	Relationship with the company	Beginning Balance		Purchases		Sales				Ending Balance	
					Shares	Amount	Shares	Amount	Shares	Price	Cost	Gain (loss) on disposal	Shares	Amount
The Company	Jih Sun Money Market Fund	Current financial assets-mandatorily measured at FVTPL	-	-	15,882,811	239,367	133,358,288	2,030,640	42,062,599	640,940	636,796	4,144	107,178,500	1,634,954
"	Union Money Market Fund	"	-	-	58,680,813	787,250	-	-	58,680,813	789,183	786,565	2,618	-	-
"	Fubon Chi-Hsiang Money Market Fund	"	-	-	5,664,546	90,119	56,805,668	908,847	40,453,448	648,065	644,682	3,384	22,016,766	354,545
"	Taishin Ta-Chong Money Market Fund	"	-	-	-	-	53,369,923	772,732	53,369,923	776,160	772,732	3,427	-	-
"	Taishin 1699 Money Market Fund	"	-	-	-	-	46,926,829	650,000	-	-	-	-	46,926,829	654,277
TRI	Jih Sun Money Market Fund	Current financial assets-mandatorily measured at FVTPL	-	-	-	-	29,669,921	451,000	8,786,486	133,431	132,759	672	20,883,435	318,566
"	Taishin 1699 Money Market Fund	"	-	-	-	-	32,526,125	450,000	1,368,600	19,000	18,909	91	31,157,525	434,414

- (v) Acquisition of real estate for which the dollar amount reaches \$300 million or 20% or more of paid-in capital : None
- (vi) Disposition of real estate for which the dollar amount reaches \$300 million or 20% or more of paid-in capital: None

(Continued)

QUANTA STORAGE INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

- (vii) Related party transactions for purchases and sales with amounts exceeding the lower of \$100 million or 20% of the capital stock:

(Amounts Expressed in Thousands of New Taiwan Dollars)

Name of company	Related party	Nature of relationship	Transaction details				Reasons why and description of how the transaction conditions differ from general transactions		Accounts/notes receivable (payable)		Notes
			Purchase/Sale	Amount	Percentage of total purchases/sales	Payment terms	Unit price	Payment terms	Ending Balance	Percentage of total accounts/ notes receivable (payable)	
The Company	TMT	Affiliate	Sale	(225,751)	(2.41)%	Credit for 90 days	-	-	48,113	2.10 %	
"	"	"	Purchase	4,499,166	55.35 %	"	-	-	(890,423)	(38.09)%	
"	QSS	"	Purchase	3,415,931	42.03 %	"	-	-	(1,400,089)	(59.90)%	
QSS	Quanta Storage Inc.	Parent Company	Sale	(3,415,931)	(99.59)%	"	-	-	1,400,089	99.39 %	
TMT	"	"	Sale	(4,499,166)	(99.95)%	"	-	-	890,423	99.99 %	
"	"	"	Purchase	225,751	6.90 %	"	-	-	(48,113)	(7.39)%	
TRI	TRS	Affiliate	Sale	(116,668)	(10.27)%	Credit for 120 days	-	-	74,168	35.98 %	
"	OMC	Other related parties of the director of the Company	Sale	(120,531)	(10.61)%	Credit for 60 days	-	-	27,201	13.19 %	
"	ORT	"	Sale	(392,726)	(34.57)%	Credit for 60 days	-	-	51,699	25.08 %	

Note : The related-party transactions above include intra-group transactions.

- (viii) Receivables from related parties with amount exceeding the lower of \$100 million or 20% of capital stock:

(Amounts Expressed in Thousands of New Taiwan Dollars)

Name of related party	Related-party	Nature of relationship	Ending balance	Turnover rate	Past-due receivables from related party		Amount received in subsequent period	Loss allowance
					Amount	Action taken		
QSS	Quanta Storage Inc.	Parent Company	1,400,089	2.54	-	-	353,108	-
TMT	"	"	890,423	4.88	-	-	260,993	-

Note : The aforementioned intercompany transactions have been eliminated in the consolidated financial statements.

- (ix) Derivative transactions: Please refer to Note (6)(b) for related information.
(x) Business relationships and significant inter-company transactions:

(Amounts Expressed in Thousands of New Taiwan Dollars)

Number (Note 1)	Name of the company	Name of the counter-party	Relationship (Note 2)	Intercompany transactions			Percentage of total consolidated net sales or assets (Note 3)
				Account name	Amount	Terms	
0	Quanta Storage Inc.	TMT	1	Purchase	4,499,166	No other comparable trading partners	43.36 %
0	"	"	1	Sale	225,751	"	2.18 %
0	"	"	1	Accounts payable	890,423	"	6.25 %
0	"	QSS	1	Purchase	3,415,931	"	32.92 %
0	"	"	1	Accounts payable	1,400,089	"	9.83 %
1	TRI	TRS	3	Sale	116,668	"	1.12 %

Note 1: The numbers denote the following:

1. "0" represents the parent company.
2. Subsidiaries are listed by names and numbered starting from "1".

Note 2: Categories of relationship are as below:

1. Parent to subsidiary.
2. Subsidiary to parent.
3. Subsidiary to subsidiary.

Note 3: The transaction amount is calculated as a proportion of the consolidated revenue or assets. If categorized as an asset or liability, the calculation is compared with the consolidated assets; if categorized as income or loss, the calculation is compared with the consolidated income or loss.

Note 4: Intercompany relationships and significant intercompany transactions are not disclosed when the amount does exceed 1% of consolidated total net revenue or total assets.

Note 5: The aforementioned transaction has already been written off in the consolidated financial statements.

(Continued)

QUANTA STORAGE INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(b) Information on investees:

The following is the information on investees for the year 2023 (excluding information on investees in Mainland China):

(Amount Expressed in thousands of New Taiwan dollars)

Name of the investor	Name of investee	Location	Major operations	Initial investment amount		Balance as of			Highest Percentage of ownership	Net income (losses) of the investee	Investment income (losses)	Note
				December 31, 2023	December 31, 2022	Shares	Ratio of shares	Book value				
The Company	QSI (CAYMAN)	Cayman	Investment company	1,606,486	1,606,486	-	100.00 %	2,082,040	100.00 %	101,470	102,759	Subsidiary (Note 2, 6)
"	NU Inc.	Taiwan	Wholesale and retail of computers and peripherals	86,709	86,709	3,862,227	29.80 %	21,792	29.80 %	57	(149)	Investment holding
"	EBN	"	Manufacture of electronic components	10,978	10,978	1,001,000	2.98 %	-	2.98 %	(105,348)	-	"
"	TMT	Thailand	Manufacture and sale of computer storage devices and components of peripherals	1,446,975	1,446,975	15,999,998	100.00 %	2,016,630	100.00 %	83,402	70,832	Subsidiary (Note 2)
"	TRI	Taiwan	Manufacture and sale of industrial collaborative robots	796,420	796,420	71,957,000	79.95 %	1,314,766	79.95 %	11,182	11,537	"
"	JVM	Malaysia	Sale of computer storage devices and components of peripherals	15,214	15,214	2,040,000	51.00 %	19,023	51.00 %	(3,356)	(1,712)	Subsidiary
QSI (CAYMAN)	QSL (BVI)	BVI	Investment company	1,182,757	1,182,757	-	100.00 %	1,944,935	100.00 %	73,653	Note 7	Affiliate (Note 3)
"	E-Forward (SAMOA)	SAMOA	Manufacture and sale of computer storage devices and components of peripherals	30,705	30,705	-	100.00 %	111,645	100.00 %	27,716	"	Affiliate (Note 5)
QSL(BVI)	QHH	Hong Kong	Investment company	850,488	850,488	-	100.00 %	1,460,992	100.00 %	65,732	"	Affiliate (Note 4)
"	QIH	"	"	546,143	546,143	-	100.00 %	478,179	100.00 %	7,574	"	Affiliate (Note 3)
E-Forward (SAMOA)	QSA	SAMOA	Sale and after-sales service of computer storage devices and components of peripherals	30,705	30,705	-	100.00 %	88,669	100.00 %	26,804	"	Affiliate (Note 5)
TRI	TRH	Hong Kong	Investment company	120,943	120,943	-	100.00 %	33,314	100.00 %	2,873	"	Affiliate
JVM	JVMT	Thailand	Sale of computer storage devices and components of peripherals	4,588	4,588	-	100.00 %	4,347	100.00 %	(36)	"	"

Note 1: The transactions have been eliminated in the consolidated financial statements.

Note 2: The difference to the subsidiary is mainly unrealized gross profit from sales.

Note 3: QSL (BVI) and QIH approved capital reduction by the Board of Directors on July 20, 2021, with the amounts of USD 20,000 thousand and USD 10,000 thousand, respectively. As of October 17, 2022, the amounts returned and the registration of capital reduction has been completed. And the investment amount approved by the Investment Commission.

Note 4: QHH approved capital reduction by the Board of Directors on December 29, 2021, with the amount of USD 10,000 thousand. As of October 17, 2022, the amounts returned and the registration of capital reduction has been completed. And the investment amount approved by the Investment Commission.

Note 5: E-Forward and QSA approved capital reduction by the Board of Directors on February 11, 2022, both with the amounts of USD 5,000 thousand, the amounts returned and the registration of capital reduction has been completed.

Note 6: QSI (CAYMAN) approved capital reduction by the Board of Directors on February 11, 2022, and July 20, 2021, with the amounts of USD 10,500 thousand and USD 20,000 thousand, respectively. As of October 18, 2022, the amounts returned and the registration of capital reduction has been completed. And the investment amount approved by the Investment Commission.

Note 7: The profit or loss of the invested company is included in the investment company.

(Continued)

QUANTA STORAGE INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(c) Information on investment in Mainland China:

(i) The names of investees in Mainland China, the main businesses and products, and other information:

(Amount Expressed in thousands of New Taiwan dollars)

Name of the investee	Main Businesses and products	Total amount of paid-in capital	Method of investment (Note 1)	Accumulated outflow of investment from Taiwan as of January 1, 2023	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2023	Net income (loss) of the investee	Direct /indirect shareholding (%) by the Company	Peak Holding Percentage	Current investment gains and losses (Note 2)	Carrying Amount	Accumulated Inward Remittance of Earnings
					Outflow	Inflow							
Quanta Storage (Shanghai) Inc. (QSS) (Note 5)	Manufacture and sale of computer storage devices and components of peripherals	614,100 (USD20,000)	(2)	614,100 (USD20,000)	-	-	614,100 (USD20,000)	64,765	100.00 %	100.00 %	64,765	1,450,422	3,106,062 (USD101,158)
Techman Electronic (Changshu) Limited (TECHMAN)	-	245,640 (USD8,000)	(2)	245,640 (USD8,000)	-	-	245,640 (USD8,000)	7,099	100.00 %	100.00 %	7,099	475,410	445,323 (USD14,503)
Techman Robot (Shanghai) Ltd. (TRS) (Note 6)	After-sales service and sale of industrial collaborative robots and components of peripherals	122,820 (USD4,000)	(2)	122,820 (USD4,000)	-	-	122,820 (USD4,000)	2,873	100.00 %	100.00 %	2,873	33,314	-

(ii) Limitation on investment in Mainland China:

Accumulated Investment in Mainland China as of December 31, 2023	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment (Note 4)
982,560 (USD32,000)	1,013,265 (USD33,000)	- -

Note 1: There are four kinds of investments:

- (1) Direct investment in Mainland China with remittance through a third region.
- (2) Indirect investments in Mainland China through companies registered in a third region.
- (3) Indirect investment Mainland China through an existing company registered in the third region.
- (4) Direct investment in Mainland China
- (5) Others.

Note 2: Recognized profit or loss from investment in the current period:

- (1) As the investee was still in the pipeline, no investment profit (loss) has been generated yet.
- (2) Recognition basis of investment gains or losses were grouped under the following three categories:
 - 1) Financial statements of the investee company were audited and certified by an international accounting firm in cooperation with an R.O.C. accounting firm.
 - 2) Financial statements of the investee were audited and certified by the external accountant of the parent.
 - 3) Others

Note 3: In accordance with the Regulations Governing the Approval of Investment or Technical Cooperation in Mainland China revised on August 29, 2008, the Company obtained the certificate of qualified operating headquarters issued by the Industrial Development Bureau, Ministry of Economic Affairs, and therefore no limitations on investment in Mainland China.

Note 4: Amounts denominated in foreign currencies are translated into New Taiwan Dollars using the exchange rates at the reporting date.

Note 5: Quanta storage (Shanghai) Inc. approved cash capital reduction by the board of direction on December 29, 2021, with the amount of USD 10,000 thousand. As of October 11, 2022, the amounts returned and the registration of capital reduction has been completed. And the investment amount approved by the Investment Commission.

Note 6: The investment amount approved by the Investment Commission of Techman Robot (Shanghai) Co., Ltd. is USD 2,000 thousand in December 2020. As of December 31, 2023, USD 1,000 thousand has not been remitted.

Note 7: Quanta Storage (Changshu) Ltd. has completed its liquidation in September 2014, the amounts returned USD 10,500 thousand in March 2022. And the investment amount approved by the Investment Commission in April 2022.

(iii) Significant transactions:

The significant inter-company transactions with the subsidiary in Mainland China, which were eliminated in the preparation of consolidated financial statements, are disclosed in "Information on significant transactions".

(Continued)

QUANTA STORAGE INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(d) Major shareholders:

Shareholder's Name	Shareholding	Shares	Percentage
Quanta Computer Inc.		82,881,664	29.77 %

Note: (1)The information of major shareholders in this table is calculated by Taiwan Depository & Clearing Corporation based on the last business day at the end of each quarter, disclosing shareholders with more than 5% of the Company's ordinary shares and preferred shares that have been delivered without physical registration (including treasury shares). As for the share capital reported in the Company's financial statements and the Company's actual number of shares delivered without physical registration, there may be differences due to different calculation bases.

(2)In a situation where a shareholder entrusted the holdings, the individual account of the settlor opened by the trustee was disclosed. As for the shareholder's declaration of insider's equity holding more than 10% of the shares in accordance with the Securities and Exchange Act, his shareholding includes his own shareholding plus the shares delivered to the trust and the right to use the trust property, etc. For information on insider equity declaration, please refer to the website of Market Observation Post System.

(14) Segment information:

(a) General information

The Group has three reportable segments: The Mainland China Operation center, the Southeast Asia Operation center and the Taiwan Operation center. The Mainland China Operation center's primary businesses include OEM, production, and sales of computer peripherals to major computer companies. The Southeast Asia Operation Center is engaged in the OEM, production, and sales of consumer electronic products. The Taiwan Operation Center's main activities include the sales and trading of electronic products and raw materials. Other segments are primarily engaged in activities pertaining to investment, including strategic investment and fund investment.

(b) Information about reportable segments and their measurement and reconciliations

The Group uses the income from operations as the measurement for segment profit and the basis of performance assessment.

The operating segment accounting policies are similar to the ones described in Note (4) "Material accounting policies" except for the recognition and measurement of pension cost, which is on a cash basis.

(Continued)

QUANTA STORAGE INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The Group treated intersegment sales and transfers as third-party transactions. They are measured at market price.

The Group's operating segment information and reconciliation are as follows:

<u>For the years ended December 31, 2023</u>	<u>Mainland China Center</u>	<u>Southeast Asia Center</u>	<u>Taiwan Center</u>	<u>Other segments</u>	<u>Reconciliati on and elimination</u>	<u>Total</u>
Revenue:						
Revenue from external customers	243,449	11,083	10,123,075	(1,574)	-	10,376,033
Intersegment revenues	3,416,835	4,827,455	138,773	-	(8,383,063)	-
Interest income	34,225	597	99,194	3,230	-	137,246
Total revenue	\$ 3,694,509	4,839,135	10,361,042	1,656	(8,383,063)	10,513,279
Interest expense	\$ 218	1,343	1,684	-	-	3,245
Depreciation and amortization	117,113	152,681	113,042	-	(12,061)	370,775
Investment lose	-	-	-	(149)	-	(149)
Reportable segment profit or loss	\$ 74,737	80,046	970,316	(11,787)	-	1,113,312
Investments accounted for using equity method	\$ -	-	-	21,792	-	21,792
Reportable segment assets	\$ 3,402,888	3,113,459	10,421,738	45,670	(2,743,499)	14,240,256
Reportable segment liabilities	\$ 1,336,832	1,012,814	4,960,347	-	(2,657,139)	4,652,854
For the years ended December 31, 2022						
Revenue:						
Revenue from external customers	249,651	16,841	11,852,002	-	-	12,118,494
Intersegment revenues	2,696,390	7,354,739	232,671	-	(10,283,800)	-
Interest income	49,008	377	29,606	591	-	79,582
Total revenue	\$ 2,995,049	7,371,957	12,114,279	591	(10,283,800)	12,198,076
Interest expense	\$ 264	712	3,207	-	-	4,183
Depreciation and amortization	98,417	177,573	110,640	-	(13,320)	373,310
Investment lose	-	-	-	(7,570)	-	(7,570)
Reportable segment profit or loss	\$ (12,773)	342,010	791,235	(395)	-	1,120,077
Investments accounted for using equity method	\$ -	-	-	21,941	-	21,941
Reportable segment assets	\$ 4,334,039	3,375,831	8,933,301	43,797	(2,635,421)	14,051,547
Reportable segment liabilities	\$ 778,876	1,354,308	5,048,674	116,657	(2,559,629)	4,738,886

QUANTA STORAGE INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(c) Geographical information

In presenting information on the basis of geography, segment revenue is based on the geographical location of customers and segment assets are based on the geographical location of the assets.

<u>Geographic information</u>	<u>December 31,</u> <u>2023</u>	<u>December 31,</u> <u>2022</u>
Non-current assets:		
Taiwan	\$ 705,807	734,642
Mainland China	263,302	344,533
Thailand	<u>1,391,042</u>	<u>1,222,418</u>
Total	<u>\$ 2,360,151</u>	<u>2,301,593</u>

Non-current assets include property, plant and equipment, intangible assets, right-of-use assets, and other assets, not including financial instruments, deferred tax assets, pension fund assets, and rights arising from an insurance contract (non-current).

(d) Major customers

	<u>For the years ended December 31,</u>	
	<u>2023</u>	<u>2022</u>
A	\$ 4,420,312	3,267,028
B	1,228,233	1,403,341
C	710,325	2,012,220
D	<u>638,566</u>	<u>939,296</u>
	<u>\$ 6,997,436</u>	<u>7,621,885</u>

V. The Standalone Financial Report for the Last Year Audited by CPAs



安侯建業聯合會計師事務所

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Independent Auditors' Report

To the Board of Directors of Quanta Storage Inc.:

Opinion

We have audited the financial statements of Quanta Storage Inc. (“the Company”), which comprise the balance sheet as of December 31, 2023 and 2022, the statement of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the financial statements, including a summary of material policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2023 and 2022, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matters to be communicated in our report.

Revenue Recognition

Please refer to Note (4)(o) for accounting policies of revenue recognition and refer to Note (6)(r) for explanation of significant accounts.

Description of the key audit matter:

Sales revenue is the main indicator for investors and management to evaluate the financial statements or business performance of the Company. Revenue recognized at the point of time correctly is significant for the financial statements. Therefore, the timing for revenue recognition has been identified as a key audit matter.



How the matter was addressed in our audit:

In relation to the key audit matter above, our key audit procedures include understanding and testing the design and implementation of internal control over revenue recognition; understanding the accounting policy of revenue recognition and confirming whether the accounting treatment is in line with the Accounting Standard regulations; reviewing relevant shipping documents and forms during a period before and after the balance sheet date to ensure that sales revenue is recognized in the appropriate period in the financial statements.

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

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

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

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

Auditors' Responsibilities for the Audit of the Parent Company Only Financial Statements

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

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

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



4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of the investment in other entities accounted for using the equity method to express an opinion on this financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partners on the audit resulting in this independent auditors' report are Lien, Shu-Ling and Chen, Yi-Chun.

KPMG

Taipei, Taiwan (Republic of China)
March 4, 2024

Notes to Readers

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

The independent auditors' report and the accompanying parent company only financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' report and parent company only financial statements, the Chinese version shall prevail.

(English Translation of Parent Company Only Financial Statements and Report Originally Issued in Chinese)
QUANTA STORAGE INC.

Balance Sheets

December 31, 2023 and 2022

(Expressed in Thousands of New Taiwan Dollars)

	December 31, 2023		December 31, 2022		December 31, 2023		December 31, 2022	
	Amount	%	Amount	%	Amount	%	Amount	%
Assets								
Current assets:								
1100 Cash and cash equivalents (Note (6)(a))	\$ 1,293,254	10	848,092	7	2120			
1110 Current financial assets at fair value through profit or loss (Note (6)(b))	2,664,377	20	1,117,973	8	2140			
1120 Current financial assets at fair value through other comprehensive income (Note (6)(c))	876,896	6	796,388	6	2170			
1170 Notes and accounts receivable, net (Note (6)(e))	2,176,518	16	2,499,737	19	2180			
1200 Other receivables, net (Note (6)(g))	68,319	1	145,947	1	2230			
1210 Other receivables due from related parties, net (Notes (6)(e) and (7))	48,235	-	42,056	-	2250			
1310 Inventories (Note (6)(f))	772	-	78	-	2280			
1476 Other current financial assets (Note (6)(k))	67,960	-	335,440	3	2300			
1479 Other current assets, others	17,850	-	17,832	-	2365			
	<u>7,214,181</u>	<u>53</u>	<u>5,803,543</u>	<u>44</u>				
Non-current assets:								
1535 Non-current financial assets at amortised cost, net (Note (6)(d))	230,000	2	-	-	2570			
1550 Investments accounted for using equity method (Note (6)(g))	5,454,251	40	6,728,100	51	2580			
1600 Property, plant and equipment (Note (6)(h))	523,878	4	520,460	4	2670			
1755 Right-of-use assets (Note (6)(i))	39,161	-	60,787	-				
1780 Intangible assets (Note (6)(j))	7,441	-	7,684	-				
1840 Deferred tax assets (Note (6)(o))	171,845	1	159,464	1				
1980 Other non-current financial assets (Note (8))	5,851	-	5,492	-				
	<u>6,432,427</u>	<u>47</u>	<u>7,481,987</u>	<u>56</u>				
	<u>\$ 13,646,608</u>	<u>100</u>	<u>13,285,530</u>	<u>100</u>				
Liabilities and Equity								
Current liabilities:								
Current financial liabilities at fair value through profit or loss (Note (6)(b))	\$ 3,803	-	-	-				
Current contract liabilities (Note (6)(r))	370,382	3	261,905	2				
Accounts payable	26,186	-	57,372	1				
Accounts payable to related parties (Note (7))	2,290,512	17	2,240,242	17				
Other payables	627,321	5	661,715	5				
Current tax liabilities	355,714	2	132,450	1				
Current provisions (Notes (6)(m) and (9))	242,821	2	233,817	2				
Current lease liabilities (Note (6)(l))	24,043	-	23,331	-				
Other current liabilities	250,988	2	266,172	2				
Current refund liabilities	12,989	-	25,934	-				
	<u>4,204,759</u>	<u>31</u>	<u>3,902,938</u>	<u>30</u>				
Non-Current liabilities:								
Deferred tax liabilities (Note (6)(o))	186,895	1	377,367	3				
Non-current lease liabilities (Note (6)(l))	15,510	-	37,638	-				
Other non-current liabilities, others	157	-	2,414	-				
	<u>202,562</u>	<u>1</u>	<u>417,419</u>	<u>3</u>				
	<u>4,407,321</u>	<u>32</u>	<u>4,320,357</u>	<u>33</u>				
Total Liabilities								
Equity attributable to owners of parent (Notes (4), (6)(g) and (p)):								
Ordinary share	2,783,589	21	2,783,589	21				
Capital surplus	1,748,975	13	1,888,140	14				
Retained earnings	4,806,961	35	4,446,223	33				
Other equity interest	(100,238)	(1)	(152,779)	(1)				
	<u>9,239,287</u>	<u>68</u>	<u>8,965,173</u>	<u>67</u>				
Total Liabilities and equity	<u>\$ 13,646,608</u>	<u>100</u>	<u>13,285,530</u>	<u>100</u>				

See accompanying notes to parent company only financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)
QUANTA STORAGE INC.

Statements of Comprehensive Income

For the years ended December 31, 2023 and 2022

(Expressed in Thousands of New Taiwan Dollars , Except for Earnings Per Common Share)

		<u>2023</u>		<u>2022</u>	
		<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
	Operating Revenues:				
4110	Sales revenue (Notes (6)(r) and (7))	\$ 9,153,569	100	10,802,656	100
4190	Less: Sales discounts and allowances	664	-	1,520	-
4170	Sales returns	138	-	431	-
	Operating revenue, net	<u>9,152,767</u>	<u>100</u>	<u>10,800,705</u>	<u>100</u>
	Operating costs:				
5110	Cost of sales (Notes (6)(f) and (7))	<u>7,585,653</u>	<u>83</u>	<u>9,454,822</u>	<u>88</u>
	Gross profit from operations	<u>1,567,114</u>	<u>17</u>	<u>1,345,883</u>	<u>12</u>
	Operating expenses:				
6100	Selling expenses	129,715	1	159,223	1
6200	Administrative expenses	141,953	2	207,781	2
6300	Research and development expenses	293,185	3	305,661	3
6450	Expected credit gain (Note (6)(e))	<u>(21,307)</u>	<u>-</u>	<u>-</u>	<u>-</u>
		<u>543,546</u>	<u>6</u>	<u>672,665</u>	<u>6</u>
	Net operating income	<u>1,023,568</u>	<u>11</u>	<u>673,218</u>	<u>6</u>
	Non-operating income and expenses:				
7100	Interest income (Note (6)(t))	53,968	1	12,326	-
7010	Other income (Note (6)(t))	40,476	-	64,191	1
7020	Other gains and losses, net (Note (6)(t))	48,089	1	157,826	1
7050	Financial costs (Note (6)(t))	(720)	-	(1,609)	-
7070	Share of profit (loss) of associates and joint ventures accounted for using equity method, net (Note (6)(g))	<u>183,267</u>	<u>2</u>	<u>422,654</u>	<u>4</u>
		<u>325,080</u>	<u>4</u>	<u>655,388</u>	<u>6</u>
	Net operating income	<u>1,348,648</u>	<u>15</u>	<u>1,328,606</u>	<u>12</u>
7950	Less: Income tax expense (Note (6)(o))	<u>236,585</u>	<u>3</u>	<u>239,531</u>	<u>2</u>
	Profit for the period	<u>1,112,063</u>	<u>12</u>	<u>1,089,075</u>	<u>10</u>
8300	Other comprehensive income:				
8310	Items that will not be reclassified subsequently to profit or loss				
8311	Gains (losses) on remeasurements of defined benefit plans (Note (6)(n))	-	-	3,802	-
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income (Note (6)(p))	80,508	1	(18,038)	-
8330	Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using equity method, components of other comprehensive income that will not be reclassified to profit or loss	198	-	-	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	Items that will not be reclassified subsequently to profit or loss	<u>80,706</u>	<u>1</u>	<u>(14,236)</u>	<u>-</u>
8360	Components of other comprehensive income (loss) that will be reclassified to profit or loss				
8361	Exchange differences on translation of foreign financial statements (Note (6)(p))	(27,531)	-	233,392	2
8380	Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using equity method, components of other comprehensive income that will be reclassified to profit or loss	(390)	-	-	-
8399	Less: Income tax related to components of other comprehensive income that may be reclassified to profit or loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	Items that may be reclassified subsequently to profit or loss	<u>(27,921)</u>	<u>-</u>	<u>233,392</u>	<u>2</u>
8300	Other comprehensive income, net of tax	<u>52,785</u>	<u>1</u>	<u>219,156</u>	<u>2</u>
	Total comprehensive income	<u>\$ 1,164,848</u>	<u>13</u>	<u>1,308,231</u>	<u>12</u>
	Earnings per share (Note (6)(q))				
9750	Basic earnings per share (in New Taiwan dollars)	<u>\$ 4.00</u>		<u>3.91</u>	
9850	Diluted earnings per share (in New Taiwan Dollars)	<u>\$ 3.98</u>		<u>3.87</u>	

See accompanying notes to parent company only financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)
QUANTA STORAGE INC.

Statements of Changes in Equity

For the years ended December 31, 2023 and 2022
(Expressed in Thousands of New Taiwan Dollars)

	Share capital Ordinary shares	Capital surplus	Retained earnings		Unappropriated retained earnings	Total other equity interest (losses) from financial assets measured at fair value, through other comprehensive income	Total equity
			Legal reserve	Special reserve			
Balance at January 1, 2022	2,783,589	2,027,242	1,565,929	410,473	2,017,169	(64,991)	8,436,269
Profit for the year ended December 31, 2022	-	-	-	-	1,089,075	-	1,089,075
Other comprehensive income	-	-	-	-	3,802	(18,038)	219,156
Comprehensive income	-	-	-	-	1,092,877	(18,038)	1,308,231
Appropriation and distribution of retained earnings:							
Legal reserve	-	-	99,685	-	(99,685)	-	-
Special reserve	-	-	-	(42,340)	42,340	-	-
Cash dividends on ordinary shares	-	(139,179)	-	-	(640,225)	-	(779,404)
Others	-	77	-	-	-	-	77
Balance at December 31, 2022	2,783,589	1,888,140	1,665,614	368,133	2,412,476	(83,029)	8,965,173
Profit for the year ended December 31, 2023	-	-	-	-	1,112,063	-	1,112,063
Other comprehensive income	-	-	-	-	244	(27,921)	52,785
Comprehensive income	-	-	-	-	1,112,307	80,462	1,164,848
Appropriation and distribution of retained earnings:							
Legal reserve	-	-	109,424	-	(109,424)	-	-
Special reserve	-	-	-	(215,354)	215,354	-	-
Cash dividends on ordinary shares	-	(139,179)	-	-	(751,569)	-	(890,748)
Others	-	14	-	-	-	-	14
Balance at December 31, 2023	2,783,589	1,748,975	1,775,038	152,779	2,879,144	(97,671)	9,239,287

See accompanying notes to parent company only financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)

QUANTA STORAGE INC.

Statements of Cash Flows

For the years ended December 31, 2023 and 2022

(Expressed in Thousands of New Taiwan Dollars)

	2023	2022
Cash flows from (used in) operating activities:		
Profit before income tax	\$ 1,348,648	1,328,606
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	34,487	25,318
Amortization expense	9,349	10,716
Expected credit gain	(21,307)	-
Net profit on financial assets or liabilities at fair value through profit or loss	(56,782)	(74,363)
Interest expense	720	1,609
Interest income	(53,968)	(12,326)
Dividend income	(35,942)	(35,698)
Share of profit of subsidiaries and associates accounted for using equity method	(183,267)	(422,654)
Gains from lease modification	-	(831)
Total adjustments to reconcile profit (loss)	<u>(306,710)</u>	<u>(508,229)</u>
Changes in operating assets and liabilities:		
Total net changes in operating assets:		
Financial assets at fair value through profit or loss, mandatorily measured at fair value	(1,485,819)	(858,249)
Notes and accounts receivable	344,526	39,531
Other receivables	78,784	(23,068)
Other receivables due from related parties	(6,179)	45,625
Inventories	(694)	5,515
Net defined benefit asset	-	49,135
Other operating assets	(18)	(6,039)
Total changes in operating assets	<u>(1,069,400)</u>	<u>(747,550)</u>
Total changes in operating liabilities:		
Contract liabilities	108,477	6,226
Accounts payable	(31,186)	(33,381)
Accounts payable to related parties	50,270	252,757
Other payables	(28,328)	133,922
Provisions	9,004	10,004
Other current liabilities	(15,184)	118,354
Refund liabilities	(12,945)	(456)
Other non-current liabilities	(2,257)	(5,150)
Total changes in operating liabilities	<u>77,851</u>	<u>482,276</u>
Total changes in operating assets and liabilities	<u>(991,549)</u>	<u>(265,274)</u>
Total adjustments	<u>(1,298,259)</u>	<u>(773,503)</u>
Cash inflows generated from operations	50,389	555,103
Interest received	52,812	14,504
Dividends received	35,942	35,698
Interest paid	(720)	(1,692)
Income taxes paid	(216,174)	(273,975)
Net cash flows (used in) from operating activities	<u>(77,751)</u>	<u>329,638</u>
Cash flows from (used in) investing activities:		
Acquisition of financial assets at amortised cost	(230,000)	-
Proceeds from capital reduction of investments accounted for using equity method	-	891,216
Dividends received from investments accounted for using equity method	1,429,393	-
Acquisition of property, plant and equipment	(20,340)	(125,364)
Acquisition of intangible assets	(9,106)	(8,355)
Decrease in other financial assets	267,121	798,935
Net cash flows from investing activities	<u>1,437,068</u>	<u>1,556,432</u>
Cash flows from (used in) financing activities:		
Decrease in short-term borrowings	-	(387,520)
Return of dividends over the years	14	77
Payment of lease liabilities	(23,421)	(18,219)
Cash dividends paid	(890,748)	(779,404)
Net cash flows used in financing activities	<u>(914,155)</u>	<u>(1,185,066)</u>
Net increase in cash and cash equivalents	445,162	701,004
Cash and cash equivalents at beginning of period	848,092	147,088
Cash and cash equivalents at end of period	<u>\$ 1,293,254</u>	<u>848,092</u>

See accompanying notes to parent company only financial statements.

QUANTA STORAGE INC.

Notes to the Financial Statements

For the years ended December 31, 2023 and 2022

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

(1) Company history

Quanta Storage Inc. (the “Company”) was incorporated on February 10, 1999, as a company limited by shares and registered under the Ministry of Economic Affairs, R.O.C. The address of the Company’s registered office is 3F., No. 188, Wenhua 2nd Rd., Guishan Dist., Taoyuan City 333010, Taiwan (R.O.C.). In view of the future of operations, the address of the Company was changed to 6F., No. 58-2, Huaya 2nd Rd., Guishan Dist., Taoyuan City 333411, Taiwan (R.O.C.) and authorized by the Board of Directors on December 22, 2021. The Company has registered the relocation under the laws. The Company’s major business activities include researching, developing, producing, manufacturing, and selling data storage and processing equipment, electronic components, and optical instruments.

(2) Approval date and procedures of the financial statements:

The company financial statements were authorized for issue by the Board of Directors on March 4, 2024.

(3) New standards, amendments and interpretations adopted:

- (a) The impact of the International Financial Reporting Standards (“IFRSs”) endorsed by the Financial Supervisory Commission, R.O.C. which have already been adopted.

The Company has initially adopted the following new amendments, which do not have a significant impact on its financial statements, from January 1, 2023:

- Amendments to IAS 1 “Disclosure of Accounting Policies”
- Amendments to IAS 8 “Definition of Accounting Estimates”
- Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”

The Company has initially adopted the new amendment, which do not have a significant impact on its financial statements, from May 23, 2023:

- Amendments to IAS 12 “International Tax Reform—Pillar Two Model Rules”

- (b) The impact of IFRS issued by the FSC but not yet effective

The Company assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2024, would not have a significant impact on its financial statements:

- Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”
- Amendments to IAS 1 “Non-current Liabilities with Covenants”
- Amendments to IAS 7 and IFRS 7 “Supplier Finance Arrangements”
- Amendments to IFRS 16 “Lease Liability in a Sale and Leaseback”

(Continued)

QUANTA STORAGE INC.
Notes to the Financial Statements

- (c) The impact of IFRS issued by IASB but not yet endorsed by the FSC

The Company does not expect the following new and amended standards, which have yet to be endorsed by the FSC, to have a significant impact on its financial statements:

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”
- IFRS 17 “Insurance Contracts” and amendments to IFRS 17 “Insurance Contracts”
- Amendments to IFRS 17 “Initial Application of IFRS 17 and IFRS 9 – Comparative Information”
- Amendments to IAS21 “Lack of Exchangeability”

(4) Summary of material accounting policies:

The material accounting policies presented in the financial statements are summarized below. Except for those specifically indicated, the following accounting policies were applied consistently throughout the periods presented in the financial statements.

- (a) Statement of compliance

These financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

- (b) Basis of preparation

- (i) Basis of measurement

Except for the following significant accounts, the financial statements have been prepared on a historical cost basis:

- 1) Financial instruments at fair value through profit or loss are measured at fair value;
- 2) Financial assets at fair value through other comprehensive income are measured at fair value;
- 3) Hedging financial instruments are measured at fair value;
- 4) The defined benefit assets are measured at fair value of the plan assets less the present value of the defined benefit obligation, limited as explained in Note (4)(p).

- (ii) Functional and presentation currency

The functional currency of Company is determined based on the primary economic environment in which the entity operates. The financial statements are presented in New Taiwan Dollar (NTD), which is the Company’s functional currency. All financial information presented in NTD has been rounded to the nearest thousand.

(Continued)

QUANTA STORAGE INC.
Notes to the Financial Statements

(c) Foreign currency transactions and operations

(i) Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currencies of the Company at the exchange rates at the dates of the transactions. At the end of each subsequent reporting period, monetary items denominated in foreign currencies are translated into the functional currencies using the exchange rate at that date.

Non-monetary items denominated in foreign currencies that are measured at fair value are translated into the functional currencies using the exchange rate at the date that the fair value was determined. Non-monetary items denominated in foreign currencies measured based on historical cost are translated using the exchange rate at the date of transaction.

Exchange differences are generally recognized in profit or loss, except for those differences relating to the following, which are recognized in other comprehensive income:

- 1) an investment in equity securities designated as at fair value through other comprehensive income;
- 2) a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; or
- 3) qualifying cash flow hedges to the extent that the hedges are effective.

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into the presentation currency at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into the presentation currency at the average exchange rate. Exchange differences are recognized in other comprehensive income.

When a foreign operation is disposed of such that control, significant influence, or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Company disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Company disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

(Continued)

QUANTA STORAGE INC.
Notes to the Financial Statements

(d) Classification of current and non-current assets and liabilities

An asset is classified as current under one of the following criteria, and all other assets are classified as non-current.

- (i) It is expected to be realized, or intended to be sold or consumed, in the normal operating cycle;
- (ii) It is held primarily for the purpose of trading;
- (iii) It is expected to be realized within twelve months after the reporting date; or
- (iv) The asset is cash and cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting date.

A liability is classified as current under one of the following criteria, and all other liabilities are classified as non-current.

- (i) It is expected to be settled in its normal operating cycle;
- (ii) It is held primarily for the purpose of trading;
- (iii) It is due to be settled within twelve months after the reporting date; or
- (iv) The Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(e) Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in their fair value. Time deposits which meet the above definition and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes should be recognized as cash equivalents.

(f) Financial instruments

Accounts receivables are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Company becomes a party to the contractual provisions of the instrument. A financial asset (unless it is an account receivable without a significant financing component) or financial liability is initially measured at fair plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. An account receivable without a significant financing component is initially measured at the transaction price.

(Continued)

QUANTA STORAGE INC.
Notes to the Financial Statements

(i) Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

On initial recognition, a financial asset is classified as measured at: amortized cost; Fair value through other comprehensive income (FVOCI) – debt investment; FVOCI – equity investment; or FVTPL. Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

1) Financial assets measured at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

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

These assets are subsequently measured at amortized cost, which is the amount at which the financial asset is measured at initial recognition, plus/minus, the cumulative amortization using the effective interest method, adjusted for any loss allowance. Interest income, foreign exchange gains and losses, as well as impairment, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

2) Fair value through other comprehensive income (FVOCI)

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- it is contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Some accounts receivables are held within a business model whose objective is achieved by both collecting contractual cash flows and selling by the Company, therefore, those receivables are measured at FVOCI. However, they are included in the ‘ accounts receivables’ line item.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment’s fair value in other comprehensive income. This election is made on an instrument-by-instrument basis.

(Continued)

QUANTA STORAGE INC.
Notes to the Financial Statements

Debt investments at FVOCI are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

Equity investments at FVOCI are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in other comprehensive income and are never reclassified to profit or loss.

Dividend income is recognized in profit or loss on the date on which the Company's right to receive payment is established.

3) Fair value through profit or loss (FVTPL)

All financial assets not classified as amortized cost or FVOCI described as above are measured at FVTPL, including derivative financial assets. Accounts receivables that the Company intends to sell immediately or in the near term are measured at FVTPL; however, they are included in the 'accounts receivables' line item. On initial recognition, the Company may irrevocably designate a financial asset, which meets the requirements to be measured at amortized cost or at FVOCI, as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.

4) Business model assessment

The Company makes an assessment of the objective of the business model in which a financial asset is held at portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether the management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities, or expected cash outflows, or realizing cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Company's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

(Continued)

QUANTA STORAGE INC.
Notes to the Financial Statements

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, and are consistent with the Company's continuing recognition of the assets.

5) Impairment of financial assets

The Company recognizes loss allowances for expected credit losses (ECL) on financial assets measured at amortized cost (including cash and cash equivalents, amortized costs, accounts receivable, other receivables, guarantee deposit paid and other financial assets).

The Company measures loss allowances at an amount equal to lifetime expected credit loss (ECL), except for the following which are measured as 12-month ECL:

- debt securities that are determined to have low credit risk at the reporting date; and
- bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowance for accounts receivable are always measured at an amount equal to lifetime ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Company's historical experience and informed credit assessment as well as forward-looking information.

Lifetime ECL are the ECL that result from all possible default events over the expected life of a financial instrument.

12-month ECL are the portion of ECL that result from default events that are possible within the 12 month after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECL is the maximum contractual period over which the Company is exposed to credit risk.

ECL are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e the difference between the cash flows due to the Company in accordance with the contract and the cash flows that the Company expects to receive). ECL are discounted at the effective interest rate of the financial asset.

(Continued)

QUANTA STORAGE INC.
Notes to the Financial Statements

At each reporting date, the Company assesses whether financial assets carried at amortized cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial assets is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a delay or over;
- the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;
- it is probable that the borrower will enter bankruptcy or other financial reorganization;
or
- the disappearance of an active market for a security because of financial difficulties.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. For debt securities at FVOCI, the loss allowance is charge to profit or loss and is recognized in other comprehensive income instead of reducing the carrying amount of the asset.

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For corporate customers, the Company individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Company expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

6) Derecognition of financial assets

The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Company enters into transactions whereby it transfers assets recognized in its statement of balance sheet, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

(Continued)

QUANTA STORAGE INC.
Notes to the Financial Statements

(ii) Financial liabilities and equity instruments

1) Classification of debt or equity

Debt and equity instruments issued by the Company are classified as financial liabilities or equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

2) Equity instrument

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Equity instruments are recognized at the amount of consideration received less the direct issuing cost.

3) Financial liabilities

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

4) Derecognition of financial liabilities

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

On derecognition of a financial liability, the difference between the carrying amount of a financial liability extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

5) Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount presented in the statement of balance sheet when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

(iii) Derivative financial instruments and hedge accounting

The Company holds derivative financial instruments to hedge its foreign currency and interest rate exposures. Embedded derivatives are separated from the host contract and accounted for separately if the host contract is not a financial asset and certain criteria are met.

(Continued)

QUANTA STORAGE INC.
Notes to the Financial Statements

Derivatives are initially measured at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognized in profit or loss.

(g) Inventories

Inventories are measured at the lower of cost or net realizable value. The cost of inventories is calculated using the weighted average method, and includes expenditure incurred in acquiring the inventories, production or conversion costs, and other costs incurred in bringing them to their present location and condition. In the case of manufactured inventories and work in process, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realizable value is the estimated selling price in the ordinary course of business, less, the estimated costs of completion and selling expenses.

(h) Investment in associates

Associates are those entities in which the Company has significant influence, but not control or joint control, over their financial and operating policies.

Investments in associates are accounted for using the equity method and are recognized initially at cost. The cost of the investment includes transaction costs. The carrying amount of the investment in associates includes goodwill arising from the acquisition less any accumulated impairment losses.

The financial reports include the Company's share of the profit or loss and other comprehensive income of those associates, after adjustments to align their accounting policies with those of the Company from the date on which significant influence commences until the date on which significant influence ceases. When an associate's equity changes due to reasons other than profit and loss or comprehensive income, which did not result in changes of the Company's shareholding percentage in the associate, the Company recognizes equity changes attributable to the Company by its shareholding percentage as capital surplus.

Unrealized gains and losses resulting from transactions between the Company and an associate are recognized only to the extent of unrelated Company's interests in the associate.

When the Company's share of losses of an associate equals to or exceeds its interest in an associates, it discontinues recognizing its share of further losses. After the recognized interest is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the associate.

When the Company subscribes to additional shares in an associate at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment will differ from the amount of the Company's proportionate interest in the net assets of the associate. The Company records such a difference as an adjustment to investments, with the corresponding amount charged or credited to capital surplus. The aforesaid adjustment should first be adjusted under capital surplus. If the capital surplus resulting from changes in ownership interest is not sufficient, the remaining difference is debited to retained earnings. If the Company's ownership interest is reduced due to the additional subscription to the shares of the associate by other investors, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate will be reclassified to profit or loss.

(Continued)

QUANTA STORAGE INC.
Notes to the Financial Statements

(i) Investment in subsidiaries

The subsidiaries in which the Company holds controlling interest are accounted for under equity method in the financial statements. Under equity method, the net income, other comprehensive income and equity in the financial statement are the same as those attributable to the owners of parent in the consolidated financial statements.

The changes in ownership of the subsidiaries, but not result in the loss of control, are recognized as equity transaction.

(j) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost, which includes capitalized borrowing costs, less accumulated depreciation and any accumulated impairment losses.

If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognized in profit or loss.

(ii) Subsequent expenditure

Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Company.

(iii) Depreciation

Depreciation is calculated on the cost of assets less their residual values and is recognized in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant, and equipment.

Land is not depreciated.

The estimated useful lives for the current and comparative years of significant items of property, plant, and equipment are as follows:

1) Machinery equipment	3 years
2) Testing equipment	3 ~ 5 years
3) Miscellaneous equipment	2 ~ 5 years
4) Lease improvements	3 ~ 5 years

Depreciation methods, useful lives, and residual values are reviewed at each reporting date and appropriately adjusted if necessary.

(Continued)

QUANTA STORAGE INC.
Notes to the Financial Statements

(k) Lease

(i) As a lessee

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be reliably determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

Lease payments in the measurement of the lease liability are fixed payments, including in-substance fixed payments.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when:

- 1) there is a change of its assessment on whether it will exercise a extension or termination option; or
- 2) there is any lease modification.

When the lease liability is remeasured to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease, the Company accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognize in profit or loss any gain or loss relating to the partial or full termination of the lease.

The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases of office equipment that have a lease term of 12 months or less and leases of low-value assets. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

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QUANTA STORAGE INC.
Notes to the Financial Statements

(ii) As a lessor

When the Company acts as a lessor, it determines at lease commencement whether each lease is a finance lease or an operating lease. To classify each lease, the Company makes an overall assessment of whether the lease transfers to the lessee substantially all of the risks and rewards of ownership incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then the lease is an operating lease. As part of this assessment, the Company considers certain indicators such as whether the lease is for the major part of the economic life of the asset. The Company recognizes lease payments received under operating leases as income on a straight-line basis over the lease term as part of 'rent income'.

(l) Intangible assets

(i) Recognition and measurement

Other intangible assets, including computer software, that are acquired by the Company and have finite useful lives are measured at cost less accumulated amortization and any accumulated impairment losses.

(ii) Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognized in profit or loss as incurred.

(iii) Amortization

Amortization is calculated over the cost of the asset, less its residual value, and is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use.

The estimated useful lives for current and comparative periods are as follows:

- | | |
|----------------------|-------------|
| 1) Computer software | 1 ~ 5 years |
|----------------------|-------------|

Amortization methods, useful lives, and residual values are reviewed at the end of each financial period and adjusted where needed.

(m) Impairment of non financial assets

At each reporting date, the Company reviews the carrying amounts of its non-financial assets (other than inventories, and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash generating units (CGUs).

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QUANTA STORAGE INC.
Notes to the Financial Statements

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(n) Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

A provision for warranties is recognized when the underlying products or services are sold, based on historical warranty data and a weighting of all possible outcomes against their associated probabilities.

Management periodically assesses the cost of obligation of all litigation and related legal costs. Provision for loss contingencies arising from claims, assessments, litigation, fines, and penalties and other sources are recognized when it is probable the present obligation as a result of a past event will result in an outflow of resources and the amount can be reasonably estimated.

Provisions recognized are the best estimates of the expenditure for settling the present obligation at each reporting date.

(o) Revenue recognition

Revenue from contracts with customers

Revenue is measured based on the consideration to which the Company expects to be entitled in exchange for transferring goods or services to a customer. The Company recognizes revenue when it satisfies a performance obligation by transferring control of a good or a service to a customer. The accounting policies for the Company's main types of revenue are explained below.

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QUANTA STORAGE INC.
Notes to the Financial Statements

1) Sale of goods

Revenue is recognized when the control over a product has been transferred to the customer. When the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Company has objective evidence that all criteria for acceptance have been satisfied.

2) Rendering of services

The Company provides business advisory and management services. Revenue from providing services is recognized in the accounting period in which the services are rendered. For fixed-price contracts, revenue is recognized based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided. The proportion of services provided is determined based on the amount of work incurred to date as a proportion of the total estimated amount of work of the transaction.

Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by management.

3) Financing components

The Company does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Company does not adjust any of the transaction prices for the time value of money.

(p) Employee benefits

(i) Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in future payments is available.

(ii) Defined benefit plans

The Company's net obligation in respect of defined benefit plans is calculated separately for each the plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

(Continued)

QUANTA STORAGE INC.
Notes to the Financial Statements

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Company, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income, and accumulated in retained earnings within equity. The Company determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset). Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Company recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

(iii) Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(q) Income taxes

Income taxes comprise current taxes and deferred taxes. Except for expenses related to business combinations or recognized directly in equity or other comprehensive income, all current and deferred taxes are recognized in profit or loss.

Current taxes comprise the expected tax payables or receivables on the taxable profits (losses) for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payables or receivables are the best estimate of the tax amount expected to be paid or received. It is measured using tax rates enacted or substantively enacted at the reporting date.

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred taxes are recognized except for the following:

- (i) temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and at the time of the transaction affects neither accounting nor taxable profits (losses) and does not give rise to equal taxable and deductible temporary differences; and

(Continued)

QUANTA STORAGE INC.
Notes to the Financial Statements

- (ii) temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future.

Deferred tax assets are recognized for the carry forward of unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefits will be realized; such reductions are reversed when the probability of future taxable profits improves.

Deferred taxes are measured at tax rates that are expected to be applied to temporary differences when they reserve, using tax rates enacted or substantively enacted on the reporting date.

Deferred tax assets and liabilities may be offset against each other if the following criteria are met:

- (i) the Company has a legally enforceable right to set off current tax assets against current tax liabilities; and
 - (ii) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:
 - 1) the same taxable entity; or
 - 2) different taxable entities which intend to settle current tax assets and liabilities on a net basis, or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.
- (r) Earnings per share

The Company discloses the Company's basic and diluted earnings per share attributable to ordinary shareholders of the Company. Basic earnings per share is calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding. Diluted earnings per share is calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding after adjustment for the effects of all potentially dilutive ordinary shares, such as employee compensation.

- (s) Operating segments

The operating segment information is disclosed in the Company's consolidated financial statements; therefore, the Company does not disclose segment information in the financial statements.

(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty:

In preparing these financial statements, management has made judgments, estimates, and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

(Continued)

QUANTA STORAGE INC.
Notes to the Financial Statements

The management continues to monitor the accounting estimates and assumptions. The management recognizes any changes in accounting estimates during the period and the impact of those changes in accounting estimates in the following period.

There are no critical judgements in applying accounting policies that have significant effect on the amounts recognized in this financial report.

After assessment, there are no assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year.

(6) Explanation of significant accounts:

(a) Cash and cash equivalents

	December 31, 2023	December 31, 2022
Cash	\$ 73	100
Checking account deposits	7,823	10,573
Demand deposits	236,964	31,866
Foreign currency deposits	878,494	709,403
Time deposits	169,900	65,440
Cash equivalents -Bond	-	30,710
Cash and cash equivalents in the statement of cash flows	<u>\$ 1,293,254</u>	<u>848,092</u>

Time deposits with a maturity exceeding three months, were presented in other financial assets—current and non-current according to their respective maturity dates.

For the disclosure of currency risk and sensitivity analysis of the financial assets and liabilities of the Company, please refer to Note (6)(u).

(b) Financial assets and liabilities at fair value through profit or loss

	December 31, 2023	December 31, 2022
Mandatorily measured at fair value through profit or loss:		
Domestic listed convertible corporate bonds	\$ 20,601	-
Beneficiary certificate—open-ended fund	2,643,776	1,116,736
Held-for-trading financial (liabilities) assets:		
Foreign currency forward contracts	(3,803)	1,237
Total	<u>\$ 2,660,574</u>	<u>1,117,973</u>

(Continued)

QUANTA STORAGE INC.
Notes to the Financial Statements

The Company uses derivative instruments to hedge risks of foreign currency and interest rate the Company is exposed to arising from its operating, financing and investing activities. The following derivative instruments held by the Company, without the application of hedge accounting, were classified as mandatorily measured at fair value through profit or loss and held-for-trading financial liabilities:

December 31, 2023				
	Amount (in thousands)		Currency	Maturity dates
Foreign currency forward contracts				
US dollars sold	USD	15,000	USD to TWD	January 11, 2024~ January 29, 2024
US dollars purchased	USD	24,000	TWD to USD	January 5, 2024~ February 6, 2024
December 31, 2022				
	Amount (in thousands)		Currency	Maturity dates
Foreign currency forward contracts				
US dollars sold	USD	8,000	USD to TWD	January 6, 2023~ January 9, 2023
US dollars purchased	USD	31,000	TWD to USD	January 6, 2023~ March 27, 2023

- (i) The Company purchased unsecured convertible corporate bonds issued by TAI-TECH Advanced Electronics Co., Ltd.. The maturity date of corporate bond is on October 31, 2026, and the conversion period runs from February 1, 2024, to October 31, 2026.
- (ii) The Company purchased unsecured convertible corporate bonds issued by Yulon Finance Corporation. The maturity date of corporate bond is on November 20, 2028, and the conversion period runs from February 21, 2024, to November 20, 2028.
- (iii) For the informations of liquidity risk, please refer to Note (6)(u).
- (iv) The aforesaid financial assets were not pledged as collateral.

(Continued)

QUANTA STORAGE INC.
Notes to the Financial Statements

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

	December 31, 2023	December 31, 2022
Equity investments at fair value through other comprehensive income:		
Domestic listed stocks	\$ 876,896	796,388

(i) Equity investments at fair value through other comprehensive income

The Company designated the investments shown above as equity securities at fair value through other comprehensive income because these equity securities represent those investments that the Company intends to hold for long-term strategic purposes.

There were no disposals of strategic investments and transfers of any cumulative gain or loss within equity relating to these investments as of December 31, 2023 and 2022.

(ii) For equity price risk and fair value information, please refer to Note (6)(u).

(iii) The aforesaid financial assets were not pledged as collateral.

(d) Financial assets at amortised cost

	December 31, 2023	December 31, 2022
Investments in debt instruments	\$ 230,000	-

(i) Investments in debt instruments measured at amortized cost

The Company has assessed that these financial assets are held to maturity to collect contractual cash flows, which consist solely of payments of principal and interest on principal amount outstanding. Therefore, these investments were classified as financial assets measured at amortized cost.

(ii) The Company purchased a corporate bond issued by Fubon Life Insurance Co., Ltd. in September 2023, with a face value of \$90,000, The bond's coupon rate and effective interest rate were both 3.70%.

(iii) The Company purchased corporate bonds issued by Shin Kong Life Insurance Co., Ltd., and Nan Shan Life Insurance Co., Ltd. in October 2023, with face value of \$50,000 and \$90,000, respectively, the bond's coupon rates were the same as effective interest rates which were 4.00% and 3.75%, respectively.

(iv) For fair value information, please refer to Note (6)(u).

(v) The aforesaid financial assets were not pledged as collateral.

(Continued)

QUANTA STORAGE INC.
Notes to the Financial Statements

(e) Accounts receivable and notes receivables

	December 31, 2023	December 31, 2022
Notes receivable from non-operating activities	\$ -	21,012
Accounts receivable—measured as amortized cost	2,067,026	1,815,087
Accounts receivable—fair value through other comprehensive income	109,523	684,976
Less: Loss allowance	(31)	(21,338)
	\$ 2,176,518	2,499,737

The Company has assessed a portion of its accounts receivable that was held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; therefore, such accounts receivable were measured at fair value through other comprehensive income.

The Company applies the simplified approach to provide for its expected credit losses, i.e. the use of lifetime expected loss provision for all receivables. To measure the expected credit losses and accounts receivable have been grouped based on shared credit risk characteristics and the days past due, as well as incorporated forward looking information. The analysis of expected credit losses on accounts receivable was as follows:

December 31, 2023			
	Gross carrying amount	Weighted- average loss rate	Loss allowance provision
Current	\$ 1,997,465	0%	-
1 to 90 days past due	178,930	0%	-
More than 91 days past due	154	1%	31
	\$ 2,176,549		31
December 31, 2022			
	Gross carrying amount	Weighted- average loss rate	Loss allowance provision
Current	\$ 2,032,169	0~1%	-
1 to 90 days past due	487,892	0~10%	21,290
More than 91 days past due	1,014	11~100%	48
	\$ 2,521,075		21,338

(Continued)

QUANTA STORAGE INC.
Notes to the Financial Statements

The movement in the allowance for accounts receivable was as follows:

	For the years ended December 31,	
	2023	2022
Balance at January 1	\$ 21,338	21,338
Impairment losses reversed	(21,307)	-
Balance at December 31	<u>\$ 31</u>	<u>21,338</u>

As of December 31, 2023 and 2022, the Company's other receivables amounted to \$116,554 and \$188,003 respectively, primarily comprising interest receivable and materials purchased on behalf of related parties. As the amount overdue was not material, no impairment was recognized after assessment.

The Company entered into non-recourse factoring agreements with different financial institutions to sell its accounts receivables. Under the agreements, the Company does not have the responsibility to assume the default risk of the transferred accounts receivables, which meets the requirement for derecognition of financial assets. As of the reporting date, the factored and unexpired accounts receivables were as follows:

December 31, 2023						
Purchaser	Derecognized Amount	Credit Unused	Amount advanced	Amount recognized in other receivables	Range of interest rates	Significant transferring terms
Financial institution	\$ -	USD 3,567	-	-	-	None

December 31, 2022						
Purchaser	Derecognized Amount	Credit Unused	Amount advanced	Amount recognized in other receivables	Range of interest rates	Significant transferring terms
Financial institution	\$ -	USD 22,305	-	-	-	None

(f) Inventories

	December 31, 2023	December 31, 2022
Raw materials	\$ 692	78
Finished goods	80	-
	<u>\$ 772</u>	<u>78</u>

For the years ended December 31, 2023 and 2022, the details of cost of goods sold were as follows:

	For the years ended December 31,	
	2023	2022
Cost of goods sold	<u>\$ 7,585,653</u>	<u>9,454,822</u>

(Continued)

QUANTA STORAGE INC.
Notes to the Financial Statements

The aforesaid inventories were not pledged as collateral.

(g) Investments accounted for using equity method

A summary of the Company's financial information for investments accounted for using the equity method at the reporting date was as follows:

	December 31, 2023	December 31, 2022
Subsidiaries	\$ 5,432,459	6,706,159
Associates	21,792	21,941
	<u>\$ 5,454,251</u>	<u>6,728,100</u>

(i) Subsidiaries

Quanta Storage International Ltd. (CAYMAN) had been capital reduction and returned investment Funds \$891,216 back to the Company on October 18, 2022.

Quanta Storage International Ltd. (CAYMAN) had been approved by the Board of Directors on April 7, 2023, May 11, 2023 and October 18, 2023 to distribute earnings to the Company, totaling \$1,547,203, of which \$1,429,393 had been repatriated.

Please refer to the consolidated financial statements for other related information.

(ii) Associates

The Company's financial information for investments accounted for using equity method that are individually insignificant was as follows:

	December 31, 2023	December 31, 2022
Carrying amount of individually insignificant associates' equity	\$ <u>21,792</u>	<u>21,941</u>
	<u>For the years ended December 31,</u>	
	<u>2023</u>	<u>2022</u>
Attributable to the Company:		
Losses from continuing operation	\$ <u>(149)</u>	<u>(7,570)</u>

The Company had no contingent liability assumed jointly with other investors or severally from associates' liabilities.

(iii) Pledges

The aforesaid investments accounted for using the equity method were not pledged as collateral.

(Continued)

QUANTA STORAGE INC.
Notes to the Financial Statements

(h) Property, plant and equipment

The cost, depreciation, and impairment of the property, plant and equipment of the Company were as follows:

	<u>Land</u>	<u>Equipment</u>	<u>Equipment under acceptance</u>	<u>Office and miscellaneous equipment</u>	<u>Lease improvements</u>	<u>Construction in progress</u>	<u>Total</u>
Cost or deemed cost:							
Balance at January 1, 2023	\$ 466,506	1,311	57,637	24,019	12,268	18,350	580,091
Additions	-	-	6,016	170	155	7,933	14,274
Disposal and obsolescence	-	-	(484)	(2,195)	-	-	(2,679)
Balance at December 31, 2023	<u>\$ 466,506</u>	<u>1,311</u>	<u>63,169</u>	<u>21,994</u>	<u>12,423</u>	<u>26,283</u>	<u>591,686</u>
Balance at January 1, 2022	\$ 466,506	1,311	44,228	21,674	1,367	14,840	549,926
Additions	-	-	17,273	3,713	11,786	3,510	36,282
Disposal and obsolescence	-	-	(3,864)	(1,368)	(885)	-	(6,117)
Balance at December 31, 2022	<u>\$ 466,506</u>	<u>1,311</u>	<u>57,637</u>	<u>24,019</u>	<u>12,268</u>	<u>18,350</u>	<u>580,091</u>
Depreciation and impairments loss:							
Balance at January 1, 2023	\$ -	914	37,258	19,530	1,929	-	59,631
Depreciation for the year	-	282	6,069	1,530	2,975	-	10,856
Disposal and obsolescence	-	-	(484)	(2,195)	-	-	(2,679)
Balance at December 31, 2023	<u>\$ -</u>	<u>1,196</u>	<u>42,843</u>	<u>18,865</u>	<u>4,904</u>	<u>-</u>	<u>67,808</u>
Balance at January 1, 2022	\$ -	553	37,718	19,629	1,070	-	58,970
Depreciation for the year	-	361	3,404	1,269	1,744	-	6,778
Disposal and obsolescence	-	-	(3,864)	(1,368)	(885)	-	(6,117)
Balance at December 31, 2022	<u>\$ -</u>	<u>914</u>	<u>37,258</u>	<u>19,530</u>	<u>1,929</u>	<u>-</u>	<u>59,631</u>
Carrying value:							
Balance at December 31, 2023	<u>\$ 466,506</u>	<u>115</u>	<u>20,326</u>	<u>3,129</u>	<u>7,519</u>	<u>26,283</u>	<u>523,878</u>
Balance at January 1, 2022	<u>\$ 466,506</u>	<u>758</u>	<u>6,510</u>	<u>2,045</u>	<u>297</u>	<u>14,840</u>	<u>490,956</u>
Balance at December 31, 2022	<u>\$ 466,506</u>	<u>397</u>	<u>20,379</u>	<u>4,489</u>	<u>10,339</u>	<u>18,350</u>	<u>520,460</u>

For the purpose of constructing the office building and research and development center of the headquarter, the Company purchased land and building in Guishan District, Taoyuan City from the parent company, Quanta Computer Inc. The cost of acquisition was \$466,506 and \$14,840, and accounted as Land and Construction in progress, respectively. As of December 31, 2022, the Company has fully paid and transferred the ownership. Please refer to Note (9)(a) for details of significant unrecognized contractual commitments associated with the aquisition of property, plant and equipment.

(i) Collateral

As of December 31, 2023 and 2022, the aforesaid property, plant and equipment were not pledged as collateral.

(ii) Capitalization of interest

As of December 31, 2023 and 2022, no interests shall be capitalized.

(Continued)

QUANTA STORAGE INC.
Notes to the Financial Statements

(i) Right-of-use assets

The cost, depreciation, and impairment of the leased land and buildings of the Company were as follows:

	Buildings
Cost:	
Balance as of January 1, 2023	\$ 70,591
Additions	<u>2,005</u>
Balance as of December 31, 2023	<u>\$ 72,596</u>
Balance as of January 1, 2022	\$ 46,799
Additions	70,591
Disposal/Write-off	<u>(46,799)</u>
Balance as of December 31, 2022	<u>\$ 70,591</u>
Accumulated depreciation and impairment losses:	
Balance as of January 1, 2023	\$ 9,804
Depreciation for the year	<u>23,631</u>
Balance as of December 31, 2023	<u>\$ 33,435</u>
Balance as of January 1, 2022	\$ 2,496
Depreciation for the year	18,540
Disposal/Write-off	<u>(11,232)</u>
Balance as of December 31, 2022	<u>\$ 9,804</u>
Carrying amount:	
Balance at December 31, 2023	<u>\$ 39,161</u>
Balance at January 1, 2022	<u>\$ 44,303</u>
Balance at December 31, 2022	<u>\$ 60,787</u>

(Continued)

QUANTA STORAGE INC.
Notes to the Financial Statements

(j) Intangible assets

The cost, amortization and impairment of the intangible assets of the Company were as follows:

	<u>Software</u>	<u>Others</u>	<u>Total</u>
Cost:			
Balance at January 1, 2023	\$ 15,254	6,033	21,287
Additions	7,840	1,266	9,106
Disposal and obsolescence	<u>(10,659)</u>	<u>(6,033)</u>	<u>(16,692)</u>
Balance at December 31, 2023	<u>\$ 12,435</u>	<u>1,266</u>	<u>13,701</u>
Balance at January 1, 2022	\$ 16,675	7,161	23,836
Additions	7,170	1,185	8,355
Disposal and obsolescence	<u>(8,591)</u>	<u>(2,313)</u>	<u>(10,904)</u>
Balance at December 31, 2022	<u>\$ 15,254</u>	<u>6,033</u>	<u>21,287</u>
Accumulated amortization and impairment losses:			
Balance at January 1, 2023	\$ 8,881	4,722	13,603
Amortization for the year	7,872	1,477	9,349
Disposal and obsolescence	<u>(10,659)</u>	<u>(6,033)</u>	<u>(16,692)</u>
Balance at December 31, 2023	<u>\$ 6,094</u>	<u>166</u>	<u>6,260</u>
Balance at January 1, 2022	\$ 9,719	4,072	13,791
Amortization for the year	7,753	2,963	10,716
Disposal and obsolescence	<u>(8,591)</u>	<u>(2,313)</u>	<u>(10,904)</u>
Balance at December 31, 2022	<u>\$ 8,881</u>	<u>4,722</u>	<u>13,603</u>
Carrying value:			
Balance at December 31, 2023	<u>\$ 6,341</u>	<u>1,100</u>	<u>7,441</u>
Balance at January 1, 2022	<u>\$ 6,956</u>	<u>3,089</u>	<u>10,045</u>
Balance at December 31, 2022	<u>\$ 6,373</u>	<u>1,311</u>	<u>7,684</u>

(i) Amortization recognized

The amortization of intangible assets is included in the statement of comprehensive income:

	<u>For the years ended December 31,</u>	
	<u>2023</u>	<u>2022</u>
Operating expenses	<u>\$ 9,349</u>	<u>10,716</u>

(Continued)

QUANTA STORAGE INC.
Notes to the Financial Statements

(k) Other current financial assets

The Company's other current financial assets are detailed as follows:

	December 31, 2023	December 31, 2022
Time deposits over three months	\$ <u>67,960</u>	<u>335,440</u>

The aforesaid financial assets were not pledged as collateral.

(l) Lease liabilities

The carrying amounts of the Company's lease liabilities were as follows:

	December 31, 2023	December 31, 2022
Current	\$ <u>24,043</u>	<u>23,331</u>
Non-current	\$ <u>15,510</u>	<u>37,638</u>

For the maturities analysis, please refer to Note (6)(u).

The amounts recognized in profit or loss were as follows:

	For the years ended December 31,	
	2023	2022
Interest expenses on lease liabilities	\$ <u>720</u>	<u>729</u>
Expenses relating to short-term leases	\$ <u>-</u>	<u>86</u>

The amounts recognized in the statement of cash flows for the Company was as follows:

	For the years ended December 31,	
	2023	2022
Total cash outflow for leases	\$ <u>24,141</u>	<u>19,034</u>

(i) Building and construction

The Company leases land and buildings for its office and plant space. The leases typically run for a period of 3 to 5 years. Some leases include an option to renew the lease for an additional period of the same duration at the end of the contract term.

(ii) Other leases

The Company also leases office equipment, which are short-term or low-value items. The Company has elected not to recognize right-of-use assets and lease liabilities for these leases.

(Continued)

QUANTA STORAGE INC.
Notes to the Financial Statements

(m) Provisions

	<u>Current provisions</u>
Balance at January 1, 2023	\$ 233,817
Effect of movement in exchange rates	<u>9,004</u>
Balance at December 31, 2023	<u>\$ 242,821</u>
Balance at January 1, 2022	\$ 223,813
Effect of movement in exchange rates	<u>10,004</u>
Balance at December 31, 2022	<u>\$ 233,817</u>

The provisions of the Company was for litigations. Please refer to Note (9) for related informations.

(n) Employee benefits

(i) Defined benefit plans

The Company makes defined benefit plan contributions to the pension fund account with Bank of Taiwan that provides pensions for employees upon retirement. Plans (covered by the Labor Standards Law) entitle a retired employee to receive retirement benefits based on years of service and average monthly salary for the six months prior to retirement.

1) Composition of plan assets

The Company allocates pension funds in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, and such funds are managed by the Bureau of Labor Funds, Ministry of Labor. With regard to the utilization of the funds, minimum earnings shall be no less than the earnings attainable from two-year time deposits with interest rates offered by local banks.

In 2022, the Company closed the account for labor pension reserve pursuant to relevant regulations, and the pension reserve deposits have been fully withdrawn in the same year. As some of the Company's staff were transferred to Techman Robot Inc., a subsidiary, their pensions amounting to \$41,430 thousand were paid to Techman Robot Inc. by the Company.

(Continued)

QUANTA STORAGE INC.
Notes to the Financial Statements

2) Movements of defined benefit plan assets

The movements in the fair value of the defined benefit plan assets were as follows:

	For the years ended December 31,	
	2023	2022
Fair value of plan assets at January 1	\$ -	45,333
Interest income	-	317
Remeasurements of net defined benefit liabilities (assets)		
— Return on plan assets (excluding current interest)	-	3,802
Settle and withdraw by the plan	-	(49,452)
Fair value of plan assets at December 31	<u>\$ -</u>	<u>-</u>

3) Benefit recognized in profit or loss

The expenses recognized in profit or loss of the Company were as follows:

	For the years ended December 31,	
	2023	2022
Net interest of net defined benefit assets	<u>\$ -</u>	<u>(317)</u>
Operating cost	-	(13)
Selling expenses	-	(71)
General and administrative expenses	-	(75)
Research and development expenses	-	(158)
	<u>\$ -</u>	<u>(317)</u>

4) Actuarial assumptions

The principal actuarial assumptions at the reporting date were as follows:

	December 31,		December 31,
	2023		2022
Discount rate	-	%	1.25 %
Future salary increase rate	-	%	2.50 %

(Continued)

QUANTA STORAGE INC.
Notes to the Financial Statements

(ii) Defined contribution plans

The Company allocates 6% of each employee's monthly wages to the labor pension personal account at the Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act. Under these defined contribution plans, the Company allocates a fixed amount to the Bureau of Labor Insurance without additional legal or constructive obligation.

The pension costs incurred from the contributions to the Bureau of the Labor Insurance amounted to \$12,843 and \$10,761 for the years ended December 31, 2023 and 2022, respectively.

(o) Income taxes

(i) Income tax expense

The components of income tax in the years 2023 and 2022 were as follows:

	For the years ended December 31,	
	2023	2022
Current income tax expense:		
Current period	\$ 454,282	215,640
Adjustment for prior periods	(14,844)	(9,424)
	<u>439,438</u>	<u>206,216</u>
Deferred tax expense:		
Temporary differences	(202,853)	33,315
Income tax expense from continuing operations	<u>\$ 236,585</u>	<u>239,531</u>

Reconciliation of income tax and profit before tax for 2023 and 2022 is as follows:

	For the years ended December 31,	
	2023	2022
Profit excluding income tax	<u>\$ 1,348,648</u>	<u>1,328,606</u>
Income tax using the Company's domestic tax rate	\$ 269,730	265,721
Withholding tax on overseas income	(117,811)	-
Tax-exempt income	(9,934)	(7,497)
Permanent differences	(2,278)	(20,695)
Changes in temporary differences	89,353	(3,538)
Additional income tax on unappropriated earnings	22,369	14,964
Overestimate of income tax in prior periods	(14,844)	(9,424)
Income tax expense	<u>\$ 236,585</u>	<u>239,531</u>

(Continued)

QUANTA STORAGE INC.
Notes to the Financial Statements

(ii) Deferred Tax Assets and Liabilities

1) Recognized deferred tax assets and liabilities

Changes in deferred tax assets and liabilities were as follows:

	Unrealized investment profit (loss)	Others	Total
Deferred Tax Liabilities:			
Balance at January 1, 2023	\$ 376,885	482	377,367
Recognized in profit or loss	(191,635)	1,163	(190,472)
Balance at December 31, 2023	<u>\$ 185,250</u>	<u>1,645</u>	<u>186,895</u>
Balance at January 1, 2022	\$ 317,028	258	317,286
Recognized in profit or loss	59,857	224	60,081
Balance at December 31, 2022	<u>\$ 376,885</u>	<u>482</u>	<u>377,367</u>
Deferred Tax Assets:			
	Unrealized Expenses	Others	Total
Balance at January 1, 2023	\$ 134,368	25,096	159,464
Recognized in profit or loss	(1,992)	14,373	12,381
Balance at December 31, 2023	<u>\$ 132,376</u>	<u>39,469</u>	<u>171,845</u>
Balance at January 1, 2022	\$ 109,872	22,826	132,698
Recognized in profit or loss	24,496	2,270	26,766
Balance at December 31, 2022	<u>\$ 134,368</u>	<u>25,096</u>	<u>159,464</u>

(iii) Assessment of tax

The Company's tax returns for the years through 2021 were assessed and approved by the Tax Authority.

(p) Capital and other equity

As of December 31, 2023 and 2022, the number of authorized ordinary shares were 278,359 thousand shares with par value of \$10 per share. The total value of authorized ordinary shares was amounted to \$2,783,589. All issued shares were paid up upon issuance.

(Continued)

QUANTA STORAGE INC.
Notes to the Financial Statements

(i) Capital surplus

The components of capital surplus were as follows :

	December 31, 2023	December 31, 2022
Additional paid-in capital	\$ 1,343,102	1,482,281
Changes in ownership interests in subsidiaries	405,400	405,400
Others	473	459
	\$ 1,748,975	1,888,140

According to the R.O.C. Company Act, capital surplus can only be used to offset a deficit, and only the realized capital surplus can be used to increase the common stock or be distributed as cash dividends. Capital surplus included the income was derived from the issuance of new shares at a premium and income from the endowments received by the Company. In accordance with the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, the amount of capital reserves to be reclassified under share capital shall not exceed 10 percent of the actual share capital amount.

(ii) Retained earnings

The Company's article of incorporation stipulates that Company's net earnings should first be used to offset prior years' deficits, if any, before paying any income taxes. Of the remaining balance, 10% is to be appropriated as legal reserve, unless the amount in the legal reserve has already reached the total paid-in capital. In addition, special reserve shall be appropriated according to related regulations and the Company's operating needs, after which any remaining profit, together with any undistributed retained earnings, shall be distributed according to the distribution plan proposed by the Board of Directors and submitted to the stockholders' meeting for approval.

The Company, taking into consideration long-term financial planning and demand for capital, adopted a residual dividend policy. The retained earnings are set aside for the demand in capital, after which the remainder is distributed as cash dividends, wherein the annual distribution of cash dividends shall be no less than 50 percent of the total dividends appropriated. The Company's dividend policy was formulated by the Board of Directors considering factors such as the Company's operation and investment planning, the budget for capital expenditure, and changes in the internal and external context.

(Continued)

QUANTA STORAGE INC.
Notes to the Financial Statements

The Company distributes its earnings in cash and distributes the aggregate or a portion of the legal reserve and the capital surplus to shareholders in cash in proportion to shareholdings pursuant to Article 241(i) of the Company Act, before which a resolution has to be made during a board meeting attended by at least two-thirds of the total number of directors. Aside from that, such distribution shall be reported to the shareholders' meeting.

1) Legal reserve

When a company incurs no loss, it may, pursuant to a resolution by a shareholders' meeting, distribute its legal reserve by issuing new shares or by distributing cash, and only the portion of legal reserve which exceeds 25% of capital may be distributed.

2) Special reserve

In accordance with Ruling issued by the FSC, a portion of current-period earnings and undistributed prior-period earnings shall be reclassified as a special earnings reserve during earnings distribution. The amount to be reclassified should equal the current-period total net reduction of other shareholders' equity and the balance of the special surplus reserve mentioned in the preceding paragraph. Similarly, a portion of undistributed prior period earnings shall be reclassified as a special earnings reserve (and does not qualify for earnings distribution) to account for cumulative changes to other shareholders' equity pertaining to prior periods. Amounts of subsequent reversals pertaining to the net reduction of other shareholders' equity shall qualify for additional distributions.

3) Earnings distribution

The amounts of cash dividends on the appropriations of earnings for 2022 and 2021 had been approved during the Board of Directors on March 15, 2023 and March 18, 2022, respectively. The relevant dividend distributions to shareholders were as follows:

	For the years ended December 31,			
	2022		2021	
	Dividend per share (TWD)	Amount	Dividend per share (TWD)	Amount
Dividends distributed to ordinary shareholders:				
Earnings distribution	\$ 2.70	751,569	2.30	640,225
Capital surplus, additional paid-in capital	0.50	<u>139,179</u>	0.50	<u>139,179</u>
Total		<u>\$ 890,748</u>		<u>779,404</u>

(Continued)

QUANTA STORAGE INC.
Notes to the Financial Statements

(iii) Other equity interest after tax

	<u>Exchange differences on translation of foreign financial statement</u>	<u>Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income</u>
Balance at January 1, 2023	\$ (69,750)	(83,029)
Exchange differences on foreign operations	(27,531)	-
Differences on subsidiaries accounted for using equity method	(390)	(46)
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	-	80,508
Balance at December 31, 2023	<u>\$ (97,671)</u>	<u>(2,567)</u>
Balance at January 1, 2022	\$ (303,142)	(64,991)
Exchange differences on foreign operations	233,392	-
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	-	(18,038)
Balance at December 31, 2022	<u>\$ (69,750)</u>	<u>(83,029)</u>

(q) Earnings per share

(i) Basic earnings per share

1) Profit attributable to ordinary shareholders of the Company

	<u>For the years ended December 31,</u>	
	<u>2023</u>	<u>2022</u>
Profit attributable to ordinary shareholders	<u>\$ 1,112,063</u>	<u>1,089,075</u>

2) Weighted average number of ordinary shares

	<u>For the years ended December 31,</u>	
	<u>2023</u>	<u>2022</u>
Weighted average number of ordinary shares	<u>278,359</u>	<u>278,359</u>

(ii) Diluted earnings per share

1) Profit attributable to ordinary shareholders of the Company

	<u>For the years ended December 31,</u>	
	<u>2023</u>	<u>2022</u>
Profit attributable to ordinary shareholders	<u>\$ 1,112,063</u>	<u>1,089,075</u>

(Continued)

QUANTA STORAGE INC.
Notes to the Financial Statements

2) Weighted average number of ordinary shares (diluted)

	For the years ended December 31,	
	2023	2022
Weighted average number of ordinary shares outstanding (basic)	278,359	278,359
Effect of employee stock bonus	1,357	2,695
Weighted average number of ordinary shares (diluted)	279,716	281,054

(r) Revenue from contracts with customers

(i) Disaggregation of revenue

	For the years ended December 31,	
	2023	2022
Primary geographical markets:		
Mainland China	\$ 4,464,762	3,517,241
Thailand	1,759,325	2,090,363
United States	1,492,113	2,081,635
Korea	557,322	755,341
Netherlands	225,130	530,722
Japan	126,991	396,642
Other countries	527,124	1,428,761
	\$ 9,152,767	10,800,705
Major products/service lines:		
Sales of merchandise (storage devices)	\$ 9,009,475	10,579,477
Rendering of Services	143,292	221,228
	\$ 9,152,767	10,800,705

(ii) Contract balances

	December 31, 2023	December 31, 2022	December 31, 2022
Contract liabilities	\$ 370,382	261,905	255,679

The major change in the balance of contract liabilities is the difference between the time frame in the performance obligation to be satisfied and the payment to be received.

The amount of revenue recognized for the years ended December 31, 2023 and 2022 that was included in the contract liability balance at the beginning of the period were \$66,368 and \$91,077, respectively.

(Continued)

QUANTA STORAGE INC.
Notes to the Financial Statements

For details on notes and accounts receivables and allowance for impairment, please refer to Note (6)(e).

(s) Remuneration to employees and directors

In accordance with the Articles of Incorporation, the Company should contribute no less than 5% of the profit as employee remuneration and less than 3% as directors' remuneration when there is profit for the year. However, if the Company has accumulated deficits, the profit should be reserved to offset the deficit. The recipients of shares and cash may include employees of the Company's affiliated companies who meet certain conditions.

For the years ended December 31, 2023 and 2022, the Company estimated its employee remuneration amounting to \$85,914 and \$103,634, respectively. The estimated amounts mentioned above are calculated based on the net profit before tax, excluding the remuneration to employees of each period, multiplied by the percentage of remuneration to employees and directors as specified in the Articles of Incorporation. These remunerations were expensed under operating costs or operating expenses during 2023 and 2022. Any differences between the amounts actually paid and the amount previously estimated would be treated as a change in accounting estimate, and recognized as profit or loss in the next year. Related information would be available at the Market Observation Post System website.

The amount of employee remuneration of 2023 and 2022 resolved by the Board of Directors was identical to that of the estimation in the statement.

(t) Non-operating income and expenses

(i) Interest income

The details of the Company's interest income were as follows:

	For the years ended December 31,	
	2023	2022
Interest income from bank deposits	\$ 51,853	11,821
Other interest income	2,115	505
Total Interest income	\$ 53,968	12,326

(ii) Other income

The details of the Company's other income were as follows:

	For the years ended December 31,	
	2023	2022
Rent income	\$ -	10,250
Dividend income	35,942	35,698
Compensation income	-	10,650
Other income	4,534	7,593
	\$ 40,476	64,191

(Continued)

QUANTA STORAGE INC.
Notes to the Financial Statements

(iii) Other gains and losses

The details of the Company's other gains and losses were as follows:

	For the years ended December 31,	
	2023	2022
Foreign exchange (losses) gains	\$ (8,685)	82,652
Gains from financial assets at fair value through profit or loss	56,782	74,363
Others	(8)	811
	<u>\$ 48,089</u>	<u>157,826</u>

(iv) Finance costs

The details of the Company's finance costs were as follows:

	For the years ended December 31,	
	2023	2022
Interest expense	<u>\$ 720</u>	<u>1,609</u>

(u) Financial instruments

(i) Credit risk exposure

The carrying amount of financial assets represents the maximum amount exposed to credit risk. As of December 31, 2023 and 2022, the maximum amounts of credit risk exposure were to \$7,431,410 and \$5,791,125, respectively.

As of December 31, 2023 and 2022, the accounts receivable from three of the Company's major customers amounted to \$1,843,320 and \$1,596,408, respectively, representing 85% and 64% of accounts receivable. Thus, credit risk is significantly centralized.

(ii) Liquidity risk

The following table shows the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements.

	Carrying amount	Contractual cash flows	Less than 6 months	6 to 12 months	1 to 2 years	2 to 5 years	More than 5 years
December 31, 2023							
Non derivative financial liabilities							
Accounts payable	\$ 2,316,698	2,316,698	2,316,698	-	-	-	-
Other payables	627,321	627,321	627,321	-	-	-	-
Lease liabilities	39,553	40,155	12,237	12,237	14,461	1,220	-
Derivative financial liabilities							
Foreign currency forward contract							
Outflow	26,496	26,496	26,496	-	-	-	-
Inflow	(22,693)	(22,693)	(22,693)	-	-	-	-
	<u>\$ 2,987,375</u>	<u>2,987,977</u>	<u>2,960,059</u>	<u>12,237</u>	<u>14,461</u>	<u>1,220</u>	<u>-</u>

(Continued)

QUANTA STORAGE INC.
Notes to the Financial Statements

	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>Less than 6 months</u>	<u>6 to 12 months</u>	<u>1 to 2 years</u>	<u>2 to 5 years</u>	<u>More than 5 years</u>
December 31, 2022							
Non derivative financial liabilities							
Accounts payable	\$ 2,297,614	2,297,614	2,297,614	-	-	-	-
Other payables	661,715	661,715	661,715	-	-	-	-
Lease liabilities	<u>60,969</u>	<u>62,079</u>	<u>12,015</u>	<u>12,015</u>	<u>24,031</u>	<u>14,018</u>	-
	<u>\$ 3,020,298</u>	<u>3,021,408</u>	<u>2,971,344</u>	<u>12,015</u>	<u>24,031</u>	<u>14,018</u>	-

The Company does not expect the cash flows included in the maturity analysis to occur significantly earlier or at significantly different amounts.

(iii) Currency risks

1) Exposure to foreign currency risks

The Company's significant exposure to foreign currency risk was as follows:

	<u>December 31, 2023</u>			<u>December 31, 2022</u>		
	<u>Foreign currency (In thousands)</u>	<u>Exchange rate</u>	<u>TWD</u>	<u>Foreign currency (In thousands)</u>	<u>Exchange rate</u>	<u>TWD</u>
<u>Financial assets</u>						
<u>Monetary items</u>						
USD	\$ 104,209	30.705	3,199,724	111,393	30.71	3,420,882
EUR	7,161	33.98	243,345	4,084	32.72	133,644
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD	81,391	30.705	2,499,102	79,557	30.71	2,443,190
EUR	7,146	33.98	242,821	7,146	32.72	233,817

2) Sensitivity analysis

The Company's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, accounts receivables and other receivables that are denominated in foreign currency. A strengthening (weakening) of 5% of the TWD against USD as of December 31, 2023 and 2022, would have increased (decreased) the net profit after tax by \$28,046 and \$35,101, respectively. The analysis is performed on the same basis for both period.

3) Foreign exchange gains and losses on monetary items

Since the Company has many kinds of functional currency, the information on foreign exchange gains (losses) on monetary items is disclosed by total amount. For years 2023 and 2022, foreign exchange gains (losses) (including realized and unrealized portions) amounted to losses \$8,685 and gains \$82,652, respectively.

(Continued)

QUANTA STORAGE INC.
Notes to the Financial Statements

(iv) Interest rate analysis

Please refer to the notes on liquidity risk management and interest rate exposure of the Company's financial assets and liabilities.

The following sensitivity analysis is based on the exposure to the interest rate risk of derivative and non-derivative financial instruments on the reporting date. Regarding liabilities with variable interest rates, the analysis is based on the assumption that the amount of liabilities outstanding at the reporting date was outstanding throughout the year. The rate of change is expressed as the interest rate increases or decreases by 5 basis points when reporting to management internally, which also represents the Company management's assessment of on the reasonably possible interest rate change.

There were no borrowing with variable rate for the year ended December 31, 2023 and 2022.

(v) Other market price risk

If the equity price changes, and if it is based on the same basis for both years and assumes that all other variables remain the same, the impact to comprehensive income will be as follows:

Securities price at the reporting date	For the years ended December 31,			
	2023		2022	
	Other comprehensive income after tax	Net income	Other comprehensive income after tax	Net income
Stock, equity certificate and debt instruments - Increasing 7%	\$ <u>61,383</u>	<u>1,442</u>	<u>55,747</u>	<u>-</u>
Stock, equity certificate and debt instruments - Decreasing 7%	\$ <u>(61,383)</u>	<u>(1,442)</u>	<u>(55,747)</u>	<u>-</u>
Beneficiary certificate—Increasing 1%	\$ <u>-</u>	<u>26,438</u>	<u>-</u>	<u>11,167</u>
Beneficiary certificate—Decreasing 1%	\$ <u>-</u>	<u>(26,438)</u>	<u>-</u>	<u>(11,167)</u>

(vi) Fair value information

1) Categories of financial instruments and fair value hierarchy

The fair value of financial assets and liabilities at fair value through profit or loss, financial instruments used for non-hedging, and financial assets at fair value through other comprehensive income is measured on a recurring basis. The carrying amount and fair value of the Company's financial assets and liabilities, including the information on fair value hierarchy were as follows; however, except as described in the following paragraphs, for financial instruments not measured at fair value whose carrying amount is reasonably close to fair value, and lease liabilities, disclosure of fair value information is not required:

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QUANTA STORAGE INC.
Notes to the Financial Statements

	December 31, 2023				
	Book Value	Fair Value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss					
Mandatorily measured at fair value through profit or loss	\$ 2,664,377	2,664,377	-	-	2,664,377
Financial assets at fair value through other comprehensive income					
Domestic listed stocks	876,896	876,896	-	-	876,896
Accounts receivable	109,523	-	-	-	-
Subtotal	986,419	876,896	-	-	876,896
Financial assets at amortized cost					
Cash and cash equivalents	1,293,254	-	-	-	-
Notes and accounts receivable	2,066,995	-	-	-	-
Other Receivables	116,554	-	-	-	-
Other financial assets	73,811	-	-	-	-
Investments in debt instruments	230,000	-	268,782	-	268,782
Subtotal	3,780,614	-	268,782	-	268,782
Total	\$ 7,431,410	3,541,273	268,782	-	3,810,055
Financial liabilities at fair value through profit or loss					
Foreign currency forward contracts	\$ 3,803	-	3,803	-	3,803
Financial liabilities at amortized cost					
Accounts payable	2,316,698	-	-	-	-
Other payables	627,321	-	-	-	-
Lease liabilities	39,553	-	-	-	-
Subtotal	2,983,572	-	-	-	-
Total	\$ 2,987,375	-	3,803	-	3,803

(Continued)

QUANTA STORAGE INC.
Notes to the Financial Statements

	December 31, 2022				
	Book Value	Fair Value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss					
Mandatorily measured at fair value through profit or loss	\$ 1,116,736	1,116,736	-	-	1,116,736
Foreign currency forward contracts	1,237	-	1,237	-	1,237
Subtotal	<u>1,117,973</u>	<u>1,116,736</u>	<u>1,237</u>	<u>-</u>	<u>1,117,973</u>
Financial assets at fair value through other comprehensive income					
Domestic listed stocks	796,388	796,388	-	-	796,388
Accounts receivable	684,976	-	-	-	-
Subtotal	<u>1,481,364</u>	<u>796,388</u>	<u>-</u>	<u>-</u>	<u>796,388</u>
Financial assets at amortized cost					
Cash and cash equivalents	848,092	-	-	-	-
Notes and accounts receivable	1,814,761	-	-	-	-
Other Receivables	188,003	-	-	-	-
Other financial assets	340,932	-	-	-	-
Subtotal	<u>3,191,788</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 5,791,125</u>	<u>1,913,124</u>	<u>1,237</u>	<u>-</u>	<u>1,914,361</u>
Financial liabilities at amortized cost					
Accounts payable	\$ 2,297,614	-	-	-	-
Other payables	661,715	-	-	-	-
Lease liabilities	60,969	-	-	-	-
Total	<u>\$ 3,020,298</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

(Continued)

QUANTA STORAGE INC.
Notes to the Financial Statements

2) Valuation techniques for financial instruments not measured at fair value

The Company's financial liabilities measured at amortized cost

If there is quoted price generated by transactions, the recent transaction price and quoted price data is used as the basis for fair value measurement.

3) Valuation techniques for financial instruments measured at fair value

a) Non-derivative financial instruments

Fair value measurement of financial instruments was based on quoted market prices if these prices were available in an active market. The fair value of listed equity instruments and debt instruments with actively traded market quotations publicly available are based on the market prices that were published at main stock exchanges and announced by the TPEx for bonds determined to be popular securities.

A financial instrument is regarded as being quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's-length basis. Whether transactions are taking place 'regularly' is a matter of judgment and depends on the facts and circumstances of the market for the instrument.

Quoted market prices may not be indicative of the fair value of an instrument if the activity in the market is infrequent, the market is not well-established, only small volumes are traded, or bid-ask spreads are very wide. Determining whether a market is active involves judgment.

The categories and nature of the fair value for the Company's financial instruments which have active market are presented as follows:

Open-end funds, listed stock, and debt instruments with quoted market price are financial assets which had standard terms and be traded in an active market. The fair value is determined by the market quoted prices respectively.

b) Derivative financial instruments

Fair value of forward currency is determined by the forward currency exchange rate.

4) Transfers between Level 1 and Level 2

There were no transfers in either direction in 2023 and 2022,

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QUANTA STORAGE INC.
Notes to the Financial Statements

(v) Financial risk management

(i) Overview

The Company has exposures to the following risks from its financial instruments:

- 1) credit risk
- 2) liquidity risk
- 3) market risk

The following discussed the information of risk exposure, objectives, policies and process of risk measurement and management of the Company. For more disclosures about the quantitative effects of these risk exposures, please refer to respective notes in the accompanying financial statements.

(ii) Structure of risk management

The Company's finance management department provides business services for the overall internal department. It sets the objectives, policies and processes for managing the risk and the methods used to measure the risk arising from both the domestic and international financial market operations. The Board of Directors regulated the use of derivative financial instruments in accordance with the Company's policy about risks arising from financial instruments such as currency risk, interest rate risk, credit risk, the use of derivative and non-derivative financial instruments and the investments of excess liquidity. The internal auditors of the Company continue with the review of the amount of the risk exposure in accordance with the Company's policies and the risk management policies and procedures. The Company has no transactions in financial instruments (including derivative financial instruments) for the purpose of speculation. The financial management department reports to the Board of Directors on a quarterly basis.

(iii) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or a counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers, time deposits and investments in securities.

1) Accounts receivable and other receivables

The Company's credit policy is transacting with creditworthy customers, and obtains collateral to mitigate risks arising from financial loss due to default. The Company assesses the ratings based on other publicly available financial information and transactions records with its major customers. The Company continues to monitor the exposure to credit risk and the credit rating of counterparties, and divide the total transaction amounts among all qualified customers, with management reviewing and approving annually the credit facilities of counterparties, so as to control credit risk exposure.

(Continued)

QUANTA STORAGE INC.
Notes to the Financial Statements

The Company's exposure to credit risk is mainly influenced by the condition of each customer. However, management also considers the demographics of the Company's customer base, including the default risk of the industry and the country in which customers operate, as these factors may have an influence on credit risk.

The Company continuously assesses the financial position of customers from whom the accounts receivable are due, ; if necessary, it also purchases credit guarantee insurance or requests advance sales receipts. Except for the Company's three largest customers, the Company does not have significant credit exposure to any single counterparty or any Company of counterparties with similar characteristics. Counterparties that are an associate to each other are defined by the Company as a counterparties with similar characteristics.

2) Investment

The credit risk exposure in the bank deposits, fixed income investments and other financial instruments are measured and monitored by the Company's finance department. As the Company only deals with banks with good credit rating as well as other external parties, corporate organizations, government agencies and financial institutions above investment grade, contract performance shall not be in significant doubt, hence no significant credit risk.

3) Guarantees

The Company's policy is to provide financial guarantees only to wholly owned subsidiaries. As of December 31, 2023 and 2022, the subsidiaries applied for credit lines of bank loans, the Company was required to provide letters of support for Techman Electronic (Thailand) Co., Ltd., stating the commitment to maintain the agreed percentage of ownership in the aforementioned associates.

(iv) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

In general, the Company aims to maintain the level of its cash and cash equivalents at an amount in excess of expected cash flows on operating expenses, including financial liabilities, over the succeeding 60 days. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. Besides, the Company's unused credit lines of bank loans amounted to NTD\$1,600,000 and USD\$75,000 as of December 31, 2023 and 2022, respectively.

(Continued)

QUANTA STORAGE INC.
Notes to the Financial Statements

(v) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices, will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

The Company buys and sells derivatives, and also incurs financial liabilities, in order to manage market risk. All such transactions are carried out within the guidelines set by the Risk Management Committee.

1) Currency risk

The Company is exposed to currency risk on sales, purchases, and borrowings that are denominated in a currency other than the respective functional currencies of the Company's entities, primarily the NTD, USD, and CNY. The currencies used in these transactions are the NTD, USD, CNY, and EUR.

Loan interest was denominated in the currency of the principal. The Company utilizes loans to hedge related currency risk; the gain or loss on foreign currency assets and liabilities arising from the movements in exchange rates will roughly offset each other, which is a natural hedge. This provided an economic hedge without derivatives being entered into. Therefore, hedge accounting was not applied in these circumstances.

2) Interest rate risk

The Company's exposure to changes in interest rates is mainly attributable to short-term and long-term loans at variable rates. Any change in interest rates will cause the effective interest rates of short-term and long-term loans to change and the future cash flows to fluctuate over time.

(w) Capital management

The Company's objectives for managing capital to safeguard the capacity to continue to operate, to continue to provide a return on shareholders, to maintain the interest of other related parties, and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may adjust the dividend payment to the shareholders, reduce the capital for redistribution to shareholders, issue new shares, or sell assets to settle any liabilities.

The Company and other entities in the same industry use the debt-to-equity ratio to manage capital. This ratio is the total net debt divided by the total capital. The net debt from the balance sheet is derived from the total liabilities less cash and cash equivalents. The total capital and equity include share capital, capital surplus, retained earnings, and other equity plus net debt.

(Continued)

QUANTA STORAGE INC.
Notes to the Financial Statements

The debt-to-equity ratios were as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Total liabilities	\$ 4,407,321	4,320,357
Less: cash and cash equivalents	<u>(1,293,254)</u>	<u>(848,092)</u>
Net debt	3,114,067	3,472,265
Total equity	<u>9,239,287</u>	<u>8,965,173</u>
Total capital	<u>\$ 12,353,354</u>	<u>12,437,438</u>
Debt to equity ratio	<u>25.21 %</u>	<u>27.92 %</u>

As of December 31, 2023, the Company's capital management has remained constant.

- (x) Investing and financing activities not affecting current cash flow

The Company's investing and financing activities which did not affect the current cash flow in the years ended December 31, 2023 and 2022, were as follows:

Reconciliation of liabilities arising from financing activities were as follows:

	<u>January 1, 2023</u>	<u>Cash flows</u>	<u>Non-cash changes</u>		<u>December 31, 2023</u>
			<u>Others</u>	<u>Changes in exchange rate</u>	
Lease liabilities	\$ <u>60,969</u>	<u>(23,421)</u>	<u>2,005</u>	<u>-</u>	<u>39,553</u>
			<u>Non-cash changes</u>		
	<u>January 1, 2022</u>	<u>Cash flows</u>	<u>Others</u>	<u>Changes in exchange rate</u>	<u>December 31, 2022</u>
Short-term borrowings	\$ 387,520	(387,520)	-	-	-
Lease liabilities	44,995	(18,219)	34,193	-	60,969
Total amount of liabilities arising from financing activities	<u>\$ 432,515</u>	<u>(405,739)</u>	<u>34,193</u>	<u>-</u>	<u>60,969</u>

(7) Related-party transactions:

- (a) Parent company and ultimate controlling company

Quanta Computer Inc. is both the parent company and the ultimate controlling party of the Group. It owns 29.77% percent of all shares outstanding of the Company and has issued the Consolidated Financial Statements Available for Public Use.

(Continued)

QUANTA STORAGE INC.
Notes to the Financial Statements

(b) Names and relationship with related parties

The followings are related parties that have had transactions with the Company during the periods covered in the financial statements:

<u>Name of related party</u>	<u>Relationship with the Company</u>
Quanta Computer Inc. (QCI)	Parent company
Quanta Storage International Ltd. (QSI (CAYMAN))	Subsidiary of the Company
Techman Electronics (Thailand) Co., Ltd. (TMT)	"
Techman Robot Inc.(TRI)	"
E-Forward Technology Ltd. (SAMOA) (E-Forward (SAMOA))	Subsidiary of QSI (CAYMAN)
Quanta Storage (BVI) Ltd. (QSL (BVI))	"
Quanta Storage Asia LTD. (QSA)	Subsidiary of E-Forward (SAMOA)
Quanta Storage Holding (HK) Ltd. (QHH)	Subsidiary of QSL (BVI)
Techman Electronic (HK)Limited(QIH)	"
Quanta Storage(Shanghai) Inc.(QSS)	Subsidiary of QHH
Techman Electronic (Changshu) Limited(Techman)	Subsidiary of QIH
EBN Technology Corporation (EBN)	Associate of the Company

(c) Significant transactions with related parties

(i) Sales

The amounts of significant sales by the Company to related parties were as follows:

	<u>For the years ended December 31,</u>	
	<u>2023</u>	<u>2022</u>
Other subsidiaries	<u>\$ 3,599</u>	<u>(384)</u>

Selling price of the aforementioned transactions was determined through negotiations and there were no other transactions with non-related parties to compare. The term of payment was 90 days.

For 2023 and 2022, the Company eliminated duplicate sales and purchase with subsidiaries, which amounted to \$222,168 and \$223,493, respectively.

(Continued)

QUANTA STORAGE INC.
Notes to the Financial Statements

(ii) Purchases

The amounts of significant purchases by the The Company from related parties were as follows:

	For the years ended December 31,	
	2023	2022
TMT	\$ 4,274,896	6,777,881
QSS	<u>3,413,603</u>	<u>2,688,286</u>
	<u>\$ 7,688,499</u>	<u>9,466,167</u>

Purchase price of the aforementioned transactions was determined through negotiations and there were no other transactions with non-related parties to compare. The term of payment was 90 days.

For 2023 and 2022, the unrealized losses of purchases were \$46,714 and \$36,539, respectively, which were accounted as adjustments of investment income.

(iii) Receivables from Related Parties

The receivables from related parties were as follows:

Account	Relationship	December 31, 2023	December 31, 2022
Other receivables	TMT (Note)	\$ 48,113	41,205
"	Other subsidiaries	<u>122</u>	<u>851</u>
		<u>\$ 48,235</u>	<u>42,056</u>

Note: Other receivables to subsidiaries were mainly for purchasing raw materials.

Receivables from related parties were not pledged as collateral, and assessed not to estimate any allowance for doubtful debts.

(iv) Payables to Related Parties

The payables to related parties were as follows:

Account	Relationship	December 31, 2023	December 31, 2022
Accounts payables	TMT	\$ 890,423	952,261
"	QSS	1,400,089	1,287,981
Other payables	Other subsidiaries	<u>-</u>	<u>9</u>
		<u>\$ 2,290,512</u>	<u>2,240,251</u>

(v) Other expenses

For 2022, other expenses from related parties amounted to \$5,780.

(Continued)

QUANTA STORAGE INC.
Notes to the Financial Statements

(vi) Other non-operating revenues

For 2023 and 2022, other non-operating revenues from related parties amounted to \$2,770 and \$6,038, respectively.

(vii) Intangible assets transactions

For 2023 and 2022, the disposal of intangible assets to the subsidiaries amounted to \$0 and \$635, unrealized profit amounted to \$157 and \$2,414, respectively.

(viii) Other

In 2022, the Company closed the account for labor pension reserve pursuant to relevant regulations. As some of the Company's staff were transferred to Techman Robot Inc., a subsidiary, their pensions amounting to \$41,430 thousand were paid to Techman Robot Inc. by the Company.

(d) Key Management Personnel Compensation

Compensation to key management personnel comprised:

	For the years ended December 31,	
	<u>2023</u>	<u>2022</u>
Short-term employee benefits	\$ 58,144	63,687
Post-employment benefits	<u>683</u>	<u>585</u>
	<u>\$ 58,827</u>	<u>64,272</u>

(8) Pledged assets:

The carrying values of pledged assets were as follows:

<u>Pledged assets</u>	<u>Object</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Refundable deposits	Deposits for customs and factory lease	<u>\$ 5,851</u>	<u>5,492</u>

(9) Commitments and contingencies:

(a) Significant unrecognized contractual commitments

(i) The contractual commitments for the acquisition of property, plant and equipment not recognized by the Company were as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Acquisition property, plant and equipment	<u>\$ 4,450</u>	<u>11,352</u>

(Continued)

QUANTA STORAGE INC.
Notes to the Financial Statements

- (ii) Promissory notes issued by the Company as guarantee for purchasing, borrowings, foreign exchange forward contracts and export bills advance were as follows:

	December 31, 2023	December 31, 2022
Guarantee Notes Submitted		
NTD	\$ 1,650,000	1,650,000
USD	\$ 85,600	85,600

- (b) As of December 31, 2023 and 2022, the guarantee notes received from vendor performance and construction contracts amounted to \$0 and \$105,680, respectively.

- (c) Contingencies:

- (i) In October 2017, the Company and its subsidiary, Quanta Storage America, Inc., received the investigation result of the antitrust lawsuit from the European Union Court, pursuant to which a fine of 7,146 thousand euros was imposed on them. In September 2019, an appeal was filed for the case. On June 16, 2022, the European Union Court ruled in the final appeal to uphold the previous verdict, pursuant to which a fine of 7,146 thousand euros was imposed on the Company and its subsidiary, Quanta Storage America, Inc.. In addition, the Court ruled that Company was entitled to claim from the European Commission half of the costs related to the 1st instance proceedings and the full amount of the costs related to the 2nd instance. The amount of penalty imposed on the Company, which was fully recognized in 2017, has not caused any significant influence on the Company's finance and business.
- (ii) For the purpose of constructing the headquarters, the Company and QCI signed a purchase contract for the real estate located at No. 4, Wenming 1st St., Guishan Dist., Taoyuan City on October 19, 2021, and the Company completed the registration and acquired the ownership of the real estate on November 10, 2021. However, after the Company completed the registration of the ownership, the real estate was still occupied by the previous lessees, Beautiful Card Corporation (hereinafter referred to as "Beautiful Card") and Valid Card Manufacturing Taiwan Limited (hereinafter referred to as "Valid Card"). The Company had hired a lawyer to file a lawsuit with the court for both return of ownership and compensatory damages on December 9, 2021. In August and December 2022, Valid Card and Beautiful Card entered into settlement agreements and paid the settlement payment. In July 2022, Beautiful Card had returned the aforementioned premises to the Company.

The Company has made certain provisions with respect to certain of the above lawsuits as the management deems appropriate, considering factors such as the nature of the litigation or claims, the materiality of the amount of possible loss, the progress of the cases and the opinions or views of legal counsel and other advisors. Management will reassess all litigation and claims at each reporting date based on the facts and circumstances that exist at that time, and will make additional provisions or adjustments to previous provisions. The ultimate amount cannot be ascertained until the relevant cases are closed. The ultimate resolution of the legal proceedings and/or lawsuits cannot be predicted with certainty. The Company is willing to defend the aforesaid litigations actively; however, due to the unpredictable nature of lawsuits and the probable loss that cannot be precisely estimated, the Company cannot rule out the possibility that it fails to win or settle all the related cases. The fines, judgment amounts, or settlements may result in significant adverse effects on the Company's business, operations, or prospects.

(Continued)

QUANTA STORAGE INC.
Notes to the Financial Statements

(10) Losses Due to Major Disasters: None

(11) Subsequent Events:

During the Board of Directors meeting held on January 5, 2024, the Company constructs a new office building to support future business development and operations by using a self-owned land, and a construction contract which cost \$1,018,980 was signed on February 19, 2024.

(12) Other:

The summary of current-period employee benefits, depreciation, and amortization, by function, was as follows:

By item	By function	For the year ended December 31, 2023			For the year ended December 31, 2022		
		Cost of Sale	Operating Expense	Total	Cost of Sale	Operating Expense	Total
Employee benefits							
Salary		-	356,297	356,297	-	425,955	425,955
Labor and health insurance		-	26,008	26,008	-	21,808	21,808
Pension		-	12,843	12,843	-	51,874	51,874
Remuneration of directors		-	3,000	3,000	-	3,000	3,000
Others		-	12,137	12,137	-	11,411	11,411
Depreciation		-	34,487	34,487	-	25,318	25,318
Amortization		-	9,349	9,349	-	10,716	10,716

For the years ended December 31, 2023 and 2022, the number of employees and employee benefits expenses of the Company were as follows:

	<u>2023</u>	<u>2022</u>
Number of employees	<u>232</u>	<u>204</u>
Number of directors who were not employees	<u>6</u>	<u>6</u>
The average employee benefits	<u>\$ 1,802</u>	<u>2,581</u>
The average salaries and wages	<u>\$ 1,577</u>	<u>2,151</u>
The adjustment rate of average employee salaries	<u>(26.69)%</u>	<u>0.56 %</u>
Remuneration of supervisors	<u>\$ -</u>	<u>-</u>

(Continued)

QUANTA STORAGE INC.
Notes to the Financial Statements

The remuneration policy (including directors, managers and employees) of the Company are as below:

(a) Directors and Managers

- (i) The Company has established the "Remuneration Committee" to ensure the remuneration policy comply with laws and regulations and in order to attract talents.
- (ii) The Company formulates and regularly reviews the directors and managers' performance evaluation and the policies, systems, standards and structures of the remuneration. The information should be disclosed in the annual report.
- (iii) The performance evaluation and remuneration of directors and managers should refer to the usual level of payment in the industry and consider the time invested, the responsibilities, the achieved goals, the performance of other positions, and the given salary remuneration for the same position in recent years, and consider the reasonableness of the relationship between personal performance and the Company's operating performance and future risks with the Company's short-term and long-term business goals and the Company's financial status.
- (iv) Directors and managers should not be guided to engage in behaviors that exceed the risk appetite of the Company in pursuit of remuneration.
- (v) The ratio of the short-term performance of directors and managers and the payment time of part of the variable salary payment should be determined in consideration of the characteristics of the industry and the nature of the Company's business.

(b) Employees

- (i) The remuneration of employees includes basic salary (base pay and allowances), year-end bonus and employee dividends.
- (ii) The employee remuneration policies are in reference to the salary market, salary payment , the operation and structure of the Company , and will be adjusted according to the changes of salary market, macro-economic environment, industrial boom and relevant laws and regulations.
- (iii) The salary of employees is determined based on their education level, professional knowledge, skills, seniority, and the required occupational competence, responsibility, and complexity of different positions. The outcome should not be influenced by age, gender, race, religion, political stance, marital status, and union affiliation.

(iv) Year-end bonus and employee dividends:

The Company contributes the year-end bonus and employee dividends based on the operational performance. The employee performance evaluation is taken as reference to the distribution of bonus and dividends.

(v) Annual salary adjustment:

The Company considers the operational performance, domestic economic growth rate, salary level of the industrial job market, and employee performance evaluation to annually adjust the salary.

(Continued)

QUANTA STORAGE INC.
Notes to the Financial Statements

(13) Other disclosures:

(a) Information on significant transactions:

The following is the information on significant transactions required by the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” of the Company for the year ended December 31, 2023:

- (i) Lending to other parties: None
- (ii) Guarantees and endorsements for other parties: None
- (iii) Information regarding securities held at balance sheet date (excluding investment in subsidiaries, associates and joint ventures):

(Amounts Expressed in Thousands of New Taiwan Dollars)

Name of holder	Category and name of security	Relationship with the Company	Account title	Ending balance			Note
				Number of shares	Book value	Percentage of shares	
The Company	<u>Common Stock</u>						
	Taiwan Mobile Co., Ltd.	-	Current financial assets at FVOCI	2,556,000	252,022	0.07 %	252,022
	Far EasTone Telecommunications Co., Ltd.	-	"	3,709,000	295,978	0.10 %	295,978
	Chuanghai Telecom Co., Ltd.	-	"	2,720,000	326,400	0.04 %	326,400
	Far Eastern New Century Corporation	-	"	80,000	2,496	- %	2,496
	<u>Open-ended fund certificates</u>						
	Jih Sun Money Market Fund	-	Current financial assets- mandatorily measured at FVTPL	107,178,500	1,634,954	- %	1,634,954
	Fubon Chi-Hsiang Money Market Fund	-	"	22,016,766	354,545	- %	354,545
	Taishin 1699 Money Market Fund	-	"	46,926,829	654,277	- %	654,277
	<u>Debt Instrument</u>						
	Fubon Life Insurance Co., Ltd. Common Corporate Bonds	-	Non-current financial assets measured at amortized cost	-	90,000	- %	104,631
	Shin Kong Life Insurance Co., Ltd. Common Corporate Bonds	-	"	-	50,000	- %	59,245
	Nan Shan Life Insurance Co., Ltd. Common Corporate Bonds	-	"	-	90,000	- %	104,906
	TAI-TECH unsecured convertible corporate bonds	-	Current financial assets- mandatorily measured at FVTPL	90,000	10,431	- %	10,431
Yulon unsecured convertible corporate bonds	-	"	100,000	10,170	- %	10,170	
TRI	<u>Open-ended fund certificates</u>						
	Jih Sun Money Market Fund	-	Current financial assets- mandatorily measured at FVTPL	20,883,435	318,566	- %	318,566
	Taishin 1699 Money Market Fund	-	"	31,157,525	434,414	- %	434,414
	<u>Preferred stock</u>						
	CDF Preferred Share B	-	"	479,000	3,387	- %	3,387
	Fubon Financial Holdings Preferred Share A	-	Current financial assets at FVOCI	465,000	28,412	- %	28,412
	<u>Debt Instrument</u>						
Fubon Life Insurance Co., Ltd. Common Corporate Bonds	-	Non-current financial assets measured at amortized cost	-	90,000	- %	104,631	
Amazon.com, Inc. U.S. dollar-denominated corporate bonds	-	"	-	27,459	- %	27,714	

(Continued)

QUANTA STORAGE INC.
Notes to the Financial Statements

Name of holder	Category and name of security	Relationship with the Company	Account title	Ending balance				Note
				Number of shares	Book value	Percentage of shares	Market value	
TECHMAN ROBOT	TSMC Arizona Corporation U.S. dollar-denominated corporate bonds	-	Non-current financial assets measured at amortized cost	-	25,787	- %	26,341	
"	TSMC GLOBAL LTD. U.S. dollar-denominated corporate bonds	-	"	-	50,510	- %	51,086	
"	Apple Inc. U.S. dollar-denominated corporate bonds	-	"	-	52,468	- %	55,211	

- (iv) Accumulated buying/selling of the same marketable securities for which the dollar amount reaches \$300 million or 20% or more of paid-in capital:

(In Thousands of New Taiwan Dollars)

Name of company	Category and name of security	Account name	Name of counter-party	Relationship with the company	Beginning Balance		Purchases		Sales				Ending Balance	
					Shares	Amount	Shares	Amount	Shares	Price	Cost	Gain (loss) on disposal	Shares	Amount
The Company	Jih Sun Money Market Fund	Current financial assets-mandatorily measured at FVTPL	-	-	15,882,811	239,367	133,358,288	2,030,640	42,062,599	640,940	636,796	4,144	107,178,500	1,634,954
"	Union Money Market Fund	"	-	-	58,680,813	787,250	-	-	58,680,813	789,183	786,565	2,618	-	-
"	Fubon Chi-Hsiang Money Market Fund	"	-	-	5,664,546	90,119	56,805,668	908,847	40,453,448	648,065	644,682	3,384	22,016,766	354,545
"	Taishin Ta-Chong Money Market Fund	"	-	-	-	-	53,369,923	772,732	53,369,923	776,160	772,732	3,427	-	-
"	Taishin 1699 Money Market Fund	"	-	-	-	-	46,926,829	650,000	-	-	-	-	46,926,829	654,277
TRI	Jih Sun Money Market Fund	Current financial assets-mandatorily measured at FVTPL	-	-	-	-	29,669,921	451,000	8,786,486	133,431	132,759	672	20,883,435	318,566
"	Taishin 1699 Money Market Fund	"	-	-	-	-	32,526,125	450,000	1,368,600	19,000	18,909	91	31,157,525	434,414

- (v) Acquisition of individual real estate with amount exceeding the lower of \$300 million or 20% of the capital stock : None
- (vi) Disposition of real estate for which the dollar amount reaches \$300 million or 20% or more of the capital stock : None
- (vii) Related party transactions for purchases and sales with amounts exceeding the lower of \$100 million or 20% of the capital stock:

(Amounts Expressed in Thousands of New Taiwan Dollars)

Name of company	Related party	Nature of relationship	Transaction details				Reasons why and description of how the transaction conditions differ from general transactions		Accounts/notes receivable (payable)		Notes
			Purchase/Sale	Amount	Percentage of total purchases/sales	Payment terms	Unit price	Payment terms	Ending Balance	Percentage of total accounts/ notes receivable (payable)	
The Company	TMT	Affiliate	Sale	(225,751)	(2.41)%	Credit for 90 days	-	-	48,113	2.10 %	
"	"	"	Purchase	4,499,166	55.35 %	"	-	-	(890,423)	(38.09)%	
"	QSS	"	Purchase	3,415,931	42.03 %	"	-	-	(1,400,089)	(59.90)%	
QSS	QUANTA STORAGE INC.	Parent Company	Sale	(3,415,931)	(99.59)%	"	-	-	1,400,089	99.39 %	
TMT	"	"	Sale	(4,499,166)	(99.95)%	"	-	-	890,423	99.99 %	
"	"	"	Purchase	225,751	6.90 %	"	-	-	(48,113)	(7.39)%	
TRI	TRS	Affiliate	Sale	(116,668)	(10.27)%	Credit for 120 days	-	-	74,168	35.98 %	
"	OMC	Other related parties of the director of the Company	Sale	(120,531)	(10.61)%	Credit for 60 days	-	-	27,201	13.19 %	
"	ORT	"	Sale	(392,726)	(34.57)%	Credit for 60 days	-	-	51,699	25.08 %	

Note 1: The related-party transactions above include intra-group transactions.

(Continued)

QUANTA STORAGE INC.
Notes to the Financial Statements

(viii) Receivables from related parties with amount exceeding the lower of \$100 million or 20% of the capital stock:

(Amounts Expressed in Thousands of New Taiwan Dollars)

Name of related party	Related-party	Nature of relationship	Ending balance	Turnover rate	Past-due receivables from related party		Amount received in subsequent period	Loss allowance
					Amount	Action taken		
QSS	QUANTA STORAGE INC.	Parent Company	1,400,089	2.54	-	-	353,108	-
TMT	"	"	890,423	4.88	-	-	260,993	-

(ix) Derivative transactions: Please refer to Note (6)(b) for related information.

(b) Information on investees:

The following is the information on investees for the year 2023 (excluding information on investees in Mainland China):

(Amount Expressed in thousands of New Taiwan dollars)

Name of the investor	Name of investee	Location	Major operations	Initial investment amount		Balance as of			Net income (losses) of the investee	Investment income (losses)	Note
				December 31, 2023	December 31, 2022	Shares	Ratio of shares	Book value			
The Company	QSI (CAYMAN)	Cayman	Investment company	1,606,486	1,606,486	-	100.00 %	2,082,040	101,470	102,759	Subsidiary (Note 2, 6)
"	NU Inc.	Taiwan	Wholesale and retail of computers and peripherals	86,709	86,709	3,862,227	29.80 %	21,792	57	(149)	Investment holding
"	EBN	"	Manufacture of electronic components	10,978	10,978	1,001,000	2.98 %	-	(105,348)	-	"
"	TMT	Thailand	Manufacture and sale of computer storage devices and components of peripherals	1,446,975	1,446,975	15,999,998	100.00 %	2,016,630	83,402	70,832	Subsidiary (Note 2)
"	TRI	Taiwan	Manufacture and sale of industrial collaborative robots	796,420	796,420	71,957,000	79.95 %	1,314,766	11,182	11,537	"
"	JVM	Malaysia	Sale of computer storage devices and components of peripherals	15,214	15,214	2,040,000	51.00 %	19,023	(3,356)	(1,712)	Subsidiary
QSI (CAYMAN)	QSL (BVI)	BVI	Investment company	1,182,757	1,182,757	-	100.00 %	1,944,935	73,653	Note 7	Affiliate (Note 3)
"	E-Forward (SAMOA)	SAMOA	Manufacture and sale of computer storage devices and components of peripherals	30,705	30,705	-	100.00 %	111,645	27,716	"	Affiliate (Note 5)
QSL (BVI)	QHH	Hong Kong	Investment company	850,488	850,488	-	100.00 %	1,460,992	65,732	"	Affiliate (Note 4)
"	QIH	"	"	546,143	546,143	-	100.00 %	478,179	7,574	"	Affiliate (Note 3)
E-Forward (SAMOA)	QSA	SAMOA	Sale and after-sales service of computer storage devices and components of peripherals	30,705	30,705	-	100.00 %	88,669	26,804	"	Affiliate (Note 5)
TRI	TRH	Hong Kong	Investment company	120,943	120,943	-	100.00 %	33,314	2,873	"	Affiliate
JVM	JVMT	Thailand	Sale of computer storage devices and components of peripherals	4,588	4,588	-	100.00 %	4,347	(36)	"	"

Note 1: The transactions have been eliminated in the consolidated financial statements.

Note 2: The difference to the subsidiary is mainly unrealized gross profit from sales.

Note 3: QSL (BVI) and QIH approved capital reduction by the Board of Directors on July 20, 2021, with the amounts of USD 20,000 thousand and USD 10,000 thousand, respectively. As of October 17, 2022, the amounts returned and the registration of capital reduction has been completed. And the investment amount approved by the Investment Commission.

Note 4: QHH approved capital reduction by the Board of Directors on December 29, 2021, with the amount of USD 10,000 thousand. As of October 17, 2022, the amounts returned and the registration of capital reduction has been completed. And the investment amount approved by the Investment Commission.

Note 5: E-Forward and QSA approved capital reduction by the Board of Directors on February 11, 2022, both with the amounts of USD 5,000 thousand, the amounts returned and the registration of capital reduction has been completed.

Note 6: QSI (CAYMAN) approved capital reduction by the Board of Directors on February 11, 2022, and July 20, 2021, with the amounts of USD 10,500 thousand and USD 20,000 thousand, respectively. As of October 18, 2022, the amounts returned and the registration of capital reduction has been completed. And the investment amount approved by the Investment Commission.

Note 7: The profit or loss of the invested company is included in the investment company.

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QUANTA STORAGE INC.
Notes to the Financial Statements

(c) Information on investment in mainland China:

(i) The names of investees in Mainland China, the main businesses and products, and other information:

(Amount Expressed in thousands of New Taiwan dollars)

Name of the investee	Main Businesses and products	Total amount of paid-in capital	Method of investment (Note 1)	Accumulated outflow of investment from Taiwan as of January 1, 2023	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2023	Net income (loss) of the investee	Direct /indirect shareholding (%) by the Company	Current investment gains and losses (Note 2)	Carrying Amount	Accumulated Inward Remittance of Earnings
					Outflow	Inflow						
Quanta Storage(Shanghai) Inc.(QSS) (Note 5)	Manufacture and sale of computer storage devices and components of peripherals	614,100 (USD20,000)	(2)	614,100 (USD20,000)	-	-	614,100 (USD20,000)	64,765	100.00 %	64,765	1,450,422	3,106,062 (USD101,158)
Techman Electronic (Changshu) Limited(TECHMAN)	-	245,640 (USD8,000)	(2)	245,640 (USD8,000)	-	-	245,640 (USD8,000)	7,099	100.00 %	7,099	475,410	445,323 (USD14,503)
Techman Robot (Shanghai) Ltd. (TRS) (Note 6)	After-sales service and sale of industrial collaborative robots and components of peripherals	122,820 (USD4,000)	(2)	122,820 (USD4,000)	-	-	122,820 (USD4,000)	2,873	100.00 %	2,873	33,314	-

(ii) Limitation on investment in Mainland China:

Accumulated Investment in Mainland China as of December 31, 2023	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment (Note 4)
982,560 (USD32,000)	1,013,265 (USD33,000)	- -

Note 1: There are four kinds of investments:

- (1) Direct investment in Mainland China with remittance through a third region.
- (2) Indirect investments in Mainland China through companies registered in a third region.
- (3) Indirect investment Mainland China through an existing company registered in the third region.
- (4) Direct investment in Mainland China
- (5) Others.

Note 2: Recognized profit or loss from investment in the current period:

- (1) As the investee was still in the pipeline, no investment profit (loss) has been generated yet.
- (2) Recognition basis of investment gains or losses were grouped under the following three categories:
 - 1) Financial statements of the investee company were audited and certified by an international accounting firm in cooperation with an R.O.C. accounting firm.
 - 2) Financial statements of the investee were audited and certified by the external accountant of the parent.
 - 3) Others

Note 3: In accordance with the Regulations Governing the Approval of Investment or Technical Cooperation in Mainland China revised on August 29, 2008, the Company obtained the certificate of qualified operating headquarters issued by the Industrial Development Bureau, Ministry of Economic Affairs, and therefore no limitations on investment in Mainland China.

Note 4: Amounts denominated in foreign currencies are translated into New Taiwan Dollars using the exchange rates at the reporting date.

Note 5: Quanta storage (Shanghai) Inc. approved cash capital reduction by the board of direction on December 29, 2021, with the amount of USD 10,000 thousand. As of October 11, 2022, the amounts returned and the registration of capital reduction has been completed. And the investment amount approved by the Investment Commission.

Note 6: The investment amount approved by the Investment Commission of Techman Robot (Shanghai) Co., Ltd. is USD 2,000 thousand in December 2020. As of December 31, 2023, USD 1,000 thousand has not been remitted.

Note 7: Quanta Storage (Changshu) Ltd. has completed its liquidation in September 2014, the amounts returned USD 10,500 thousand in March 2022. And the investment amount approved by the Investment Commission in April 2022.

(iii) Significant transactions:

The significant inter-company transactions with the subsidiary in Mainland China, which have been written off in the preparation of consolidated financial statements, are disclosed in "Information on significant transactions".

(d) Major shareholders:None

Shareholder's Name	Shareholding	Shares	Percentage
Quanta Computer Inc.		82,881,664	29.77 %

Note: (1)The information of major shareholders in this table is calculated by Taiwan Depository & Clearing Corporation based on the last business day at the end of each quarter, disclosing shareholders with more than 5% of the Company's ordinary shares and preferred shares that have been delivered without physical registration (including treasury shares). As for the share capital reported in the Company's financial statements and the Company's actual number of shares delivered without physical registration, there may be differences due to different calculation bases.

(Continued)

QUANTA STORAGE INC.
Notes to the Financial Statements

(2) In a situation where a shareholder entrusted the holdings, the individual account of the settlor opened by the trustee was disclosed. As for the shareholder's declaration of insider's equity holding more than 10% of the shares in accordance with the Securities and Exchange Act, his shareholding includes his own shareholding plus the shares delivered to the trust and the right to use the trust property, etc. For information on insider equity declaration, please refer to the website of Market Observation Post System.

(14) Segment information: Please refer to the consolidated financial report for the year ended December 31, 2023.

(Continued)

VI. Where the Company and its Affiliates Have Encountered Financial Difficulties in the Last Year and As of the Publication Date of the Annual Report, the effect on the Company's financial position shall be specified: none.

Seven. Analysis and Review of Financial Position and Financial Performance and Risk Issues

I. Review and Analysis of Financial Position

(I) Analysis of financial position

Unit: NTD thousand

Items \ Year	2023	2022	Deviation	
			Amount	%
Current asset	11,097,906	11,475,912	(378,006)	(3.29)
Property, Plant and Equipment	2,193,244	2,117,303	75,941	3.59
Intangible asset	20,959	22,946	(1,987)	(8.66)
Other assets	928,147	435,386	492,761	113.18
Total assets	14,240,256	14,051,547	188,709	1.34
Current liabilities	4,372,314	4,128,920	243,394	5.89
Non-current liabilities	280,540	609,966	(329,426)	(54.01)
Total liabilities	4,652,854	4,738,886	(86,032)	(1.82)
Share capital	2,783,589	2,783,589	0	0
Capital reserve	1,748,975	1,888,140	(139,165)	(7.37)
Retained earnings	4,806,961	4,446,223	360,738	8.11
Other adjustment items of shareholders' equity	(100,238)	(152,779)	52,541	34.39
Non-controlling interests	348,115	347,488	627	0.18
Total shareholders' equity	9,587,402	9,312,661	274,741	2.95

Note: The above-stated information were from the consolidated financial statement prepared based on the IFRSs.

(II) Reasons of major changes in assets, liabilities, and shareholders' equity in the past two year:

Other assets : It was mainly due to the increase in investment in long-term financial products during this period.

Non-current liabilities : It was mainly due to the decreased in the deferred tax Liabilities

Other adjustment items of shareholders' equity : It was mainly due to the decreased in the unrealised gains (losses) on financial assets measured at fair value through other comprehensive income.

(III) Future responding plan: (if the changes above impacts greatly, the future responding plan should be specified.)

The Company's financial status in the last two years include changes in normal operating activities, so there is no major responding plan.

II. Financial Performance Comparison and Analysis

(I) Financial Performance Comparative Analysis Table

Unit: NTD thousand

Items \ Year	2023	2022	Increase / decrease amount	Percentage of change (%)
Operating revenue	10,376,032	12,118,494	(1,742,461)	(14.38)
Operating cost	7,720,973	9,381,968	(1,660,995)	(17.70)
Gross profit	2,655,060	2,736,526	(81,466)	(2.98)
Operating expenses	1,504,180	1,643,952	(139,772)	(8.50)
Operating profit	1,150,880	1,092,574	58,306	5.34
Non-operating income and expense	255,682	315,641	(59,959)	(19.00)
Profit before tax	1,406,562	1,408,215	(1,653)	(0.12)
Less: income tax expense	293,251	288,138	5,113	1.77
Non-controlling interests	1,248	31,002	(29,754)	(95.97)
Current period net profit	1,112,063	1,089,075	22,988	2.11

Note: The above-stated information were from the consolidated financial statement based on the IFRSs.

(II) Explanation of the changed percentage in the past two years:

Non-controlling interests: It was mainly due to the increase in Foreign exchange gain in this period.

(III) Expected sales volume and its basis, and the possible effect on the Company's future finance and business and responding plan:

For the storage devices, based on the forecasts of survey institutions, according to the research and survey institution, the overall storage product price in 2024 is expected to rise. However, the overall applications, as people's life quality improved, will be applied to different new products; the overall market will maintain stable demands.

With regards to external extension docking station, with the introduction of Type C related technologies. Nevertheless, the future market is expected to continue to growth.

The long-term growth trend of automation will drive the growth of the industrial robots (including collaborative robots (Cobots), and greater number of new comers will also enter the industry and invest in this field at the same time. In addition to actively developing the market, the company will continue to strengthen the development of new products, hoping to continue to lead in the collaborative robot market.

In response to the ever-changing environment, the company not only actively strives for related business, and plans and prepares for related changes, but also accelerates the development of new products, hoping to make its own way in the current severe industrial environment and competition.

III. Review and Analysis of Cash Flow

(I) Analysis on the change of Year Cash flow:

Unit: NTD thousand

Items	2023	2022	Change in Amount	Change in Ratio (%)
Operating activities	162,789	734,113	(571,324)	(77.83)
Investing activities	809,881	197,577	612,304	309.91
Funding Activities	(960,271)	(1,290,554)	330,283	25.59
Total	12,399	(358,864)	371,263	103.46

Note: The above-stated information were from the consolidated financial statement prepared based on the IFRSs.

(1) Cash from operating activities decreased by NT\$571,324 thousand, It was mainly due to the Current financial assets at fair value through profit or loss in the current period.

(2) Net cash from investing activities increased by NT\$612,304 thousand, It was mainly due to the decrease of other financial assets in this period.

(3) Net cash from financing activities increased by NT\$330,283 thousand, It was mainly due to the repayment of short-term borrowings in the previous period.

(II) Liquidity Analysis of the Year

Items	Year		
	2023	2022	Increase (decrease) %
Cash Flows Ratio%	3.72	17.78	(79.08)
Cash flow adequacy %	68.09	67.66	0.64
Cash Flow Reinvestment Ratio %	(6.42)	(0.40)	(1,505.00)

Analysis of the change in the increase and decrease ratio: It was mainly due to the decrease in the net cash inflow from operating activities during this period.

(III) Liquidity Analysis for the coming year

Unit: NTD thousand

Opening balance of cash Balance (1)	Annual net cash flow from operating activities (2)	Cash Outflow of the Year (3)	Cash Balance (1)+(2)-(3)	Remedy for Cash Shortfall	
				Investment Plan	Financing Plan
2,019,785	1,500,000	1,200,000	2,319,785	-	-

It is expected that operations in 2023 will remain stable or with slightly growth. The current capital plus the cash inflow from operating activities is sufficient to satisfy the capital expenditure demand.

IV. Impact of Material Capital Expenditures on Financial Operations in the Last Year: None.

V. Investment Policy in the Last Year, the Main Reason For Its Profit or Loss, Improvement Plan, and Investment Plan for the Coming Year:

The company's reinvestment is mainly based on investment in the production business in Mainland China and Thailand, and core competitiveness is our main consideration. In addition, the company's investment income recognized by the equity method in 2023 was NT\$183,267 thousand. In the future, the Company will continue to maintain the development direction of distributed production sites, and carefully evaluate investment plans in accordance with changes in the global market to continue to strengthen the company's competitiveness.

VI. Risk Assessment Items in the Last Year and As of the Publication Date of the Annual Report

- (I) The organization structure of the company's various risk management, its implementation and responsible units are as follows:
1. President: Mainly for the evaluation of operational decision-making risks , and supervision and coordination of the implementation of various departments' goals and risk response measures.
 2. Audit Office: Mainly review the existing or potential risks of each operation, formulate and implement a annual audit plan base on risk management, and be responsible for the revision and promotion of the internal control system.
 3. Finance and Accounting Department: Responsible for financial scheduling and application, establishing risk-avoidance mechanisms, and evaluating and controlling financial risks, liquidity risks, credit risks and tax planning, etc., responsible for the company's relevant financial risk management assessment and implementation of response strategies unit.
 4. Legal Affairs Department: Responsible for legal risk management, review various contracts and provide internal legal advice, handle legal disputes and litigation to reduce legal risks.
 5. Information Department: Responsible for information security risk assessment of systems, networks, computers, mainframes and related peripheral equipment, and implementation of response measures.
 6. Human Resources Department: Responsible for assisting each unit in the risk assessment and response of the human resources required to implement the operational goals, and to promote the human resources policy.

7. Business Department: Mainly responsible for the assessment of market risks and the implementation of response strategies, the promotion of the company's annual business goals and implementation plans, customer and order risk assessment and the implementation of sales control measures.
 8. Research and Development Division: Mainly responsible for the risk assessment of product design, and research and development project plans and the implementation of response strategies.
- (II) The effect upon the company's profits (losses) of interest and exchange rate fluctuations and changes in the inflation rate, and response measures to be taken in the future:
1. Affects to the company's Incomes or Losses:

Unit: NTD thousand

Item	2023 Consolidated Financial Statement	
	Amount	Percentage to the operating revenue
Net Interest income (expenditure)	134,001	1.29%
Net Foreign Exchange Gain (Loss)	16,173	0.16%

2. Future Response Measures:

- (1) Effect of change in the tax rate:

The company's products are mainly exported, so the international dollar trend is closely related to the company's exchange gains and losses. The exchange gain in 2023 was NT\$16,173 thousand, accounting for 0.16% of the revenue, which has no significant impact on the company. In addition, the company is effective to reduce the operational risk of exchange rate fluctuations, specific measures will be taken as follows:

- ① The company contacting banks regularly, collecting relevant information on international finance and exchange rate trends, in order to grasp exchange rate changes in a timely manner.
- ② Since the transactions of some raw materials and products are based on the same kind of foreign currency receipts and payments, this purchase and sale item will produce a mutual offset result, so that the impact of exchange rate changes will be reduced, and the effect of automatic hedging will be achieved.

③The company estimates that or after receiving the foreign exchange payment, the personnel of the finance department will consider the company's capital needs and estimate the direction of future foreign exchange market changes, so as to consider and decide whether to hedge and compare risks through hedging derivatives and the favorable timing of exchange for the company.

(2) Interest and Inflation:

As the overall economic environment has prompted low interest rates in the money market, the company continues to focus on its business operations, and its financial operations are based on the principle of being conservative and prudent. Therefore, changes in interest rates and inflation have little impact on the company.

(III) 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. The company's main business scope as research, development, manufacturing and sales, the company has not involved in high risk investments and high leveraged investment.
2. There is no funding to the others by the Company.
3. The company and its subsidiaries handle guarantee transactions for customs clearance of goods in and out of the customs due to operational needs, and handle them in accordance with the "Operational Procedure of Loan Funding and Making Endorsement and Guarantee" enacted by the company.
4. The transactions of derivative financial products are all to avoid the risk of foreign currency assets and liabilities exchange rate changes, and are handled in accordance with the "Procedures for Acquisition or Disposal of assets" enacted by the company.

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

For the research and development, please refer to the description of business content under Five. Operation Overview, and the plans are executed according to the schedule.

- (V) Effect on the company's financial operations of important policies adopted and changes in the legal environment at home and abroad, and measures to be taken in response:

The company has always paid close attention to and grasped any policies and laws that may affect the company's operations, and coordinated adjustments to the company's internal related systems to meet the requirements of the laws and regulations.

- (VI) Effect of changes in technology (including information and communication security risks) and industrial changes on the company's financial operations and countermeasures:

The Company studies the definition and quality requirements for our confidential information (or important information), the degree of informatization, the reliability of the information system used, and the degree of outsourcing of information operations, and evaluates the information and communication security inspection required as per the scope of the Company's environment, frequency, and items as the basis for selection of information and communication security inspection and control models. The results of the implementation of the security inspection work of information and communication are reviewed by the audit unit and submitted to the company's regular meeting by signing opinions and establishing a tracking improvement mechanism to continuously track the improvements.

- (VII) Effect on the company's crisis management of changes in the company's corporate image, and measures to be taken in response: None.

- (VIII) Expected benefits and possible risks associated with any merger and acquisitions, and mitigation measures being or to be taken: None.

- (IX) Expected benefits and possible risks associated with any plant expansion, and mitigation measures being or to be taken: None.

- (X) Risks associated with any consolidation of sales or purchasing operations, and mitigation measures being or to be taken: None.

- (XI) Effect upon and risk to the company in the event a major quantity of shares belonging to a director, supervisor, or shareholder holding greater than a 10 percent stake in the company has been transferred or has otherwise changed hands, and mitigation measures being or to be taken: None.

- (XII) Effect upon and risk to company associated with any change in governance personnel or top management, and mitigation measures being or to be taken:

None.

(XIII) The company and company directors, supervisors, president, substantive persons in charge, major shareholders with more than 10% shareholding, and affiliated companies have been determined by judgment or are still in a major litigation, non-litigation or administrative litigation events, the results of which may have a significant impact on shareholder benefits and interest or securities prices, the facts in dispute, the amount of the subject matter, the start date of the litigation, the main parties involved in the litigation, and the handling conditions as of the publication date of the annual report:

1. In October 2017, the Company, Inc. received a ruling from the First Instance of the Court of Justice of the European Union on the legal remedy for the antitrust case and a decision on the penalty fine of EUR 7,146 thousand. An appeal against such ruling and decision has been filed in September 2019. On June 16, 2022, the Court of Final Appeal of the European Union rendered a judgment to sustain the decision of the court of first instance on the penalty fine of EUR 7,146 thousand imposed on the Company, and it also ruled that the Company may claim compensation from the European Commission for half of relevant fees incurred in the first instance trial and the full amount of relevant fees incurred in the second instance of trial. For the fine, the Company has estimated the full amount for accounting recognition in 2017, such that it has no material impact on the finance and business of the Company.
2. The subsidiary Techman Electronics (Thailand) Co., Ltd. and the seller World Electric (Thailand) Ltd. completed the ownership transfer registration for the factory, land and facility at Chon Buri Province, Thailand in 2021. After the delivery of the land and facility, the seller claimed that a portion of the asset was still left in the plant site and filed a lawsuit against the subsidiary Techman Electronics (Thailand) Co., Ltd. on July 11, 2022, for hindering their entrance into the land and facility to retrieve such asset left in the plant site along with the damage claim of THB 9,440 thousand. Subsidiary Techman Electronics (Thailand) Co.,Ltd. received a first-instance court judgment in November 2024, ruling that it should pay damages in the amount of 2,186 thousand Thai Baht. Subsidiary Techman Electronics (Thailand) Co.,Ltd. has already filed an appeal

(XIV) Other important risks, and mitigation measures being or to be taken: None.

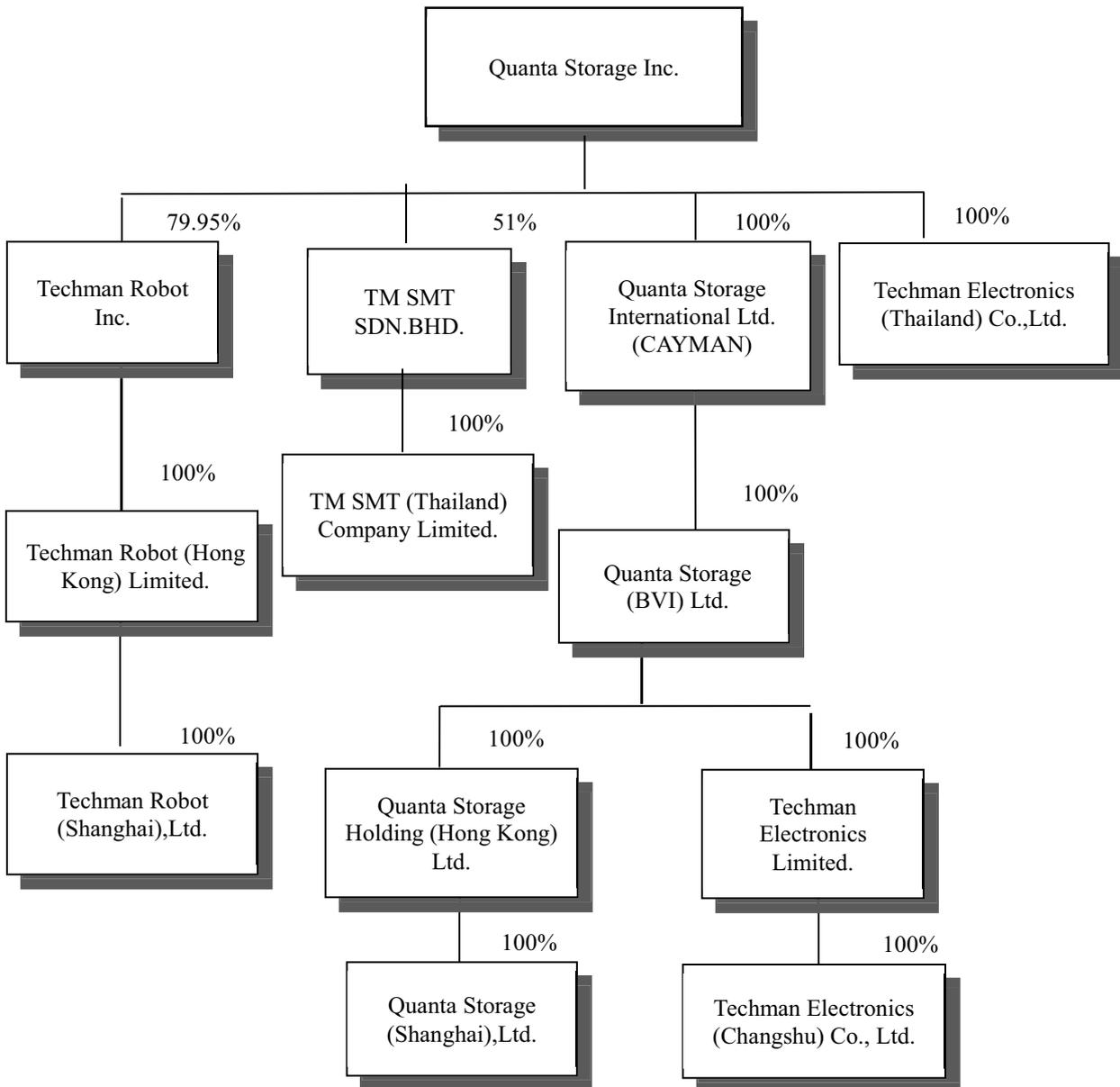
VII. Other Important Matters: None.

Eight. Special Disclosure

I. Relevant Information on Affiliates

(I) Consolidated Business Report of the Affiliates Enterprise

1. Organizational Chart of the Affiliates Enterprise



Name of the Enterprise	Date of Establishment	Address	Paid-in Capital	Main business or production items
Quanta Storage International Ltd. (Cayman)	2001.07	P.O.Box 31119 Grand Pavilion, Hibiscus Way,802 West Bay Road, Grand Cayman,KY1-1205,Cayman Islands.	USD48,520	Investment
Quanta Storage (BVI) Ltd.	2001.07	QMC Chambers, Wickhams Cay 1,Road Town, Tortola, British Virgin Islands.	USD38,520	Investment
Quanta Storage (Shanghai),Ltd. (QSS)	2001.11	No. 6, Alley 66, Sanzhuang Road, Songjiang Export Processing Zone, Shanghai.	USD20,000	Manufacturing and sales of computer peripheral storage devices and related components
Techman Electronics (Changshu) Co., Ltd. (Techman)	2009.01	No. 66 Dalian Rd., High-tech Industrial Park, Changshu Economic Development Zone, Jiangsu Province.	USD8,000	Manufacturing and sales of computer peripheral storage devices and related components
Quanta Storage Holding(Hong Kong)Ltd.(QHH)	2007.11	Room 1501, No.15, Capital Centre, No.151 Gloucester Rd., Wan Chai, Hong Kong.	USD27,699	Investment
Techman Electronics Limited. (QIH)	2007.11	Room 1501, No.15, Capital Centre, No.151 Gloucester Rd., Wan Chai, Hong Kong.	USD17,787	Investment
Techman Robot Inc. (TRI)	2015.09	Relocated to 5F, No. 58-2, Huaya 2nd Road, Guishan District, Taoyuan City.	NTD900,000	Manufacturing and sales of industrial collaborative robots
Techman Electronics (Thailand) Co.,Ltd. (TMT)	2017.06	No.236-237 Moo 2, Tambol Nongchark, Amphur Banbung Chonburi 20170.	THB1,600,000	Manufacturing and sales of computer peripheral storage devices and related components
Techman Robot (Hong Kong) Limited. (TRH)	2019.04	Room 1501, No.15, Capital Centre, No.151 Gloucester Rd., Wan Chai, Hong Kong.	USD4,000	Investment
Techman Robot (Shanghai),Ltd. (TRS)	2019.04	Room 402-1, Building 6, No. 1158, Zhongxin Road, Jiuting Town, Songjiang District, Shanghai.	USD4,000	Maintenance and sales of industrial collaborative robots and related components
TM SMT SDN.BHD. (JVM)	2019.05	1-10-7 SUNTECH@PENANG CYBERCITY LINTANG MAYANG PASIR 3 11950 BAYAN BARU PULAU PINANG MALAYSIA.	MYR4,000	Sales of computer peripheral storage devices and related components
TM SMT (Thailand) Company Limited. (JVMT)	2020.08	No,196,Mu 10,304 Industrial Park, Tha Tum Sub-district, Si Maha Pho District, Prachin Buri Province.	THB 5,000	Sales of computer peripheral storage devices and related components

3. Information of Shareholders in common for companies presumed to have a relationship of control and subordination: None.

4. The industries covered by the business operated by the affiliates and description of the mutual dealings and division of work among such affiliates

Industries	Name of Affiliated Enterprise	description of the mutual dealings and division of work among such affiliates
Holding company	Quanta Storage International Ltd. (CAYMAN)	Investment Holding
	Quanta Storage (BVI) Ltd.	Investment Holding
	Quanta Storage Holding (Hong Kong) Ltd.(QHH)	Investment Holding
	Techman Electronics Limited.(QIH)	Investment Holding
	Techman Robot (Hong Kong) Limited.(TRH)	Investment Holding
Electronic Products Manufacturing	Quanta Storage (Shanghai),Ltd.(QSS)	Manufacturing and Sale
	Techman Electronics (Changshu) Co., Ltd.(Techman)	Manufacturing and Sale
	Techman Robot Inc.(TRI)	Manufacturing and Sale
	Techman Electronics (Thailand) Co.,Ltd.(TMT)	Manufacturing and Sale
Electronic Products Trading and Sales	Techman Robot (Shanghai),Ltd.(TRS)	Trade purchases and sales
	TM SMT SDN.BHD.(JVM)	Trade purchases and sales
	TM SMT (Thailand) Company Limited.(JVMT)	Trade purchases and sales

5. The names of the directors, supervisors, and president of each affiliate

Unit: Thousand Shares

Name of the Enterprise	Position	Name or Representatives	Shareholding	
			Shares	Shares Ratio
Quanta Storage International Ltd. (Cayman)	Director	Quanta Storage Inc. Representatives: HO, SHI-CHI	-	100%
Quanta Storage (BVI) Ltd.	Director	QSI (CAYMAN) Representative: HO, SHI-CHI	-	100%
Quanta Storage Holding (Hong Kong) Ltd.(QHH)	Director	QSL(BVI) Representatives: HO, SHI-CHI	-	100%
Techman Electronics Limited.(QIH)	Director	QSL(BVI) Representatives: HO, SHI-CHI	-	100%
Quanta Storage (Shanghai),Ltd.(QSS)	Director	QHH Representatives: C.T. Huang/HO, SHI-CHI/ CHANG, CHIA-FENG	-	100%
	Supervisor	LEE,CHIH-JEN	-	100%
Techman Electronics (Changshu) Co., Ltd.(Techman)	Director	QIH Representatives: HO, SHI-CHI/ CHANG, CHIA-FENG	-	100%
	Supervisor	LEE,CHIH-JEN	-	100%
Techman Robot Inc.(TRI)	Director	Quanta Storage Inc. Representatives: HO, SHI-CHI / CHANG, CHIA-FENG	71,957	79.95%
		CHEN,SHANG-HAO	300	0.33%
		OMRON TAIWAN ELECTRONICS INC	1,000	11.11%
	Independent Director	KUO,CHUNG-HSIEH/ SONG,KAI- TAI/ WANG,SHU-FEN	0	0.00%
	President	CHEN,SHANG-HAO	300	0.33%
Techman Electronics (Thailand)Co.,Ltd.(TMT)	Director	Quanta Storage Inc. Representatives: HO, SHI-CHI/ CHANG, CHIA-FENG/ LEE,CHIH-JEN/ LIU,WEN-CHUNG	16,000	100%
Techman Robot (Hong Kong) Limited.(TRH)	Director	Techman Robot Inc. Representatives: HO, SHI-CHI	-	100%
Techman Robot (Shanghai),Ltd.(TRS)	Director	Techman Robot Inc. Representatives: HO, SHI-CHI/ CHANG, CHIA-FENG / CHEN,SHANG-HAO	-	100%
	Supervisor	Techman Robot Inc. Representatives: William.Wang		

Unit: Thousand Shares

Name of the Enterprise	Position	Name or Representatives	Shareholding	
			Shares	Shares Ratio
TM SMT SDN.BHD.(JVM)	Director	Quanta Storage Inc. Representatives: CHANG, CHIA-FENG / LEE,CHIH-JEN	-	51%
TM SMT (Thailand) Company Limited.(JVMT)	Director	JVM Representatives: CHANG, CHIA-FENG / LEE,CHIH-JEN	-	51%

6. The overview of the operations of the affiliates

Unit: NTD thousand

Overview of Operations Name of the Enterprise	Capital	Total assets	Total liabilities	Value	Operating revenue	Operating profit	Current profit and loss (After-Tax)	Basic earnings per share (NT\$) (After-Tax)
Quanta Storage International Ltd.	1,606,486	2,083,146	0	2,083,146	0	(254)	101,470	Not applicable.
Quanta Storage (BVI) Ltd.	1,182,757	1,944,935	0	1,944,935	0	(55)	73,653	Not applicable.
Quanta Storage (Shanghai),Ltd.	614,100	2,785,993	1,335,571	1,450,422	3,379,088	43,411	64,765	Not applicable.
Techman Electronics (Changshu) Co., Ltd.	245,640	476,671	1,261	475,410	0	(6)	7,099	Not applicable.
Quanta Storage Holding (Hong Kong) Ltd.	850,488	1,460,992	0	1,460,992	0	(106)	65,732	Not applicable.
Techman Electronics Limited.	546,143	478,179	0	478,179	0	(106)	7,574	Not applicable.
E-Forward Technology Ltd.(Note1)	30,705	111,645	0	111,645	0	(40)	27,716	Not applicable.
Quanta Storage Asia Ltd. (Note)	30,705	88,668	0	88,668	17	492	26,804	Not applicable.
Techman Robot Inc.	900,000	2,117,736	446,115	1,671,621	1,136,007	(44,088)	11,182	Not applicable.
Techman Electronics (Thailand)Co.,Ltd.	1,446,975	2,903,205	839,861	2,063,344	4,480,404	131,357	83,402	Not applicable.
Techman Robot (Hong Kong) Limited.	120,943	33,314	0	33,314	0	0	2,873	Not applicable.
Techman Robot (Shanghai),Ltd.	122,820	138,853	105,539	33,314	279,140	4,322	2,873	Not applicable.
TM SMT SDN.BHD.	29,831	210,234	172,934	37,300	10,992	(2,849)	(3,356)	Not applicable.
TM SMT (Thailand) Company Limited.	4,588	4,365	18	4,347	0	(35)	(36)	Not applicable.

Note1: E-Forward Technology Ltd. completed its liquidation on March 5th, 2024.

Note2: Quanta Storage Asia Ltd. completed its liquidation on March 6th, 2024.

(II) Consolidated financial statements of Affiliates Enterprise:

The companies required to be included in the consolidated financial statements of affiliates in accordance with the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” for the year 2023(starting from January 1, 2023 to December 31, 2023) are all the same as the companies required to be included in the consolidated financial statements of parent and subsidiary companies as provided in International Accounting Standard 27 endorsed by the FSC “Consolidated Financial Statements.” Relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies. Hence, we have not prepared a separate set of consolidated financial statements of affiliates.

(III) Independent Auditors' Review Opinion on Affiliation Reports

Independent Auditors' Review Opinion on Affiliation Reports

Quanta Storage Inc.

The Auditors have reviewed the 2023 Quanta Storage Inc. Affiliation Reports in accordance with the Securities and Futures Bureau, Financial Supervisory Commission, Executive Yuan No. Financial-Securities-Six 04448 letter issued on November 30, 1999. Our work is to express an opinion on the 2023 Affiliation Report of Quanta Storage Inc., whether which was prepared in accordance with the regulation of "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises" and not significantly inconsistent with the notes for the financial statement for the same period audited on March 04, 2024.

In our opinion, we did not find any violation of the regulation of "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises" and significantly inconsistent with the notes for the financial statements for the same period in the above Affiliated Report.

KPMG Certified Public Accountants

Certified Public Accountants:

LIEN,SHU-LING

CHEN,YI-CHUN

March 04, 2024

REPRESENTATION LETTER

The company's 2023 Affiliated Report is prepared under the regulation of "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises", and there is no significantly inconsistent with the notes for the financial statements for the same period in the above Affiliated Report.

Hereby declare,

Name of the Company: Quanta Storage Inc.

Chairperson: HO, SHI-CHI

March 04, 2024

I. The Relationship between the Subordinate Company and the Controlling Company :

Name of Controlling Company	Reason of Controlling	Details of Shareholding and Pledges of the Controlling Company			Any controlling company appointees engaged as managerial officers of the subordinate company	
		No. of shares held	Shares Ratio	Shares on Pledge	Position	Name
Quanta Computer Inc.	<ol style="list-style-type: none"> 1. Evaluate under the equity method 2. Proportion of director seats 	82,881,664	29.77%	None	Director Director Director	Alan Tsai C.T. Huang Elton Yang

II. Transactions of Purchase (Sale) of Goods: None

Unit: NT\$ Thousand

Transactions Between the Controlling Company		Transaction Terms and Conditions Between the Controlling Company		Ordinary Transaction Terms and Condition		Reasons in Differences	Note/Accounts Receivable (Payable)		Accounts Receivable Past due			Remarks
		Unit Price (NT\$)	Payment Terms	Unit Price (NT\$)	Payment Terms		Balance	Percentage to Total Note/Accounts Receivable (Payable)	Amount	Actions Taken	allowance for non-performing loans	
Purchase/Sale	Amount	Percentage to the Total Purchases (Sales)	Gross margin									
Purchase	-	-	-	-	90 Days	-	90 Days	-	-	-	-	-
(Sales)	-	-	-	-	"	-	"	-	-	-	-	-

III. Transaction Details of Properties: None

Unit: NT\$ Thousand

Type of Transactions (Acquisition or Disposal)	Name of the Property	transaction date or date of factual occurrence	Transaction Amount	terms of delivery or payment	details of the receipt/payment of the transaction price	Losses and gains on disposal of property	Reasons for selecting the controlling company as the transaction counterpart	Information on the last preceding transfer (Note 2)			Method by which the transaction was decided upon and reference basis upon which the price was determined (Note 3)	Reference basis for price determination	The specific purpose of the acquisition or disposal and the usage status of the object of the transaction	Other special stipulations
								Owners of the Property	Relationship with the Company	Date of Transfer				
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Note 1: Those who acquired property are exempt from listing

Note 2: (1) Those who acquire property should list the original information obtained by the controlling company; those who dispose of property should list the original information obtained by the subsidiary company.

(2) The "Relationship with the company" column should indicate the relationship between the owner and the subsidiary company and the relationship with the controlling company.

(3) If the counterpart of the previous transfer transaction is a related party, the related party's previous transfer data should be listed in the same column.

Note 3: The decision level of the transaction should be stated.

IV. Situations on Financing: None

Unit: NT\$ Thousand

Transaction Type (funds lent or borrowed)	Maximum Balance	Ending balance	Interest Rate	Total Interest for the Current Period	Financing Period	Reason for the Financing	Collateral Obtained(Provided)		Method by which the transaction was decided upon	Allowance Set Aside For Bad Debt
							Name	Amount		
-	-	-	-	-	-	-	-	-	-	-

V. Condition on Assets Leasing: None

Unit: NT\$ Thousand

Type of Transaction (rental or lease)	Subject Matter		Lease term	Nature of Leasing	Method by the leasing price was determined	Method of Collection (Payment)	Comparison with Ordinary Leasing Price Levels	Total Leasing Price for the Current Period	Collection or Payment Status for the Current Period	Other special stipulations
	Name	Location								
-	-	-	-	-	-	-	-	-	-	-

VI. Conditions on Endorsements and Guarantees: None

Unit: NT\$ Thousand

Maximum Balance	Ending balance		Reasons of Endorsements or Guarantees	Terms and conditions or dates for rescinding the endorsement or guarantee			obligation or withdrawing the collateral	Contingency loss amounts stated in the financial statements	Whether endorsement or guarantee operations breach applicable operational rules
	Amount	Percentage of the net value of financial statements		Name	Amount	Value			
-	-	-	-	-	-	-	-	-	-

- II. **Carry out of a private placement of securities during the most recent fiscal year** or during the current fiscal year up to the date of publication of the annual report, disclose the date on which the placement was approved by the board of directors or by a shareholders meeting, the amount thus approved, the basis for and reasonableness of the pricing, the manner in which the specified persons were selected, the reasons why the private placement method was necessary: N/A.
- III. **The Company's Shares Held or Disposed of by the Subsidiaries in the Last Year and As of the Publication Date of the Annual Report:** None.
- IV. **Other Necessary Supplementary Disclosure:** None.

Nine. Any situations which might materially affect shareholders' equity or the price of the Company's securities during the most recent year or during the current year up to the date of printing of the annual report: No any such conditions of the Situations Listed in Subparagraph 2, Paragraph 2 , Article 36 of the Securities and Exchange Act, which might materially Affect Shareholders' Equity or the Price of the Company's Securities, has occurred During the Most Recent Fiscal Year or During the Current Fiscal Year Up to the Date of Publication of the Annual Report.

Quanta Storage Inc.

Responsible Person: HO, SHI-CHI