

Hontai Electric Co., Ltd.

Corporate Value Enhancement Plan

Approved by the Board of Directors on November 7, 2025

[Current Status Analysis]

一、 Cost Analysis

(一) Capital Structure:

In 2024, the Company's debt ratio was 12%, indicating a solid financial structure. Operations rely primarily on internally generated funds, and cash flow remains sufficient to support both core business needs and non-operating investments. The financial cost ratio for 2024 was approximately 0.03%, further demonstrating the Company's strong financial position.

(二) Macroeconomic Impact Analysis

Global economic recovery faces uncertainty due to geopolitical tensions and tariff effects. With anticipated U.S. interest rate cuts, the U.S. dollar is likely to weaken. The Company's exchange rate risk mainly arises from operating activities and overseas investments. For strategic overseas investments, foreign currency allocation and hedging will be adjusted based on market conditions.

Interest rate risk primarily relates to borrowings. The Company continuously monitors market movements to maintain financial stability. Overall, exposure to exchange rate and interest rate risks remains low, with limited impact on funding costs and minimal actual risk exposure.

二、 Profitability Assessment

(一) ROIC and ROE Evaluation:

In 2024, earnings per share reached NT\$2.38, while ROIC (14.1%) and ROE (9.9%) both improved compared to 2023. This indicates effective cost control and asset utilization, resulting in enhanced core profitability.

ROIC also exceeded WACC (12.1%), demonstrating the Company's ability to generate economic value.

(二) Business Analysis:

The Company's major business segments include: Power Business: Main profit contributor, supplying XLPE power cables (600V–161kV), plastic wires and cables, and specialty cables. Investment Business: Focuses on diversified investments in domestic and overseas enterprises, funds, and

foreign bonds. Development Business: Manages land and building assets and solar PV projects.

With the power business as the core, complemented by diversified investment and development operations, the Company has established a resilient revenue model and a strong foundation for long-term profitability growth.

三、 Market Valuation Analysis

(一) Valuation Level:

In 2024, the Company's P/E ratio was 14.24, comparable to 14.29 in 2023. The price-to-book ratio increased from 1.18 in 2023 to 1.41 in 2024. Within the wire and cable industry, the Company is regarded as a stable and growing enterprise.

(二) Growth Potential Assessment:

Driven by government energy transition and green energy policies, the originally 10-year grid resilience plan has been accelerated, aiming to complete critical regional and civilian infrastructure within four years, boosting demand for transmission and distribution systems.

With Taipower's 2025–2035 energy development initiatives and continuous investment in construction, industrial plants, and advanced technology facilities, demand for wire and cable products remains visible and stable.

On the supply side, production capacity is being strengthened through reconstruction and expansion of the existing copper-clad laminate facility. New technology pipelines, process upgrades, and scale optimization will enhance product mix and gross margin.

Furthermore, increased exhibition participation will expand customer reach and elevate market visibility to support revenue and profit improvement.

四、 Corporate Governance Analysis

(一) Board Structure and Independence:

The Board consists of seven directors, including three independent directors, representing 43%, ensuring objectivity and professionalism in decision-making.

Board members possess expertise in management, crisis response, finance and accounting, law, and industry knowledge, with extensive practical and leadership experience. The Company values gender equity and diversity; following the 2025 board election, the number of

female directors increased from one to two.

A clearly defined conflict-of-interest mechanism requires any director with a personal interest in an agenda item to disclose the conflict, abstain from voting, and avoid exercising proxy voting, ensuring fairness and the protection of shareholder interests.

(二) Effectiveness of Board Operations:

The Board convenes at least once per quarter. In 2024, a total of six meetings were held, with an average attendance rate of 95%, demonstrating active engagement and effective oversight.

Annual performance evaluations are conducted for the Board and its functional committees, and every three years an independent external firm performs an objective assessment. The 2024 evaluation results for both the Board as a whole and individual members were “excellent” or above, and were reported to the Board on March 21, 2025, and published on the Company website.

(三) Information Transparency:

The Company adheres to principles of fairness, openness, and timeliness in information disclosure. Major resolutions after Board meetings are promptly announced, including financial information, business decisions, and governance actions. A total of 16 material information announcements were made in 2024.

(四) In addition to mandatory disclosures, the Company regularly provides financial statements, operational results, governance information, and sustainability disclosures on both its official website and MOPS to ensure stakeholders receive complete and timely information.

五、 Risk and Competitive Assessment

The wire and cable manufacturing industry is relatively mature and highly competitive. The core of the Company’s competitive strategy lies in segmenting product markets and establishing differentiated advantages through enhancing technical barriers and strengthening vertically integrated service capabilities.

- General Cable Market Competition:

The general cable market features low entry barriers and numerous small manufacturers, resulting in intense price competition and varying product quality. The Company mitigates red-ocean competition by differentiating market segments and focusing on niche products.

- **Niche Market Competition:**
Ultra-high-voltage and renewable-energy cables involve higher technical thresholds, with competition limited to a few capable manufacturers. The Company focuses on high-quality products and integrated service capabilities to strengthen its competitive edge.
- **Raw Material Price Volatility:**
Copper prices fluctuate significantly due to exchange rates, posing risks to gross margin. The Company leverages copper hedging mechanisms to stabilize costs and maintain profitability.
- **Macroeconomic Risks:**
Global economic trends are influenced by U.S. and Chinese economies and monetary policies. The power business, primarily domestic, is less affected, while the investment business adopts diversified and balanced allocation to manage risks.

[Policies and Plans]

一、 Short-Term Strengthening Measures

Accelerate expansion into the green energy market in line with national energy transition policies. Although the 20% renewable energy target has been postponed to October 2026, demand for offshore wind and solar cables continues to grow.

The Company is developing certification for 230kV onshore cables and seeking qualification for 345kV UHV cables, in support of Taipower's grid resilience program.

Enhance production yield, enforce demand-driven production, strictly control raw material procurement, and improve inventory turnover.

Hedge copper price fluctuations by locking in prices based on order timing.

Expedite the conversion of the copper-clad laminate property into cable production use to boost testing and manufacturing capabilities. Continue R&D on differentiated products such as rodent-resistant cables.

Strengthen alliances with offshore wind developers and expand opportunities in thermal, hydroelectric, and solar projects.

Expand brand presence nationwide, deepen distribution channels, and pursue major public infrastructure projects including metro systems, transportation, and environmentally friendly cable installations.

Short-term investment strategies will prioritize sectors with strong momentum, adopting flexible and phased investment approaches to balance inflation and recession risks and secure stable returns.

二、 Mid- to Long-Term Strengthening Measures

Invest continuously in critical R&D, including TUV-certified energy storage cables, low-smoke non-toxic rodent-resistant cables, and high-temperature aluminum-conductor steel-reinforced lines to address grid bottlenecks.

Develop recyclable materials, expand green supply chain practices, and reduce environmental impact.

Increase market share and high-margin product sales in the cable business; cultivate new niche markets.

Expand distributor coverage in counties, islands, and southern Taiwan while strengthening direct sales channels.

Capture demand generated by nuclear plant decommissioning and thermal power unit upgrades.

Target public infrastructure such as metro expansions, railway stations, substations, port terminals, and major industrial facilities.

Promote digitalization of cable design and manufacturing, advance smart production, and enhance competitiveness.

Recruit and cultivate professional talent, encourage innovation, and align product development with global trends and government policies.

Mid- to long-term investment efforts will focus on industry research, active post-investment management, real estate development, and rooftop solar PV projects to enhance non-operating income.

[Communication and Monitoring]

The Company maintains active communication with investors through designated spokespersons and deputy spokespersons. Stakeholders may reach the Company via telephone or email to obtain operational information. Investor relations continue to be strengthened through regular participation in investor conferences. Two such events were held in May and November 2024, with full video recordings disclosed on the official website to enhance transparency and communication effectiveness.

The Company maintains bilingual (Chinese/English) websites, regularly updating financial, operational, governance, sustainability, and shareholder meeting information. Annual reports and sustainability reports further disclose ESG achievements, including carbon management, workplace equality, social contributions, and governance transparency. These efforts enhance corporate reputation and market valuation while strengthening shareholder confidence and long-term investment willingness.