



Phihong Technology Co.,Ltd.

Procedures for Supervising and Managing Subsidiaries

1.0 Control Objectives 1.1 To effectively control subsidiaries, enhance overall group performance, and reduce operational risks.

2.0 Procedures (Methods) 2.1 The company's supervision and management of subsidiaries cover the following:

2.1.1 Supervision and management of operational management.

2.1.2 Supervision and management of financial and business information.

2.1.3 Supervision and management of audit management.

2.2 Supervision and Management of Operational Management

2.2.1 Organizational Control Structure: The board of directors is the main body for controlling subsidiaries. The board may authorize the chairman, general manager, or relevant department heads to supervise and manage subsidiaries, depending on the scale and purpose of the investment. Representatives, including directors, supervisors, key managers, or other important personnel, are appointed according to local laws, with their compensation approved by the chairman and reported to the board if they receive additional compensation from the company.

2.2.2 Business Strategy and Risk Management: The company focuses on specific business areas to innovate technology and products, pursuing low cost, high quality, and high value. Management systems and operational standards are established to ensure operational results and control risks.

2.2.3 Business Relationships: Subsidiaries should establish contracts for business transactions with the company or other subsidiaries, with pricing and transaction terms based on mutual acceptance or market prices.

2.2.4 Supervision of Major Financial and Business Matters: This includes business plans and budgets, major equipment investments, debt financing, loans, endorsements, guarantees, securities and derivative investments, significant contracts, major property changes, IFRS application, professional judgments, and changes in key accounting policies and estimates.

2.2.5 Accounting Standards: Subsidiaries should follow the company's policies and procedures for accounting standards, professional judgments, and changes in key accounting policies and estimates, unless otherwise specified by local laws.

2.3 Supervision and Management of Financial and Business Information

2.3.1 Subsidiaries are independent legal entities. The company should help them establish independent financial and business management systems and information systems compatible with the company's systems for integrated management.

2.3.2 Effective financial and business communication systems should be established between the company and subsidiaries. Major financial and business matters should be reported to the company before they occur, and significant matters affecting the company's interests and securities prices should be reported immediately.

2.3.3 Subsidiaries should provide monthly management reports, including operational reports, monthly production and sales reports, balance sheets, income statements, cash flow statements, accounts receivable aging analysis, overdue accounts details, inventory aging analysis, and monthly reports on loans and endorsements for analysis and review.

2.3.4 The company should arrange for subsidiaries to provide necessary financial and business information in a timely manner, or appoint accountants to audit or review subsidiaries' financial reports according to relevant laws.

2.4 Supervision and Management of Audit Management

2.4.1 The company should guide subsidiaries in establishing audit units and internal control systems, and supervise their implementation based on the nature of their business, operational scale, and number of employees.

2.4.2 The company's internal audit regulations should include subsidiaries in the audit scope, conducting regular or irregular audits. Audit findings and recommendations should be reported to the audited subsidiary for improvement, with follow-up reports to ensure timely corrective actions.

2.4.3 Subsidiaries should report their special audit plans, annual audit plans, and the implementation and improvement of internal control deficiencies and anomalies to the company's internal audit unit.

2.4.4 The company's internal audit unit should review subsidiaries' audit reports or self-assessment reports and track the improvement of internal control deficiencies and anomalies.

3.0 Control Focus 3.1 Whether the company has established necessary control procedures for subsidiaries. 3.2 Whether the company considers local government regulations and the nature of operations to urge subsidiaries to establish internal control systems. 3.3 Whether the company supervises and manages subsidiaries' operational management matters according to the law. 3.4 Whether the company supervises and manages subsidiaries' financial and business information according to the law. 3.5 Whether the company supervises and manages subsidiaries' audit management according to the law.

4.0 Reference Materials 4.1 Approval Authority Table

5.0 Forms Used 5.1 Monthly Management Reports of Subsidiaries