

Stock code: 8070



**Chang Wah Electromaterials Inc.**

**2022 Annual Shareholders' Meeting**

# **Meeting Agenda**

(Translation)

**Date:** June 17, 2022

**Location:** No. 15, Jing 2nd Rd., Nanzih Dist., Kaohsiung City  
(Employee Service Center)

※ If the location of the shareholders' meeting has to be changed due to the epidemic, it will be announced on the "Market Observation Post System".

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# **Chang Wah Electromaterials Inc.**

## **Meeting Procedure of**

### **Annual Shareholders' Meeting 2022**

**I. Call the Meeting to Order**

**II. Chairperson's Speech**

**III. Status Reports**

**IV. Matters for Ratification**

**V. Matters for Discussions**

**VI. Elections**

**VII. Others Proposals**

**VIII. Extempore Motions**

**IX. Adjournment**

# **Chang Wah Electromaterials Inc.**

## **Meeting Agenda**

**Time: 10:00 A.M., June 17 (Fri.), 2022**

**Place: No. 15, Jing 2nd Rd., Nanzih Dist., Kaohsiung City  
(Employee Service Center)**

**1. Call the Meeting to Order 【Reports on the numbers of shares from the attended shareholders】**

**2. Chairperson’s Speech**

**3. Status Reports**

- A. The Company’s 2021 Annual Business Report
- B. Report by Audit Committee on review of the 2021 Annual Accounting Final Reports and Statements
- C. Report on the Distribution of Employees and Board Directors’ Compensation
- D. Report on the Earnings’ Distribution
- E. Report on the Company’s Endorsement, Guarantee and Financings Provided to Other Parties
- F. Report on the Company’s Investment in Mainland China
- G. Report on the Handling of Corporate Bonds
- H. The Descriptions of Proposals from shareholders

**4. Matters for Ratification**

- A. Ratification of the 2021 Annual Business Report and the Financial Statements

**5. Matters for Discussions**

- A. Amendment of the “Procedures for Acquisition and Disposal of Assets”

**6. Elections**

- A. To hold the election of the 12<sup>th</sup> Board of Directors which has seven Directors (including three Independent Directors)

**7. Others Proposals**

- A. Lifting the competition restrictions for the newly elected Directors

**8. Extempore Motions**

**9. Adjournment**

## Status Reports

- (1) The Company's 2021 annual business report.

Please refer to page 9-11 of this meeting agenda.

- (2) Report by Audit Committee on review of the 2021 annual accounting final reports and statements.

Please refer to page 12 of this meeting agenda.

- (3) Report on the Distribution of Employees and Board Directors' Compensation.

The report has been approved by the directors' meeting on March 17, 2022. According to Article 18-2 of the Articles of Incorporation of the Company, the distribution of employees and board directors' compensation of 2021 is listed below:

Unit: NT\$			
Item	Ratio	Amount	Way of Distribution
Employees' Compensation	2%	37,547,559	All distributed by cash.
Directors' Compensation	3.63%	39,095,120	

- (4) Report on the earnings' distribution.

Please refer to page 13 of this meeting agenda.

- (5) Report on the Company's endorsement, guarantee and financings provided to other parties.

Please refer to page 14-15 of this meeting agenda.

- (6) Report on the Company's investment in Mainland China.

Please refer to page 16-17 of this meeting agenda.

- (7) Report on the handling of corporate bonds.

Please refer to page 18 of this meeting agenda..

- (8) The descriptions of proposals from shareholders.

Explanatory Notes:

1. According to Article 172-1 of the Company Act, the shareholders possessing more than 1% amount of total shares shall raise shareholding proposals to the Company, with 300

words per item at its maximum.

2. During the period from April 8 to April 18, 2022 when the Company makes public announcements of shareholdings on MOPS, there were no proposals accepted from the shareholders during the time, thus the agenda does not need to be discussed in the annual shareholders' meeting of 2022.

## **Matters for Ratification**

Proposal 1: Proposed by the Board of Directors

Content: Ratification of the 2021 Annual Business Report and the Financial Statements.

Explanatory Notes:

- 1.The Company's 2021 financial statement (including the parent company only and consolidated financial statements) were approved by the board of directors on March 17, 2022, audited and certified by the accountants Lee-Yuan Kuo and Hung-Ju Liao of Deloitte & Touche with independent auditors' reports issued, containing unqualified opinions with the Other Matters section, and reviewed with the audit committee report by the Audit Committee.
- 2.The above-mentioned report (please refer to page 19-37 of this meeting agenda), annual business report (please refer to page 9-11 of this meeting agenda) and earnings distribution table (please refer to page 13 of this meeting agenda) are attached herein.

Resolutions:

## **Matters for Discussions**

Proposal 1: Proposed by the Board of Directors

Content : Amendment of the "Procedures for Acquisition and Disposal of Assets"

Explanatory Notes:

- 1.The amendments are made according to laws and regulations of the competent authorities.
- 2.For the comparison table of regulations, please refer to page 38-43 of this meeting agenda.
- 3.The agenda has been proposed for discussion.

Resolutions:

## **Elections**

Proposal 1: Proposed by the Board of Directors

Content : Hold the election of the 12<sup>th</sup> Board of Directors which has seven Directors (including three Independent Directors)

Explanatory Notes:

1. The term of the Company's 11<sup>th</sup> Board of Directors will expire on June 18, 2022. Thus, it is proposed to hold the election of the 12<sup>th</sup> Board of Directors in the 2022 annual shareholders' meeting in accordance with applicable laws and regulations.
2. In accordance with Articles 11 and 11-1 of the Articles of Incorporation, the Company proposes to elect seven Directors (including three Independent Directors) in the annual shareholders' meeting. The candidate nomination system is adopted for the election and the shareholders shall elect Directors from the list of Director candidates. The newly elected Directors shall serve a term of 3 years, which commences immediately from the election date, i.e., from June 17, 2022 to June 16, 2025.
3. The list of Director (including Independent Directors) candidates was resolved and approved by the Board of Directors. Please refer to page 44-46 of this meeting agenda.
4. The agenda has been proposed for election.

The Election Result:

## **Others Proposals**

Proposal 1: Proposed by the Board of Directors

Content: Lifting the competition restrictions for the newly elected Directors.

Explanatory Notes :

1. According to Article 209 of the Company Act, director who does anything for himself or on behalf of another person that is within the scope of the Company's business, shall explain to the meeting of shareholders the essential contents of such an act and secure its approval.
2. For business needs, it is proposed to lift the competition restrictions for the newly elected Directors in the annual shareholders' meeting in accordance with applicable laws and regulations.
3. Please refer to page 47 of this meeting agenda for details of competition restrictions proposed to be lifted for newly elected Directors.
4. The agenda has been proposed for discussion.

Resolutions:



## **Extempore Motions**

## **Adjournment**

# Attachments

## Chang Wah Electromaterials Inc. 2021 Annual Business Report

The Company focuses on the production and sales of back-end packaging materials of semiconductors, deeply involving in semiconductor packaging materials, such as EME, CRM, lead frame and IC Substrate. Its major investments include Chang Wah Technology Co., Ltd., the metal lead frame manufacturer owning 54% of the total shares, and JMC Electronics Co., Ltd. the COF substrate manufacturer owning 43% of the total shares. Both investees have delivered outstanding business performance since last year. Chang Wah Technology Co., Ltd. reported record-high profits while the revenues of JMC Electronics Co., Ltd. was close to its historical high. Fueled by robust demand for products under our agency, our sales have remained strong.

Global chip shortage triggered explosive growth of the semiconductor market in 2021. Driven by massive demand for semiconductor materials, the Company's consolidated revenue was NT\$20.67 billion in 2021, an increase of 26% year-over-year. Operating profit amounted to NT\$2.56 billion, soaring 94% compared to 2020. Furthermore, the share of profits of investments accounted for using the equity method and dividend income under non-operating income increased compared to last year. Consequently, there was an increase in net profit after tax. Net profit attributable to owners of the Company was NT\$1.73 billion, up 73% from last year, and the earnings per share was NT\$2.54. The consolidated results of operations at the end of 2021 are listed as follows:

(Parent Company Only)

Unit: NT\$1000

Item	2021		2020		2019	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
Operating Income	10,812,001	100%	8,998,674	100%	7,892,295	100%
Gross Profit	699,697	7%	615,464	7%	535,195	7%
Gross Profit Margin	7%	—	7%	—	7%	—
Operating Profit	303,252	3%	330,063	4%	225,240	3%
Net Income before Tax	1,800,735	17%	1,068,419	12%	1,183,214	15%
Net Income after Tax	1,725,500	16%	997,299	11%	1,098,144	14%

(Consolidated)

Unit: NT\$1000

Item	2021		2020		2019	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
Operating Income	20,670,509	100%	16,424,018	100%	15,464,381	100%
Gross Profit	4,147,963	20%	2,446,976	15%	2,140,148	14%
Gross Profit Margin	20%	—	15%	—	14%	—
Operating Profit	2,559,268	12%	1,321,077	8%	1,097,018	7%
Net Income before Tax	3,078,874	15%	1,613,366	10%	1,774,580	11%
Net Income after Tax	2,488,063	12%	1,362,120	8%	1,405,855	9%

### 【Financial Performance】

(Parent Company Only)

Item	2021	2020	2019
<b>Financial Structure</b>			
Debt Ratio	48%	56%	46%
Long-term Funds to Fixed Assets	20,617%	14,432%	8,935%
Net Asset Value per Share (Note)	15.80	10.17	8.75
<b>Solvency</b>			
Current Ratio	116%	121%	121%
Quick Ratio	105%	103%	107%

Item	2021	2020	2019
<b>Profitability</b>			
Return on Assets	10%	8%	12%
Return on Equity	20%	17%	20%
Net Profit Margin	16%	11%	14%
Earnings per Share (Note)	2.54	1.56	1.72

Note: The change of share par value was completed in August 2020, and the par value after the split was \$1. The comparative period is the retroactively adjusted net value per share and EPS.

(Consolidated)

Item	2021	2020	2019
<b>Financial Structure</b>			
Debt Ratio	51%	62%	55%
Long-term Funds to Fixed Assets	795%	678%	478%
Net Asset Value per Share (Note)	15.80	10.17	8.75
<b>Solvency</b>			
Current Ratio	177%	177%	170%
Quick Ratio	131%	124%	139%
<b>Profitability</b>			
Return on Assets	10%	7%	9%
Return on Equity	21%	16%	17%
Net Profit Margin	12%	8%	9%
Earnings per Share (Note)	2.54	1.56	1.72

Note: The change of share par value was completed in August 2020, and the par value after the split was \$1. The comparative period is the retroactively adjusted net value per share and EPS.

### **【Research and Development】**

CWE Group has been devoted to semiconductor for many years. The subsidiary, Chang Wah Technology Co., Ltd., is a world-renowned lead frame manufacturer. Its merger with Japanese companies in recent year has brought the company to aggressively develop Quad Flat No Lead (QFN) applications. As the penetration rate of Mini LED in electronics products rockets, the trend will gradually turn into the new mainstream. The subsidiary, Chang Wah Technology Co., Ltd., also applies etching process, which it excels in, to the existing Pre-Mold technology and successfully produces Mini LED substrates. Product samples have been sent to automotive customers and top TV makers within the supply chain for certification. This could possibly be a future growth momentum for the CWE Group.

### **【Strategy of Future Development】**

CWE Group's product line of etching process is mostly the lead frames produced by the subsidiary, Chang Wah Technology Co., Ltd. As digital transformation such as 5G, AI and electric vehicle (EV) accelerates, chip shortage will continue into 2023 and the lead frames for QFN packaging would remain in short supply. As for non-QFN lead frames, the visibility of orders from IDM customers extends to 2023. We will initial capacity expansion plans to meet the strong demand. The key material for packaging, IC lead frames, is experiencing severe shortage and the prices will surge in each quarter from the second half of the year. Customers have proactively signed long-term contracts with the Company to ensure supply.

The booming semiconductor market and the urgency to acquire related materials have turned the material industry into a crucial part of the industry chain. Packaging materials under our agency such as EME and lead frames are in short supply and their significance to the semiconductor industry cannot be ignored. Furthermore, the Company has started to tap into the packaging materials for crucial components in EV and automotive electronics, including EV motors and automotive electronics

chips, e.g., the packaging of Eletronic Control Unit (ECU) modules. CWE Group is optimistic about 2022. Both revenue and profits will continue to grow and possibly surpass the performance in 2021.

Chairperson:  
Canon, Huang

Manager:  
Thomas, Huang

Accountant:  
Elaine, Chen

**Chang Wah Electromaterials Inc.**  
**Audit Committee Report**

The Board of Directors had prepared and submitted the 2021 Financial Statements (including the parent company only and consolidated financial statements). The audit of the financial statements was completed by accountants Lee-Yuan Kuo and Hung-Ju Liao of Deloitte & Touche with independent auditors' reports issued, containing unqualified opinions with the Other Matters section. The audit of the aforementioned statements, along with issues such as the 2021 Annual Business Report and the 2021 earning distribution table, submitted by the Board of Directors was reviewed by the Audit Committee, and no inconsistency was found. The audit report was issued in accordance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act.

Yours sincerely,

2022 Annual Shareholders' Meeting of Chang Wah Electromaterials Inc.

Audit Committee of Chang Wah Electromaterials Inc.

Convener: 

Convener: 

Convener: 

Date: March 17, 2022.

**Chang Wah Electromaterials Inc.**  
**2021 Earnings Distribution Table**

Unit: NT\$

Beginning balance of undistributed earnings		1,116,984,905
Net profit after tax plus the amount of other items accounted for as the undistributed earnings in fiscal year 2021		
Net profit after tax in fiscal year 2021	1,725,500,319	
Adjustment to retained earnings due to the investment accounted for using the equity method	(455,992,113)	
Remeasurements of defined benefit plans recognized in the retained earnings	(80,927)	
The accumulated profit and losses from the disposal of the investment in equity instruments measured at FVTOCI was directly transferred to the retained earnings	789,717,752	2,059,145,031
Provision of the legal reserve (10%)		
Part provided in the first half of fiscal year 2021	(87,217,560)	
Part provided in the second half of fiscal year 2021	(118,696,943)	(205,914,503)
Distributable earnings in fiscal year 2021		2,970,215,433
Item of distribution:		
The amount of earnings distribution as the dividends for shareholders in the first half of fiscal year 2021 - cash (NT\$0.38 for each share)	(261,979,382)	
The amount of earnings distribution as the dividends for shareholders in the second half of fiscal year 2021 - cash (NT\$1.62 for each share)	(1,116,859,470)	(1,378,838,852)
Ending balance of undistributed earnings		1,591,376,581

Chairperson: Canon, Huang;      Manager: Thomas, Huang;      Accountant: Elaine, Chen

**Note:**

1. The dividend for each share was calculated with the basis of 689,419,426 outstanding shares by March 17, 2022. If the number of outstanding shares or the payout ratio for each share changes due to repurchase of shares, transfer or writing-off of treasury shares, or the transition of convertible corporate bonds, the chairperson shall be authorized to handle all affairs related to the change in the payout ratio of dividends for shareholders.
2. The part of the share dividends which was less than NT\$1 was recognized in the section of Employee Benefit Committee.
3. The proposals of earnings distribution for the first half and the second half of fiscal year 2021 were respectively approved by the Board of Directors with resolutions made on Nov. 5, 2021 and March 17, 2022.

## Endorsement/Guarantee in Fiscal Year 2021

### Chang Wah Electromaterials Inc. and Subsidiaries

#### ENDORSEMENTS/GUARANTEES PROVIDED

FOR THE YEAR ENDED DECEMBER 31, 2021

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Endorsement/ Guarantor Provider	Endorsee/Guarantee		Limits on Endorsement/ Guarantee Amount Provided to Each Guaranteed Party	Maximum Amount for the Period	Ending Balance	Amount Actually Drawn	Amount of Endorsement/ Guarantee Collateralized by Properties	Ratio of Accumulated Endorsement/ Guarantee to Net Equity per Latest Financial Statements (%)	Maximum Endorsement/ Guarantee Amount Allowable	Guarantee Provided by Parent Company	Guarantee Provided by Subsidiary	Guarantee Provided to Subsidiary in Mainland China	Note
		Name	Relationship (Note 3)											
0	The Corporation	Shanghai Chang Wah Electromaterials Inc.	2, 6	\$ 2,178,909	\$ 47,471	\$ 47,471	\$ 47,471	\$ -	0.44	\$ 5,447,272	Yes	No	Yes	Note 1
1	Chang Wah Technology Co., Ltd.	Shanghai Chang Wah Electromaterials Inc.	2, 6	1,657,488	107,537	107,537	107,537	-	1.30	4,143,721	No	No	Yes	Note 2

Note 1: In accordance with the Corporation's "Procedures for Provision of Endorsements and Guarantees", limits are as follows:

1. The total amount of guarantees provided by the Corporation shall not exceed 50% of the Corporation's net worth in its latest audited or reviewed financial statements.
2. Except of the guarantor has business relationship with the guarantee, the amount of guarantees to any individual entity shall not exceed 20% of the Corporation's net worth in its latest audited or reviewed financial statements.
3. The total amount of guarantees provided by the Corporation and its subsidiaries shall not exceed the Corporation's net worth in its latest audited or reviewed financial statements.
4. Except of the guarantor has business relationship with the guarantee, the total amount of guarantees to any individual entity shall not exceed 50% of the Corporation's net worth in its latest audited or reviewed financial statements.

Note 2: Chang Wah Technology Co., Ltd.: The amount of guarantees to any individual entity shall not exceed 20% of its net worth. The total amount of guarantees shall not exceed 50% of its net worth.

Note 3: Relationships between the endorser/guarantor and the party being endorsed/guaranteed are as follows:

1. A company that the Corporation has business relationship with.
2. The Corporation owns directly or indirectly over 50% ownership of the investee company.
3. The company that owns directly or indirectly hold over 50% ownership of the Corporation.
4. In between companies that were held over 90% of voting shares directly or indirectly by an entity.
5. The Corporation is required to provide guarantees or endorsements for the construction project based on the construction contract.
6. Shareholder of the investee provides endorsements/guarantees to the company in proportion to their shareholding percentages.
7. According to Consumer Protection Act, companies in the same industry enter into collateral performance guarantees for pre-construction home sales agreements.



## Financing Provided in Fiscal Year 2021

### Chang Wah Electromaterials Inc. and Subsidiaries

#### FINANCING PROVIDED TO OTHERS

FOR THE YEAR ENDED DECEMBER 31, 2021

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Financing Company	Counterparty	Financial Statement Account	Related Party	Maximum Balance for the Period	Ending Balance	Amount Actually Drawn (Note 5)	Interest Rate (%)	Nature for Financing (Note 4)	Transaction Amount	Reason for Financing	Allowance for Bad Debt	Collateral		Financing Limits for Each Borrowing Company	Financing Company's Total Financing Amount Limit	Note
													Item	Value			
0	The Corporation	Chang Wah Energy Technology Co., Ltd.	Other receivables	Yes	\$ 400,000	\$ 200,000	\$ 25,000	1	2	\$ -	Operating capital	\$ -	None	\$ -	\$ 1,089,454	\$ 4,357,818	Note 1
1	Chang Wah Technology Co., Ltd.	SH Electronics Suzhou Co., Ltd.	Other receivables	Yes	395,824	387,520	387,520	0.9-2	1	897,709	-	-	None	-	3,314,976	3,314,976	Note 2
1	Chang Wah Technology Co., Ltd.	Shanghai Chang Wah Electromaterials Inc.	Other receivables	Yes	41,520	-	-	2-2.5	2	-	Operating capital	-	None	-	3,314,976	3,314,976	Note 2
2	SH Electronics Chengdu Co., Ltd.	SH Electronics Suzhou Co., Ltd.	Other receivables	Yes	166,080	166,080	-	0.9-1	2	-	Repayments of loans	-	None	-	833,094	833,094	Note 3

Note 1: According to "The Process of Financing Other" established by the Corporation, limits are as follows:

1. The total amount of loans shall not exceed 40% of the Corporation's net worth in its latest audited or reviewed financial statements.
2. The amount of loans to any individual borrower shall not exceed 20% the Corporation's net worth in its latest audited or reviewed financial statements.
3. The amount of loans for advance in installments or via revolving utilization shall not exceed 10% of the Corporation's net worth in its latest audited or reviewed financial statements.

Note 2: Chang Wah Technology Co., Ltd.: The amount of loans for any individual borrower or the total amount of loans shall not exceed 40% of its net worth.

Note 3: SH Electronics Chengdu Co., Ltd.: The total amount of loans among the subsidiaries, where the parent entity has direct or indirect shareholding of 100%, shall not exceed the company's net worth in its latest audited or reviewed financial statements.

Note 4: The nature for financial is as follows:

1. Business relationship
2. The need for short-term financing

Note 5: Amount was eliminated from the consolidated financial statements.

## Investment in Mainland China in Fiscal Year 2021

### Chang Wah Electromaterials Inc. and Subsidiaries

#### INFORMATION ON INVESTMENTS IN MAINLAND CHINA FOR THE YEAR ENDED DECEMBER 31, 2021

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital	Method of Investment (Note 1)	Accumulated Outward Remittance for Investments from Taiwan as of January 1, 2021	Remittance of Funds		Accumulated Outward Remittance for Investments from Taiwan as of December 31, 2021	Net Income of the Investee	% of Ownership of Direct or Indirect Investment	Investment Gain (Notes 7 and 8)	Carrying Amount as of December 31, 2021 (Notes 7 and 8)	Accumulated Repatriation of Investment Income as of December 31, 2021	Note
					Outward	Inward							
SH Electronics Chengdu Co., Ltd.	Researching, developing, manufacturing and selling of leadframe, semiconductor materials and precision tools	\$ 235,280	2	\$ 66,077	\$ -	\$ -	\$ 66,077	\$ 188,101	100	\$ 187,853	\$ 1,013,238	\$ 697,802	Note 2
Shanghai Chang Wah Electromaterials Inc.	Acting as an agent for IC packaging materials and equipment	110,720	2	149,668	-	-	149,668	79,238	100	79,238	406,057	181,110	Note 2
SH Precision Chengdu Co., Ltd.	Researching, developing, manufacturing and selling of leadframe, semiconductor materials and precision tools	96,880	2	31,807	-	-	31,807	74,985	100	75,148	423,423	346,645	Note 2
CWTC (Shanghai) Inc.	Selling of lighting materials and equipment, communication devices, semiconductor materials and equipment, electronic products, machinery and equipment, etc.	55,360	1	64,308	-	-	64,308	9,700	100	9,700	84,170	-	
SH Electronics Suzhou Co., Ltd.	Researching, developing, manufacturing and selling of leadframe, semiconductor packaging materials and precision tools	692,000	2	-	-	-	-	338,375	100	339,771	767,551	-	

Investor Company	Accumulated Outward Remittance for Investments in Mainland China as of December 31, 2021 (Note 3)	Investment Amount Authorized by the Investment Commission, MOEA (Notes 4 and 5)	Upper Limit on the Amount of Investments Stipulated by the Investment Commission, MOEA (Note 6)
The Corporation	\$ 530,229	\$ 1,050,874	\$ -
Chang Wah Technology Co., Ltd.	64,308	1,263,398	-

Note 1: Investment methods are classified into the following two categories:

1. Direct investment
2. Invest through holding company registered in a third region.

Note 2: SH Electronics Chengdu Co., Ltd. accumulated repatriation of investment income of RMB160,431 thousand (USD23,182 thousand); SH Precision Chengdu Co., Ltd. accumulated repatriation of investment income of RMB81,202 thousand (USD11,642 thousand); Shanghai Chang Wah Electromaterials Inc. accumulated repatriation of investment income of RMB39,682 thousand (USD6,027 thousand)

(Continued)

- Note 3: The difference with the accumulated investment amount remitted from Taiwan of the above table was mainly due to the loss of control in equity or the reinvestment by the invested company at fair value through other comprehensive income.
- Note 4: Investments approved by the Ministry of Economic Affairs were SH Electronics Chengdu Co., Ltd. USD2,100 thousand, SH Precision Chengdu Co., Ltd. USD1,050 thousand, Wuxi E&R Semiconductor Material Technology Co., Ltd. USD76 thousand, How Weih Precision Technology (Shenzhen) Co., Ltd. USD824 thousand, How Yu Technology (Shenzhen) Co., Ltd. USD644 thousand, Shanghai Chang Wah Electromaterials Inc. RMB19,729 and USD2,775 thousand, Wujiang Binmao Optronics Co., Ltd. USD551 thousand, Huizhou Weite Electronics Co., Ltd. RMB100,020 thousand and USD900 thousand, How Weih Electronic Technology (Huizhou) Co., Ltd. USD12,989 thousand, Ningbo Wanquan Photoelectricity Technology Co., Ltd. USD868 thousand and CTRON Advanced Material Co., Ltd. RMB20,000 thousand. In March 2017, the Corporation purchased 40% of the shares of SH Asia Pacific Pte. Ltd. from SH Materials Co., Ltd. and indirectly acquired the shares of other 3 companies included mainland region of SH Electronics Suzhou Co., Ltd. (USD1,571 thousand), SH Electronics Chengdu Co., Ltd. (USD6,463 thousand) and SH Precision Chengdu Co., Ltd. (USD2,454 thousand). In June 2017, the Corporation sold the 40% of SH Asia Pacific Pte. Ltd.'s shares to the subsidiary Chang Wah Technology Co., Ltd. by through organizational restructuring, and indirectly transferring three companies' shares of SH Electronics Suzhou Co., Ltd. (USD1,303 thousand), SH Electronics Chengdu Co., Ltd. (USD3,751 thousand) and SH Precision Chengdu Co., Ltd. (USD1,188 thousand). In October 2017, the Corporation sold 100% of its subsidiary, WSP Electromaterials Ltd. to SH Asia Pacific Pte. Ltd. and indirectly transferred ownership of SH Electronics Chengdu Co., Ltd. (USD9,833 thousand), SH Precision Chengdu Co., Ltd. (USD3,165 thousand) and Shanghai Chang Wah Electromaterials Inc. (USD8,670 thousand) by organizational restructuring. In March 2020, the Corporation purchased 30% of the shares of Silver Connection Co., Ltd. from Biostar Microtech Int'l Corp. for NTD295,152 thousand, which indirectly resulted in owning 30% of Dong Guan Sino-1 Electrical Contacts Alloy Co., Ltd.
- Note 5: Investments of the Corporation's subsidiary, Chang Wah Technology Co., Ltd. approved by the Ministry of Economic Affairs were CWTC (Shanghai) Inc. USD2,000 thousand. In March 2017, the subsidiary, Chang Wah Technology Co., Ltd. purchased 60% of its shares of SH Asia Pacific Pte. Ltd. from SH Materials Co., Ltd. and indirectly acquired ownership of SH Electronics Suzhou Co., Ltd. (USD2,356 thousand), SH Electronics Chengdu Co., Ltd. (USD9,695 thousand) and SH Precision Chengdu Co., Ltd. (USD3,682 thousand). Moreover, in June 2017, the Corporation sold 40% of its shares of SH Asia Pacific Pte. Ltd. to its subsidiary, Chang Wah Technology Co., Ltd. and indirectly transferred ownership of SH Electronics Suzhou Co., Ltd. (USD1,303 thousand), SH Electronics Chengdu Co., Ltd. (USD3,751 thousand) and SH Precision Chengdu Co., Ltd. (USD1,188 thousand) that was owned by the Corporation by organizational restructuring. In October 2017, the Corporation's subsidiary, SH Asia Pacific Pte. Ltd. acquired 100% of WSP Electromaterials Ltd. and indirectly acquired SH Electronics Chengdu Co., Ltd. (USD9,833 thousand), SH Precision Chengdu Co., Ltd. (USD3,165 thousand) and Shanghai Chang Wah Electromaterials Inc. (USD8,670 thousand) by organizational restructuring.
- Note 6: Pursuant to the Jing-Shen-Zi Letter No. 09704604680 of the Ministry of Economic Affairs, ROC and the amended "Regulation Governing the Approval of Investment or Technical Cooperation in Mainland China" dated August 29, 2008, the Corporation obtained the approval of the operational headquarters from the Industrial Development Bureau of Ministry of Economic Affairs, so there is no ceiling for the investment amount.
- Note 7: The basis for investment income recognition is the financial statements audited and attested.
- Note 8 Amount was eliminated from the consolidated financial statements.

(Concluded)

**Chang Wah Electromaterials Inc.**  
**Handling of Corporate Bonds**

Type of corporate bonds	Domestic unsecured convertible bonds of the 4 <sup>th</sup> issuance
Date of issue	Nov. 25, 2020
Carrying amount	NT\$100,000 for each certificate
Issue price	NT\$100.50
Total amount	NT\$1,200,000,000
Interest rate	Coupon rate: 0%
Expiration	5 years
Use of proceeds	Repayments for bank loans
Unpaid principal	NT\$0
Implementation status of corporate bonds prior to the delisting date of July 20, 2021	The corporate bonds were converted to 50,620,056 common shares.

# 2021 Parent Company Only Financial Statement

## INDEPENDENT AUDITORS' REPORT

Chang Wah Electromaterials Inc.

### Opinion

We have audited the accompanying standalone financial statements of Chang Wah Electromaterials Inc. (the "Corporation"), which comprise the standalone balance sheets as of December 31, 2021 and 2020, and the standalone statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the standalone financial statements, including a summary of significant accounting policies (collectively referred to as the "standalone financial statements").

In our opinion, based on our audits and the reports of other auditors (refer to the Other Matter section), the accompanying standalone financial statements present fairly, in all material respects, the standalone financial position of the Corporation as of December 31, 2021 and 2020, and its standalone financial performance and its standalone 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 Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Standalone Financial Statements section of our report. We are independent of the Corporation 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. Based on our audits and the reports of other auditors, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the standalone financial statements for the year ended December 31, 2021. These matters were addressed in the context of our audit of the standalone financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters of the Corporation's standalone financial statements for the year ended December 31, 2021 are stated as follows:

#### Revenue Recognition of Specific Customers

Due to the fact that the management may be under the pressure of achieving certain goals and meeting market expectations, the possibility of overstating sales may arise; where in some cases the sales revenue from a specific customer increases significantly and the amount is considered significant to the overall revenue. Therefore, revenue recognition of specific customers whose revenue has increased significantly is deemed as a key audit matter.

The audit procedures we performed in response to the above-mentioned key audit matter are as follows:

1. We understood the design of the internal controls and tested the effectiveness of the implementation of the internal controls on the recognition of revenue.

2. We selected appropriate samples from the sales revenue record of specific customers whose revenue had increased significantly, and examined the customer purchase order, proof of delivery, and proof of payment as pertaining to the same transaction counterparty.
3. We obtained details of sales returns and allowances for the year and after the reporting period and verified that the sales transactions actually occurred before the balance sheet date.

### **Other Matter**

Certain investments accounted for using the equity method in the Corporation's financial statements had been audited by other independent auditors, and our opinion, insofar as it relates to the amounts included in the Corporation's financial statements for such investments, is based solely on the reports of other auditors. The aforementioned equity-method investments amounted to NT\$788,467 thousand, representing 3.8% of the Corporation's total assets as of December 31, 2021, and the share of the profit of such associates amounted to NT\$34,617 thousand, representing 1.9% of the Corporation's profit before income tax for the year ended December 31, 2021.

### **Responsibilities of Management and Those Charged with Governance for the Standalone Financial Statements**

Management is responsible for the preparation and fair presentation of the standalone 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 standalone financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the standalone financial statements, management is responsible for assessing the Corporation'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 Corporation 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 Corporation's financial reporting process.

### **Auditors' Responsibilities for the Audit of the Standalone Financial Statements**

Our objectives are to obtain reasonable assurance about whether the standalone financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 auditing standards generally accepted in 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 standalone financial statements.

As part of an audit in accordance with the auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the standalone 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 Corporation'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 Corporation’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 standalone 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 Corporation to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the standalone financial statements, including the disclosures, and whether the standalone 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 entities or business activities within the Corporation to express an opinion on the standalone financial statements. We are responsible for the direction, supervision, and performance of the Corporation’s 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 standalone financial statements for the year ended December 31, 2021 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 audits resulting in this independent auditors’ report are Lee-Yuan Kuo and Hung-Ju Liao.

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

March 17, 2022

Notice to Readers

*The accompanying standalone financial statements are intended only to present the standalone financial position, financial performance and cash flows in accordance with 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 standalone financial statements are those generally applied in the Republic of China.*

*For the convenience of readers, the independent auditors’ report and the accompanying standalone financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors’ report and standalone financial statements shall prevail.*

## Chang Wah Electromaterials Inc.

### STANDALONE BALANCE SHEETS (In Thousands of New Taiwan Dollars)

ASSETS	December 31, 2021		December 31, 2020	
	Amount	%	Amount	%
<b>CURRENT ASSETS</b>				
Cash and cash equivalents (Notes 4 and 6)	\$ 1,048,878	5	\$ 637,657	4
Financial assets at fair value through profit or loss - current (Notes 4 and 7)	26,635	-	28,010	-
Financial assets at fair value through other comprehensive income - current (Notes 4 and 8)	956,206	5	767,426	5
Notes and accounts receivable, net (Notes 4, 5 and 9)	2,671,052	13	2,114,890	15
Accounts receivable - related parties (Notes 4, 5, 9 and 30)	6,179	-	4,216	-
Other receivables (Note 30)	255,210	1	120,340	1
Inventories (Notes 4 and 10)	331,980	1	452,647	3
Other financial assets - current (Notes 11 and 31)	160,720	1	163,920	1
Other current assets	29,437	-	22,448	-
Total current assets	<u>5,486,297</u>	<u>26</u>	<u>4,311,554</u>	<u>29</u>
<b>NON-CURRENT ASSETS</b>				
Financial assets at fair value through profit or loss - non-current (Notes 4 and 7)	189,942	1	188,944	1
Financial assets at fair value through other comprehensive income - non-current (Notes 4 and 8)	6,709,729	32	3,692,162	25
Investments accounted for using the equity method (Notes 4, 5 and 12)	8,126,213	39	6,178,261	42
Property, plant and equipment (Notes 4 and 13)	77,927	1	76,871	1
Right-of-use assets (Notes 4, 14 and 30)	27,354	-	25,274	-
Investment properties (Notes 4, 15 and 30)	17,225	-	25,192	-
Intangible assets (Note 4)	290	-	512	-
Deferred tax assets (Notes 4 and 24)	53,336	-	58,128	1
Refundable deposits	343	-	343	-
Other financial assets - non-current (Notes 11 and 31)	100,123	1	102,509	1
Other non-current assets	6,261	-	7,680	-
Total non-current assets	<u>15,308,743</u>	<u>74</u>	<u>10,355,876</u>	<u>71</u>
<b>TOTAL</b>	<u>\$ 20,795,040</u>	<u>100</u>	<u>\$ 14,667,430</u>	<u>100</u>
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Short-term borrowings (Notes 16 and 31)	\$ 1,500,000	7	\$ 1,046,138	7
Contract liabilities - current (Notes 4 and 22)	76,060	-	55,307	1
Accounts payable (Note 18)	1,229,735	6	1,099,983	8
Accounts payable - related parties (Notes 18 and 30)	811,378	4	626,087	4
Dividend payable	261,979	1	166,088	1
Other payables (Notes 19 and 30)	628,781	3	495,305	4
Current tax liabilities (Note 24)	82,091	1	45,536	-
Lease liabilities - current (Notes 4, 14 and 30)	7,176	-	6,736	-
Other current liabilities	131,899	1	32,396	-
Total current liabilities	<u>4,729,099</u>	<u>23</u>	<u>3,573,576</u>	<u>25</u>
<b>NON-CURRENT LIABILITIES</b>				
Bonds payable (Notes 4 and 17)	-	-	1,133,142	8
Long-term borrowings (Note 16)	5,011,600	24	3,328,720	23
Deferred tax liabilities (Notes 4 and 24)	116,980	1	92,171	-
Lease liabilities - non-current (Notes 4, 14 and 30)	22,624	-	22,742	-
Net defined benefit liabilities (Notes 4 and 20)	18,618	-	18,349	-
Guarantee deposits	1,575	-	1,575	-
Total non-current liabilities	<u>5,171,397</u>	<u>25</u>	<u>4,596,699</u>	<u>31</u>
Total liabilities	<u>9,900,496</u>	<u>48</u>	<u>8,170,275</u>	<u>56</u>
<b>EQUITY (Note 21)</b>				
Ordinary shares	689,419	3	638,799	4
Capital surplus	3,903,361	19	2,112,872	14
Retained earnings				
Legal reserve	1,208,656	6	1,069,492	7
Special reserve	1,277	-	1,277	-
Unappropriated earnings	2,826,933	13	1,870,292	13
Total retained earnings	4,036,866	19	2,941,061	20
Other equity	2,264,898	11	804,423	6
Total equity	<u>10,894,544</u>	<u>52</u>	<u>6,497,155</u>	<u>44</u>
<b>TOTAL</b>	<u>\$ 20,795,040</u>	<u>100</u>	<u>\$ 14,667,430</u>	<u>100</u>

The accompanying notes are an integral part of the standalone financial statements.

(With Deloitte & Touche auditors' report dated March 17, 2022)



## Chang Wah Electromaterials Inc.

### STANDALONE STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	For the Year Ended December 31			
	2021		2020	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4, 22 and 30)	\$ 10,812,001	100	\$ 8,998,674	100
OPERATING COSTS (Notes 10, 23 and 30)	<u>10,109,745</u>	<u>93</u>	<u>8,384,992</u>	<u>93</u>
GROSS PROFIT	702,256	7	613,682	7
REALIZED (UNREALIZED) GAIN ON TRANSACTIONS WITH SUBSIDIARIES AND ASSOCIATES	<u>(2,559)</u>	<u>-</u>	<u>1,782</u>	<u>-</u>
REALIZED GROSS PROFIT	<u>699,697</u>	<u>7</u>	<u>615,464</u>	<u>7</u>
OPERATING EXPENSES (Notes 9, 20, 23 and 30)				
Selling and marketing expenses	148,397	2	135,133	1
General and administrative expenses	233,161	2	149,970	2
Research and development expenses	168	-	142	-
Expected credit loss	<u>14,719</u>	<u>-</u>	<u>156</u>	<u>-</u>
Total operating expenses	<u>396,445</u>	<u>4</u>	<u>285,401</u>	<u>3</u>
PROFIT FROM OPERATIONS	<u>303,252</u>	<u>3</u>	<u>330,063</u>	<u>4</u>
NON-OPERATING INCOME AND EXPENSES (Notes 23 and 30)				
Interest income	2,399	-	6,797	-
Other income	272,381	3	179,880	2
Other gains and losses	(46,388)	-	(39,621)	-
Finance costs	(53,182)	(1)	(41,621)	(1)
Share of the profit of subsidiaries and associates	<u>1,322,273</u>	<u>12</u>	<u>632,921</u>	<u>7</u>
Total non-operating income and expenses	<u>1,497,483</u>	<u>14</u>	<u>738,356</u>	<u>8</u>
PROFIT BEFORE INCOME TAX	1,800,735	17	1,068,419	12
INCOME TAX EXPENSE (Notes 4 and 24)	<u>75,235</u>	<u>1</u>	<u>71,120</u>	<u>1</u>
NET PROFIT FOR THE YEAR	<u>1,725,500</u>	<u>16</u>	<u>997,299</u>	<u>11</u>

(Continued)

## Chang Wah Electromaterials Inc.

### STANDALONE STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	For the Year Ended December 31			
	2021		2020	
	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME (LOSS)				
(Notes 20, 21 and 24)				
Items that will not be reclassified subsequently to profit or loss				
Remeasurement of defined benefit plans	\$ (102)	-	\$ 1,462	-
Unrealized gains and losses on investments in equity instruments at fair value through other comprehensive income	2,112,702	20	604,744	6
Share of the other comprehensive income (loss) of subsidiaries and associates	233,698	2	158,115	2
Income tax relating to items that will not be reclassified subsequently to profit or loss	(72,207)	(1)	(292)	-
Items that may be reclassified subsequently to profit or loss				
Share of the other comprehensive income (loss) of subsidiaries and associates	(24,681)	-	(27,075)	-
Income tax relating to items that may be reclassified subsequently to profit or loss	<u>702</u>	<u>-</u>	<u>(3,179)</u>	<u>-</u>
Other comprehensive income for the year, net of income tax	<u>2,250,112</u>	<u>21</u>	<u>733,775</u>	<u>8</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 3,975,612</u>	<u>37</u>	<u>\$ 1,731,074</u>	<u>19</u>
EARNINGS PER SHARE (Note 25)				
Basic	\$ 2.54		\$ 1.56	
Diluted	2.53		1.56	

The accompanying notes are an integral part of the standalone financial statements.

(Concluded)

(With Deloitte & Touche auditors' report dated March 17, 2022)

## Chang Wah Electromaterials Inc.

### STANDALONE STATEMENTS OF CHANGES IN EQUITY (In Thousands of New Taiwan Dollars)

	Ordinary Shares	Capital Surplus	Retained Earnings			Exchange Differences on Translation of Foreign Operations	Other Equity	Total Other Equity	Total Equity
			Legal Reserve	Special Reserve	Unappropriated Earnings		Unrealized Gains and Losses on Financial Assets at Fair Value Through Other Comprehensive Income		
BALANCE AT JANUARY 1, 2020	\$ 638,799	\$ 2,066,051	\$ 974,269	\$ 1,277	\$ 1,790,605	\$ (103,297)	\$ 223,251	\$ 119,954	\$ 5,590,955
Appropriation of earnings (Note 21)									
Legal reserve	-	-	95,223	-	(95,223)	-	-	-	-
Cash dividends	-	-	-	-	(709,067)	-	-	-	(709,067)
	-	-	95,223	-	(804,290)	-	-	-	(709,067)
Equity component of convertible bond issued by the Corporation (Note 17)	-	66,659	-	-	-	-	-	-	66,659
Share of changes in capital surplus of associates accounted for using the equity method	-	(1,939)	-	-	-	-	-	-	(1,939)
Net profit for the year ended December 31, 2020	-	-	-	-	997,299	-	-	-	997,299
Other comprehensive income (loss) for the year ended December 31, 2020, net of income tax	-	-	-	-	2,203	(30,254)	761,826	731,572	733,775
Total comprehensive income (loss) for the year ended December 31, 2020	-	-	-	-	999,502	(30,254)	761,826	731,572	1,731,074
Difference between consideration and carrying amount of subsidiaries acquired or disposed of (Note 26)	-	(48,557)	-	-	(162,628)	-	-	-	(211,185)
Share of changes in equity of subsidiaries (Note 26)	-	30,658	-	-	-	-	-	-	30,658
Disposal of investments in equity instruments at fair value through other comprehensive income (Note 21)	-	-	-	-	47,103	-	(47,103)	(47,103)	-
BALANCE AT DECEMBER 31, 2020	638,799	2,112,872	1,069,492	1,277	1,870,292	(133,551)	937,974	804,423	6,497,155
Appropriation of earnings (Note 21)									
Legal reserve	-	-	139,164	-	(139,164)	-	-	-	-
Cash dividends	-	-	-	-	(963,340)	-	-	-	(963,340)
	-	-	139,164	-	(1,102,504)	-	-	-	(963,340)
Share of changes in capital surplus of associates accounted for using the equity method	-	(8,712)	-	-	-	-	-	-	(8,712)
Net profit for the year ended December 31, 2021	-	-	-	-	1,725,500	-	-	-	1,725,500
Other comprehensive income (loss) for the year ended December 31, 2021, net of income tax	-	-	-	-	(81)	(23,979)	2,274,172	2,250,193	2,250,112
Total comprehensive income (loss) for the year ended December 31, 2021	-	-	-	-	1,725,419	(23,979)	2,274,172	2,250,193	3,975,612
Convertible bonds converted to ordinary shares (Note 17)	50,620	1,077,171	-	-	-	-	-	-	1,127,791
Difference between consideration and carrying amount of subsidiaries acquired or disposed of (Note 26)	-	-	-	-	(455,992)	-	-	-	(455,992)
Share of changes in equity of subsidiaries (Note 26)	-	722,030	-	-	-	-	-	-	722,030
Disposal of investments in equity instruments at fair value through other comprehensive income (Note 21)	-	-	-	-	789,718	-	(789,718)	(789,718)	-
BALANCE AT DECEMBER 31, 2021	\$ 689,419	\$ 3,903,361	\$ 1,208,656	\$ 1,277	\$ 2,826,933	\$ (157,530)	\$ 2,422,428	\$ 2,264,898	\$ 10,894,544

The accompanying notes are an integral part of the standalone financial statements.

(With Deloitte & Touche auditors' report dated March 17, 2022)

## Chang Wah Electromaterials Inc.

### STANDALONE STATEMENTS OF CASH FLOWS (In Thousands of New Taiwan Dollars)

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before income tax	\$ 1,800,735	\$ 1,068,419
Adjustments for:		
Depreciation expense	15,680	16,109
Amortization expense	504	1,431
Expected credit loss	14,719	156
Gain on financial assets at fair value through profit or loss	(37,722)	(1,613)
Finance costs	53,182	41,621
Interest income	(2,399)	(6,797)
Dividend income	(263,305)	(163,851)
Compensation costs of share-based payments	6,512	-
Share of the profit of subsidiaries and associates	(1,322,273)	(632,921)
Gain on disposal of property, plant and equipment, net	(105)	(1)
Impairment loss recognized on non-financial assets	954	108
Unrealized (realized) gain on transactions with subsidiaries and associates	2,559	(1,782)
Others	(9,104)	(1,366)
Changes in operating assets and liabilities		
Financial assets mandatorily classified as at fair value through profit or loss	30,232	(17,933)
Notes and accounts receivable, net	(570,881)	(221,265)
Accounts receivable - related parties	(1,963)	1,013
Other receivables	(71,001)	(2,083)
Inventories	119,713	(80,678)
Other current assets	(6,989)	14,781
Contract liabilities	20,753	(33,922)
Accounts payable	129,752	104,643
Accounts payable - related parties	185,291	110,607
Other payables	147,091	13,840
Other current liabilities	108,607	407
Net defined benefit liabilities	167	(220)
Cash generated from operations	350,709	208,703
Interest received	2,569	6,775
Dividends received	667,990	655,667
Interest paid	(45,351)	(36,095)
Income taxes paid	(80,584)	(66,312)
Net cash generated from operating activities	<u>895,333</u>	<u>768,738</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of financial assets at fair value through other comprehensive income	(2,530,206)	(2,527,827)

(Continued)

## Chang Wah Electromaterials Inc.

### STANDALONE STATEMENTS OF CASH FLOWS (In Thousands of New Taiwan Dollars)

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Proceeds from disposal of financial assets at fair value through other comprehensive income	\$ 1,443,662	\$ 36,991
Acquisition of investments accounted for using the equity method	(55,498)	(295,152)
Proceeds from capital reduction of investments accounted for using the equity method	-	71,145
Acquisition of property, plant and equipment	(3,380)	(375)
Proceeds from disposal of property, plant and equipment	105	1
Decrease (increase) in other receivables	(5,000)	105,000
Acquisition of intangible assets	(282)	-
Decrease (increase) in other financial assets	<u>5,586</u>	<u>(215,929)</u>
Net cash used in investing activities	<u>(1,145,013)</u>	<u>(2,826,146)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from short-term borrowings	453,862	346,138
Repayment of short-term bills payable	-	(200,000)
Proceeds from issuance of convertible bonds	-	1,200,741
Redemption of convertible bonds	(300)	-
Proceeds from long-term borrowings	4,770,000	2,625,000
Repayment of long-term borrowings	(3,090,000)	(635,000)
Repayment of the principal portion of lease liabilities	(7,147)	(7,088)
Dividends paid	(867,449)	(804,887)
Net cash outflow on acquisition of subsidiaries	<u>(598,065)</u>	<u>(435,164)</u>
Net cash generated from financing activities	<u>660,901</u>	<u>2,089,740</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	411,221	32,332
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>637,657</u>	<u>605,325</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 1,048,878</u>	<u>\$ 637,657</u>

The accompanying notes are an integral part of the standalone financial statements.

(Concluded)

(With Deloitte & Touche auditors' report dated March 17, 2022)

# 2021 Consolidated Financial Statement

## INDEPENDENT AUDITORS' REPORT

Chang Wah Electromaterials Inc.

### Opinion

We have audited the accompanying consolidated financial statements of Chang Wah Electromaterials Inc. (the "Corporation") and its subsidiaries, which comprise the consolidated balance sheets as of December 31, 2021 and 2020, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as "the consolidated financial statements").

In our opinion, based on our audits and the reports of other auditors (refer to the Other Matter section), the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Corporation and its subsidiaries as of December 31, 2021 and 2020, and their consolidated financial performance and their consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission (FSC) of the Republic of China.

### Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in 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 Corporation and its subsidiaries 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. Based on our audits and the reports of other auditors, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2021. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matter of the Corporation and its subsidiaries' consolidated financial statements for the year ended December 31, 2021 is described as follows:

#### Revenue Recognition of Specific Customers

Due to the fact that the management may be under the pressure of achieving certain goals and meeting market expectations, the possibility of overstating sales may arise; where in some cases the sales revenue from a specific customer increases significantly and the amount is considered significant to the overall revenue.

Therefore, revenue recognition of specific customers whose revenue had increased significantly is deemed as a key audit matter.

The audit procedures we performed in response to the above-mentioned key audit matter are as follows:

1. We understood the design of the internal controls and tested the effectiveness of the implementation of the internal controls on the recognition of revenue.
2. We selected appropriate samples from the sales revenue record of specific customers whose revenue had increased significantly, and examined the customer purchase order, proof of delivery, and proof of payment pertaining to the same transaction counterparty.
3. We obtained details of sales returns and allowances for the year and after the reporting period and verified that the sales transactions actually occurred before the balance sheet date.

### **Other Matter**

Certain investments accounted for using the equity method in the Corporation's financial statements had been audited by other independent auditors, and our opinion, insofar as it relates to the amounts included in the Corporation and its subsidiaries' financial statements for such investments, is based solely on the reports of other auditors. The aforementioned equity-method investments amounted to NT\$788,930 thousand, representing 2.6% of the Corporation and its subsidiaries' total assets as of December 31, 2021, and the share of the profit of such associates amounted to NT\$34,637 thousand, representing 1.1% of the Corporation and its subsidiaries' profit before income tax for the year ended December 31, 2021.

We have also audited the standalone financial statements of the Corporation as of and for the years ended December 31, 2021 and 2020 on which we have issued an unmodified opinion with other matter paragraph and an unmodified opinion with emphasis of matter paragraph, respectively.

### **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 the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and the IFRS, IAS, IFRIC and SIC endorsed and issued into effect by the FSC 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 Corporation and its subsidiaries' 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 Corporation and its subsidiaries 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 Corporation and its subsidiaries' 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 auditors' 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 auditing standards generally accepted in 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 auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain 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 Corporation and its subsidiaries' 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 Corporation and its subsidiaries' 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 Corporation and its subsidiaries 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 entities or business activities within the Corporation and its subsidiaries to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the Corporation and its subsidiaries' 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 for the year ended December 31, 2021 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 audits resulting in this independent auditors' report are Lee-Yuan Kuo and Hung-Ju Liao.

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

March 17, 2022

Notice to Readers

*The accompanying consolidated financial statements are intended only to present the consolidated financial position, financial performance and cash flows in accordance with 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 applied in the Republic of China.*

*For the convenience of readers, the independent auditors' report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and consolidated financial statements shall prevail.*

## Chang Wah Electromaterials Inc. and Subsidiaries

### CONSOLIDATED BALANCE SHEETS (In Thousands of New Taiwan Dollars)

ASSETS	December 31, 2021		December 31, 2020	
	Amount	%	Amount	%
<b>CURRENT ASSETS</b>				
Cash and cash equivalents (Notes 4 and 6)	\$ 4,799,437	16	\$ 3,195,751	14
Financial assets at fair value through profit or loss - current (Notes 4 and 7)	136,876	1	115,440	-
Financial assets at fair value through other comprehensive income - current (Notes 4 and 8)	956,206	3	767,426	3
Notes and accounts receivable, net (Notes 4, 5 and 9)	4,775,289	16	3,645,658	16
Accounts receivable - related parties (Notes 4, 5, 9 and 33)	25,061	-	33,556	-
Other receivables (Note 33)	185,675	1	55,416	-
Current tax assets (Note 27)	-	-	3,268	-
Inventories (Notes 4, 5 and 10)	2,510,541	8	1,866,973	8
Other financial assets - current (Notes 11 and 34)	1,166,986	4	1,293,618	6
Other current assets	162,832	-	140,880	1
Total current assets	14,718,903	49	11,117,986	48
<b>NON-CURRENT ASSETS</b>				
Financial assets at fair value through profit or loss - non-current (Notes 4 and 7)	189,942	1	188,944	1
Financial assets at fair value through other comprehensive income - non-current (Notes 4 and 8)	7,542,449	25	4,414,533	19
Investments accounted for using the equity method (Notes 4 and 13)	3,436,042	11	3,087,780	13
Property, plant and equipment (Notes 4 and 14)	2,766,908	9	2,513,424	11
Right-of-use assets (Notes 4 and 15)	475,384	1	496,562	2
Investment properties (Notes 4, 16 and 33)	24,343	-	33,102	-
Goodwill (Notes 4, 5 and 17)	653,659	2	661,696	3
Other intangible assets (Notes 4 and 18)	34,953	-	30,079	-
Deferred tax assets (Notes 4 and 27)	185,948	1	182,968	1
Refundable deposits	6,139	-	5,145	-
Other financial assets - non-current (Notes 11 and 34)	151,997	1	437,373	2
Other non-current assets (Note 23)	121,928	-	150,079	-
Total non-current assets	15,589,692	51	12,201,685	52
<b>TOTAL</b>	<b>\$ 30,308,595</b>	<b>100</b>	<b>\$ 23,319,671</b>	<b>100</b>
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Short-term borrowings (Notes 19 and 34)	\$ 2,956,026	10	\$ 2,425,093	10
Contract liabilities - current (Notes 4 and 25)	203,035	1	105,695	1
Accounts payable (Note 21)	2,551,281	8	2,202,325	10
Accounts payable - related parties (Notes 21 and 33)	125,967	-	93,758	-
Dividends payable	372,982	1	230,534	1
Other payables (Notes 22 and 23)	1,353,850	5	1,029,422	4
Current tax liabilities (Note 27)	349,822	1	106,503	1
Lease liabilities - current (Notes 4 and 15)	15,446	-	16,028	-
Current portion of bonds payable (Note 20)	215,168	1	-	-
Other current liabilities	179,510	-	72,725	-
Total current liabilities	8,323,087	27	6,282,083	27
<b>NON-CURRENT LIABILITIES</b>				
Contract liabilities - non-current (Notes 4 and 25)	47,178	-	15,481	-
Bonds payable (Notes 4 and 20)	-	-	1,133,142	5
Long-term borrowings (Notes 19 and 34)	6,748,473	23	6,579,112	28
Deferred tax liabilities (Notes 4 and 27)	359,169	1	268,583	1
Lease liabilities - non-current (Notes 4 and 15)	77,442	-	89,568	1
Net defined benefit liabilities (Notes 4 and 23)	18,618	-	18,349	-
Guarantee deposits	7,567	-	11,051	-
Other non-current liabilities	6,094	-	6,762	-
Total non-current liabilities	7,264,541	24	8,122,048	35
Total liabilities	15,587,628	51	14,404,131	62
<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE CORPORATION (Note 24)</b>				
Ordinary shares	689,419	2	638,799	3
Capital surplus	3,903,361	13	2,112,872	9
Retained earnings				
Legal reserve	1,208,656	4	1,069,492	5
Special reserve	1,277	-	1,277	-
Unappropriated earnings	2,826,933	9	1,870,292	8
Total retained earnings	4,036,866	13	2,941,061	13
Other equity	2,264,898	8	804,423	3
Total equity attributable to owners of the Corporation	10,894,544	36	6,497,155	28
<b>NON-CONTROLLING INTERESTS (Notes 12 and 24)</b>				
Total equity	3,826,423	13	2,418,385	10
<b>TOTAL</b>	<b>\$ 30,308,595</b>	<b>100</b>	<b>\$ 23,319,671</b>	<b>100</b>

The accompanying notes are an integral part of the consolidated financial statements.

(With Deloitte & Touche auditors' report dated March 17, 2022)

## Chang Wah Electromaterials Inc. and Subsidiaries

### CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	For the Year Ended December 31			
	2021		2020	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4, 25 and 33)	\$ 20,670,509	100	\$ 16,424,018	100
OPERATING COSTS (Notes 10, 14, 23, 26 and 33)	<u>16,522,546</u>	<u>80</u>	<u>13,977,042</u>	<u>85</u>
GROSS PROFIT	<u>4,147,963</u>	<u>20</u>	<u>2,446,976</u>	<u>15</u>
OPERATING EXPENSES (Notes 9, 23, 26 and 33)				
Selling and marketing expenses	356,537	2	308,664	2
General and administrative expenses	761,891	4	589,252	4
Research and development expenses	461,324	2	228,725	1
Expected credit loss (reversal of credit loss)	<u>8,943</u>	<u>-</u>	<u>(742)</u>	<u>-</u>
Total operating expenses	<u>1,588,695</u>	<u>8</u>	<u>1,125,899</u>	<u>7</u>
PROFIT FROM OPERATIONS	<u>2,559,268</u>	<u>12</u>	<u>1,321,077</u>	<u>8</u>
NON-OPERATING INCOME AND EXPENSES (Note 26)				
Interest income	20,789	-	36,125	-
Other income	383,025	2	321,134	2
Other gains and losses	(101,422)	(1)	(174,255)	(1)
Finance costs	(97,860)	-	(82,946)	-
Share of the profit of associates	<u>315,074</u>	<u>2</u>	<u>192,231</u>	<u>1</u>
Total non-operating income and expenses	<u>519,606</u>	<u>3</u>	<u>292,289</u>	<u>2</u>
PROFIT BEFORE INCOME TAX	3,078,874	15	1,613,366	10
INCOME TAX EXPENSE (Notes 4 and 27)	<u>590,811</u>	<u>3</u>	<u>251,246</u>	<u>2</u>
NET PROFIT FOR THE YEAR	<u>2,488,063</u>	<u>12</u>	<u>1,362,120</u>	<u>8</u>
OTHER COMPREHENSIVE INCOME (LOSS) (Notes 23, 24 and 27)				
Items that will not be reclassified subsequently to profit or loss				
Remeasurement of defined benefit plans	631	-	3,558	-
Unrealized gains and losses on investments in equity instruments at fair value through other comprehensive income	2,313,759	11	714,419	4

(Continued)

## Chang Wah Electromaterials Inc. and Subsidiaries

### CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	For the Year Ended December 31			
	2021		2020	
	Amount	%	Amount	%
Share of the other comprehensive income of associates	\$ 121,037	-	\$ 96,856	1
Income tax relating to items that will not be reclassified subsequently to profit or loss	(71,949)	-	1,579	-
Items that may be reclassified subsequently to profit or loss				
Exchange differences on translation of foreign operations	(63,443)	-	(102,989)	-
Share of the other comprehensive income (loss) of associates	(3,724)	-	13,400	-
Income tax relating to items that may be reclassified subsequently to profit or loss	<u>13,315</u>	<u>-</u>	<u>17,741</u>	<u>-</u>
Other comprehensive income for the year, net of income tax	<u>2,309,626</u>	<u>11</u>	<u>744,564</u>	<u>5</u>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<u>\$ 4,797,689</u>	<u>23</u>	<u>\$ 2,106,684</u>	<u>13</u>
<b>NET PROFIT ATTRIBUTABLE TO:</b>				
Owners of the Corporation	\$ 1,725,500		\$ 997,299	
Non-controlling interests	<u>762,563</u>		<u>364,821</u>	
	<u>\$ 2,488,063</u>		<u>\$ 1,362,120</u>	
<b>TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:</b>				
Owners of the Corporation	\$ 3,975,612		\$ 1,731,074	
Non-controlling interests	<u>822,077</u>		<u>375,610</u>	
	<u>\$ 4,797,689</u>		<u>\$ 2,106,684</u>	
<b>EARNINGS PER SHARE (Note 28)</b>				
Basic	\$ 2.54		\$ 1.56	
Diluted	\$ 2.53		1.56	

The accompanying notes are an integral part of the consolidated financial statements.

(Concluded)

(With Deloitte & Touche auditors' report dated March 17, 2022)

# Chang Wah Electromaterials Inc. and Subsidiaries

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (In Thousands of New Taiwan Dollars)

	Equity Attributable to Owners of the Corporation										
	Retained Earnings					Exchange Differences on Translation of Foreign Operations	Other Equity		Total Equity Attributable to Owners of the Corporation	Non-controlling Interests	Total Equity
	Ordinary Shares	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings		Unrealized Gains and Losses on Financial Assets At Fair Value Through Other Comprehensive Income	Total Other Equity			
BALANCE AT JANUARY 1, 2020	\$ 638,799	\$ 2,066,051	\$ 974,269	\$ 1,277	\$ 1,790,605	\$ (103,297)	\$ 223,251	\$ 119,954	\$ 5,590,955	\$ 2,455,979	\$ 8,046,934
Appropriation of earnings (Note 24)											
Legal reserve	-	-	95,223	-	(95,223)	-	-	-	-	-	-
Cash dividends	-	-	-	-	(709,067)	-	-	-	(709,067)	-	(709,067)
	-	-	95,223	-	(804,290)	-	-	-	(709,067)	-	(709,067)
Equity component of convertible bond issued by the Corporation (Note 20)	-	66,659	-	-	-	-	-	-	66,659	-	66,659
Share of changes in capital surplus of associates accounted for using the equity method	-	(1,939)	-	-	-	-	-	-	(1,939)	-	(1,939)
Net profit for the year ended December 31, 2020	-	-	-	-	997,299	-	-	-	997,299	364,821	1,362,120
Other comprehensive income (loss) for the year ended December 31, 2020, net of income tax	-	-	-	-	2,203	(30,254)	761,826	731,572	733,775	10,789	744,564
Total comprehensive income (loss) for the year ended December 31, 2020	-	-	-	-	999,502	(30,254)	761,826	731,572	1,731,074	375,610	2,106,684
Difference between consideration and carrying amount of subsidiaries acquired or disposed of (Note 29)	-	(48,557)	-	-	(162,628)	-	-	-	(211,185)	-	(211,185)
Share of changes in equity of subsidiaries (Note 29)	-	30,658	-	-	-	-	-	-	30,658	-	30,658
Decrease in non-controlling interests	-	-	-	-	-	-	-	-	-	(413,204)	(413,204)
Disposal of investments in equity instruments at fair value through other comprehensive income (Note 24)	-	-	-	-	47,103	-	(47,103)	(47,103)	-	-	-
BALANCE AT DECEMBER 31, 2020	638,799	2,112,872	1,069,492	1,277	1,870,292	(133,551)	937,974	804,423	6,497,155	2,418,385	8,915,540
Appropriation of earnings (Note 24)											
Legal reserve	-	-	139,164	-	(139,164)	-	-	-	-	-	-
Cash dividends	-	-	-	-	(963,340)	-	-	-	(963,340)	-	(963,340)
	-	-	139,164	-	(1,102,504)	-	-	-	(963,340)	-	(963,340)
Share of changes in capital surplus of associates accounted for using the equity method	-	(8,712)	-	-	-	-	-	-	(8,712)	-	(8,712)
Net profit for the year ended December 31, 2021	-	-	-	-	1,725,500	-	-	-	1,725,500	762,563	2,488,063
Other comprehensive income (loss) for the year ended December 31, 2021, net of income tax	-	-	-	-	(81)	(23,979)	2,274,172	2,250,193	2,250,112	59,514	2,309,626
Total comprehensive income (loss) for the year ended December 31, 2021	-	-	-	-	1,725,419	(23,979)	2,274,172	2,250,193	3,975,612	822,077	4,797,689
Convertible bonds converted to ordinary shares (Note 20)	50,620	1,077,171	-	-	-	-	-	-	1,127,791	-	1,127,791
Difference between consideration and carrying amount of subsidiaries acquired or disposed of (Note 29)	-	-	-	-	(455,992)	-	-	-	(455,992)	-	(455,992)
Share of changes in equity of subsidiaries (Note 29)	-	722,030	-	-	-	-	-	-	722,030	-	722,030
Increase in non-controlling interests	-	-	-	-	-	-	-	-	-	585,961	585,961
Disposal of investments in equity instruments at fair value through other comprehensive income (Note 24)	-	-	-	-	789,718	-	(789,718)	(789,718)	-	-	-
BALANCE AT DECEMBER 31, 2021	\$ 689,419	\$ 3,903,361	\$ 1,208,656	\$ 1,277	\$ 2,826,933	\$ (157,530)	\$ 2,422,428	\$ 2,264,898	\$ 10,894,544	\$ 3,826,423	\$ 14,720,967

The accompanying notes are an integral part of the consolidated financial statements.

(With Deloitte & Touche auditors' report dated March 17, 2022)

## Chang Wah Electromaterials Inc. and Subsidiaries

### CONSOLIDATED STATEMENTS OF CASH FLOWS (In Thousands of New Taiwan Dollars)

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before income tax	\$ 3,078,874	\$ 1,613,366
Adjustments for:		
Depreciation expense	642,194	615,595
Amortization expense	11,732	12,481
Expected credit loss (reversal of credit loss)	8,943	(742)
Gain on financial assets at fair value through profit or loss	(55,647)	(20,154)
Finance costs	97,860	82,946
Interest income	(20,789)	(36,125)
Dividend income	(323,343)	(207,886)
Compensation costs of share-based payments	51,176	23,065
Share of the profit of associates	(315,074)	(192,231)
Loss (gain) on disposal of property, plant and equipment	(4,873)	18,458
Loss on disposal of investments accounted for using the equity method	-	15,995
Impairment loss recognized (reversed) on non-financial assets	(5,512)	27,776
Others	(8,267)	8,245
Changes in operating assets and liabilities		
Financial assets mandatorily classified as at fair value through profit or loss	25,485	(17,881)
Notes and accounts receivable, net	(1,138,496)	(155,845)
Accounts receivable - related parties	8,495	(13,216)
Other receivables	(115,409)	5,645
Inventories	(637,112)	(236,928)
Other current assets	(21,994)	(27,092)
Contract liabilities	129,037	(54,071)
Accounts payable	348,956	349,120
Accounts payable - related parties	32,209	(342,089)
Other payables	333,473	40,513
Other current liabilities	109,742	13,434
Net defined benefit liabilities	253	(20,285)
Other non-current liabilities	(668)	401
Cash generated from operations	2,231,245	1,502,495
Interest received	20,341	38,201
Dividends received	454,254	383,810
Interest paid	(74,927)	(69,796)
Income taxes paid	(315,871)	(382,796)
Net cash generated from operating activities	<u>2,315,042</u>	<u>1,471,914</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of financial assets at fair value through other comprehensive income	(3,131,806)	(3,336,680)

(Continued)

## Chang Wah Electromaterials Inc. and Subsidiaries

### CONSOLIDATED STATEMENTS OF CASH FLOWS (In Thousands of New Taiwan Dollars)

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Proceeds from disposal of financial assets at fair value through other comprehensive income	\$ 2,113,199	\$ 458,513
Acquisition of investments accounted for using the equity method	(55,498)	(295,152)
Proceeds from disposal of investments accounted for using the equity method	-	137,788
Proceeds from capital reduction of investments accounted for using the equity method	-	71,145
Acquisition of property, plant and equipment	(755,001)	(443,596)
Proceeds from disposal of property, plant and equipment	9,374	2,452
Decrease (increase) in refundable deposits	(1,051)	242
Acquisition of intangible assets	(7,854)	(2,611)
Decrease (increase) in other financial assets	412,000	(1,647,656)
Increase in other non-current assets	<u>(104,172)</u>	<u>(219,201)</u>
Net cash used in investing activities	<u>(1,520,809)</u>	<u>(5,274,756)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from short-term borrowings	1,312,173	625,432
Repayment of short-term borrowings	(775,855)	(69,293)
Repayment of short-term bills payable	-	(200,000)
Proceeds from issuance of convertible bonds	1,803,020	1,200,741
Redemption of convertible bonds	(300)	-
Proceeds from long-term borrowings	6,152,314	4,624,217
Repayment of long-term borrowings	(5,988,000)	(1,527,000)
Proceeds from (refund of) guarantee deposits	(3,443)	3,398
Repayment of the principal portion of lease liabilities	(16,528)	(15,904)
Dividends paid	(867,449)	(804,887)
Decrease in non-controlling interests	<u>(765,316)</u>	<u>(588,228)</u>
Net cash generated from financing activities	<u>850,616</u>	<u>3,248,476</u>
<b>EFFECT OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS</b>	<u>(41,163)</u>	<u>(70,242)</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	1,603,686	(624,608)
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>	<u>3,195,751</u>	<u>3,820,359</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	<u>\$ 4,799,437</u>	<u>\$ 3,195,751</u>

The accompanying notes are an integral part of the consolidated financial statements.

(Concluded)

(With Deloitte & Touche auditors' report dated March 17, 2022)

**Chang Wah Electromaterials Inc.**  
**Comparison Table of “Procedures for Acquisition and Disposal of Assets”**  
**before and after Amendments**

Article	Content		Basis and Reason for amendment
	After	Before	
4	<p>Method and basis for pricing</p> <p>I. In acquiring or disposing of real property, equipment, or right-of-use assets thereof where the transaction amount reaches 20 percent of the company's paid-in capital or NT\$300 million or more, the company, unless transacting with a domestic government agency, engaging others to build on its own land, engaging others to build on rented land, or acquiring or disposing of equipment or right-of-use assets thereof held for business use, shall obtain an appraisal report prior to the date of occurrence of the event from a professional appraiser and shall further comply with the following provisions:</p> <p>(Omitted)</p> <p>3. Where any one of the following circumstances applies with respect to the professional appraiser's appraisal results, unless all the appraisal results for the assets to be acquired are higher than the transaction amount, or all the appraisal results for the assets to be disposed of are lower than the transaction amount, a certified public accountant shall be engaged to render a specific opinion regarding the reason for the discrepancy and the appropriateness of the transaction price:</p>	<p>Method and basis for pricing</p> <p>I. In acquiring or disposing of real property, equipment, or right-of-use assets thereof where the transaction amount reaches 20 percent of the company's paid-in capital or NT\$300 million or more, the company, unless transacting with a domestic government agency, engaging others to build on its own land, engaging others to build on rented land, or acquiring or disposing of equipment or right-of-use assets thereof held for business use, shall obtain an appraisal report prior to the date of occurrence of the event from a professional appraiser and shall further comply with the following provisions:</p> <p>(Omitted)</p> <p>3. Where any one of the following circumstances applies with respect to the professional appraiser's appraisal results, unless all the appraisal results for the assets to be acquired are higher than the transaction amount, or all the appraisal results for the assets to be disposed of are lower than the transaction amount, a certified public accountant shall be engaged to <del>perform the appraisal in accordance with the provisions of Statement of Auditing Standards No. 20 published by the ROC Accounting Research and Development Foundation</del></p>	<p>Amended in accordance with Official Letter No. Financial-Supervisory-Securities-Corporation-1110380465 of Financial Supervisory Commission.</p>



Article	Content		Basis and Reason for amendment
	After	Before	
	<p>A. The discrepancy between the appraisal result and the transaction amount is 20 percent or more of the transaction amount.</p> <p>B. The discrepancy between the appraisal results of two or more professional appraisers is 10 percent or more of the transaction amount.</p> <p>(Omitted)</p> <p>II. The company acquiring or disposing of securities shall, prior to the date of occurrence of the event, obtain financial statements of the issuing company for the most recent period, certified or reviewed by a certified public accountant, for reference in appraising the transaction price, and if the dollar amount of the transaction is 20 percent of the company's paid-in capital or NT\$300 million or more, the company shall additionally engage a certified public accountant prior to the date of occurrence of the event to provide an opinion regarding the reasonableness of the transaction price. This requirement does not apply, however, to publicly quoted prices of securities that have an active market, or where otherwise provided by regulations of the Financial Supervisory Commission (FSC).</p>	<p><del>(ARDF) and</del> render a specific opinion regarding the reason for the discrepancy and the appropriateness of the transaction price:</p> <p>A. The discrepancy between the appraisal result and the transaction amount is 20 percent or more of the transaction amount.</p> <p>B. The discrepancy between the appraisal results of two or more professional appraisers is 10 percent or more of the transaction amount.</p> <p>(Omitted)</p> <p>II. The company acquiring or disposing of securities shall, prior to the date of occurrence of the event, obtain financial statements of the issuing company for the most recent period, certified or reviewed by a certified public accountant, for reference in appraising the transaction price, and if the dollar amount of the transaction is 20 percent of the company's paid-in capital or NT\$300 million or more, the company shall additionally engage a certified public accountant prior to the date of occurrence of the event to provide an opinion regarding the reasonableness of the transaction price. <u><del>If the CPA needs to use the report of an expert as evidence, the CPA shall do so in accordance with the provisions of Statement of Auditing Standards No. 20 published by the ARDF.</del></u> This requirement does not apply, however, to publicly quoted prices of</p>	

Article	Content		Basis and Reason for amendment
	After	Before	
	<p>III. Where the company acquires or disposes of intangible assets or right-of-use assets thereof or memberships and the transaction amount reaches 20 percent or more of paid-in capital or NT\$300 million or more, except in transactions with a domestic government agency, the company shall engage a certified public accountant prior to the date of occurrence of the event to render an opinion on the reasonableness of the transaction price.</p> <p>(Omitted)</p>	<p>securities that have an active market, or where otherwise provided by regulations of the Financial Supervisory Commission (FSC).</p> <p>III. Where the company acquires or disposes of intangible assets or right-of-use assets thereof or memberships and the transaction amount reaches 20 percent or more of paid-in capital or NT\$300 million or more, except in transactions with a domestic government agency, the company shall engage a certified public accountant prior to the date of occurrence of the event to render an opinion on the reasonableness of the transaction price; <del>the CPA shall comply with the provisions of Statement of Auditing Standards No. 20 published by the ARDF.</del></p> <p>(Omitted)</p>	
7	<p>Public Disclosure of Information</p> <p>I. Items to be publicly disclosed and reported and the standards for public disclosure and reporting</p> <p>(Omitted)</p> <p>6. Where an asset transaction other than any of those referred to in the preceding six subparagraphs, a disposal of receivables by a financial institution, or an investment in the mainland China area reaches 20 percent or more of paid-in capital or NT\$300 million; provided, this shall not apply to the following circumstances:</p> <p>A. Trading of domestic</p>	<p>Public Disclosure of Information</p> <p>I. Items to be publicly disclosed and reported and the standards for public disclosure and reporting</p> <p>(Omitted)</p> <p>6. Where an asset transaction other than any of those referred to in the preceding six subparagraphs, a disposal of receivables by a financial institution, or an investment in the mainland China area reaches 20 percent or more of paid-in capital or NT\$300 million; provided, this shall not apply to the following circumstances:</p> <p>A. Trading of domestic</p>	Amended in accordance with Official Letter No. Financial-Supervisory-Securities-Corporation-1110380465 of Financial Supervisory Commission.

Article	Content		Basis and Reason for amendment
	After	Before	
	<p>government bonds <u>or foreign government bonds with a rating that is not lower than the sovereign rating of Taiwan.</u></p> <p>(Omitted)</p>	<p>government bonds.</p> <p>(Omitted)</p>	
11	<p>Resolution procedures</p> <p>When the company intends to acquire or dispose of real property or right-of-use assets thereof from or to a related party, or when it intends to acquire or dispose of assets other than real property or right-of-use assets thereof from or to a related party and the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the company's total assets, or NT\$300 million or more, except in trading of domestic government bonds or bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises, the company may not proceed to enter into a transaction contract or make a payment until the following matters have been approved by an audit committee and the board of directors:</p> <p>(Omitted)</p> <p><b><u>If the company or a subsidiary thereof that is not a domestic public company will have a transaction set out in paragraph 1 and the transaction amount will reach 10 percent or more of the company's total assets, the company shall submit the materials in all the subparagraphs of paragraph 1 to the shareholders meeting for</u></b></p>	<p>Resolution procedures</p> <p>When the company intends to acquire or dispose of real property or right-of-use assets thereof from or to a related party, or when it intends to acquire or dispose of assets other than real property or right-of-use assets thereof from or to a related party and the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the company's total assets, or NT\$300 million or more, except in trading of domestic government bonds or bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises, the company may not proceed to enter into a transaction contract or make a payment until the following matters have been approved by an audit committee and the board of directors:</p> <p>(Omitted)</p>	<p>Amended in accordance with Official Letter No. Financial-Supervisory-Securities-Corporation-1110380465 of Financial Supervisory Commission.</p>

Article	Content		Basis and Reason for amendment
	After	Before	
	<p><b><u>approval before the transaction contract may be entered into and any payment made. However, this restriction does not apply to transactions between the company and its subsidiaries or between its subsidiaries.</u></b></p> <p>The calculation of the transaction amounts referred to in <b><u>paragraph 1 and the preceding paragraph</u></b> shall be made in accordance with Article 7, paragraph 1 subparagraph 7 herein, and "within the preceding year" as used herein refers to the year preceding the date of occurrence of the current transaction. Items that have been approved by <b><u>the shareholders meeting and</u></b> an audit committee and board of directors need not be counted toward the transaction amount.</p>	<p>The calculation of the transaction amounts referred to in <b><u>the preceding paragraph</u></b> shall be made in accordance with Article 7, paragraph 1 subparagraph 7 herein, and "within the preceding year" as used herein refers to the year preceding the date of occurrence of the current transaction. Items that have been approved by an audit committee and the board of directors need not be counted toward the transaction amount.</p>	
24	<p>Other matters requiring attention</p> <p>I. Professional appraisers and their officers, certified public accounts, attorneys, and securities underwriters that provide the company with appraisal reports, certified public accountant's opinions, attorney's opinions, or underwriter's opinions shall meet the following requirements:</p> <p>(Omitted)</p> <p>When issuing an appraisal report or opinion, the personnel referred to in the preceding paragraph shall comply with <b><u>the self-regulatory rules of the industry associations to which they belong and with</u></b> the following provisions:</p> <p>1. Prior to accepting a case, they shall prudently assess their</p>	<p>Other matters requiring attention</p> <p>I. Professional appraisers and their officers, certified public accounts, attorneys, and securities underwriters that provide the company with appraisal reports, certified public accountant's opinions, attorney's opinions, or underwriter's opinions shall meet the following requirements:</p> <p>(Omitted)</p> <p>When issuing an appraisal report or opinion, the personnel referred to in the preceding paragraph shall comply with the following:</p> <p>1. Prior to accepting a case, they shall prudently assess their</p>	Amended in accordance with Official Letter No. Financial-Supervisory-Securities-Corporation-1110380465 of Financial Supervisory Commission.

Article	Content		Basis and Reason for amendment
	After	Before	
	<p>own professional capabilities, practical experience, and independence.</p> <p>2. When <b>conducting</b> a case, they shall appropriately plan and execute adequate working procedures, in order to produce a conclusion and use the conclusion as the basis for issuing the report or opinion. The related working procedures, data collected, and conclusion shall be fully and accurately specified in the case working papers.</p> <p>3. They shall undertake an item-by-item evaluation of the <b>appropriateness</b> and reasonableness of the sources of data used, the parameters, and the information, as the basis for issuance of the appraisal report or the opinion.</p> <p>4. They shall issue a statement attesting to the professional competence and independence of the personnel who prepared the report or opinion, and that they have evaluated and found that the information used is <b>appropriate and</b> reasonable, and that they have complied with applicable laws and regulations.</p> <p>(Omitted)</p>	<p>own professional capabilities, practical experience, and independence.</p> <p>2. When <b>examining</b> a case, they shall appropriately plan and execute adequate working procedures, in order to produce a conclusion and use the conclusion as the basis for issuing the report or opinion. The related working procedures, data collected, and conclusion shall be fully and accurately specified in the case working papers.</p> <p>3. They shall undertake an item-by-item evaluation of the <b>comprehensiveness, accuracy,</b> and reasonableness of the sources of data used, the parameters, and the information, as the basis for issuance of the appraisal report or the opinion.</p> <p>4. They shall issue a statement attesting to the professional competence and independence of the personnel who prepared the report or opinion, and that they have evaluated and found that the information used is reasonable and <b>accurate,</b> and that they have complied with applicable laws and regulations.</p> <p>(Omitted)</p>	

**Chang Wah Electromaterials Inc.**  
**List of the Candidates for the Directors of the 12<sup>th</sup> Term**

Name	Yuan Yao Energy Technology Co., Ltd. Representative: Canon, Huang	Wah Lee Industrial Corp. Representative: Chang, Tsuen-Hsien
Educational Attainment	Bachelor of Mechanical Engineering, Chung Yuan Christian University	Bachelor of Science in Electrical Engineering and Biomedical Engineering, University of Southern California, USA
Work Experiences	Yang Iron Precision Corp. Design Engineer ASE Electronics Inc Process Engineer Orient Semiconductor Electronics Limited Product Engineer Wah Lee Industrial Corp Assistant President	Wah Lee Industrial Corp. Special Assistant to Chairman and CEO
Current Position(s)	Chang Wah Electromaterials Inc. Chairman and CEO Chang Wah Technology Co., Ltd. Chairman and CEO JMC Electronics Co., Ltd. Chairman Chang Wah Energy Technology Co., Ltd. Chairman Elite Semiconductor Microelectronics Technology Inc. Corporate Director Representative Vizionfocus Inc. Corporate Director Representative How Weih Holding (Cayman) Co., Ltd. Corporate Director Representative eChem Solutions Corp. Deputy Chairman Silver Contacts Co., Ltd. Corporate Director Representative Silver Tai Co., Ltd. Corporate Director Representative SH Asia Pacific Pte. Ltd. Chairman Silver Connection Co., Ltd. Chairman WSP Electromaterials Ltd. Corporate Director Representative CWE Holding Co., Ltd. Director Broadwell Worldwide Ltd. Director	Chang Wah Electromaterials Inc. Corporate Director Representative Wah Lee Industrial Corp. Director, President and CEO Raycong Industrial (Hong Kong) Limited Chairman Shanghai Yikang Chemicals & Industries Co., Ltd. Chairman Dongguan Huagang International Trading Limited Chairman Nagase Wahlee Plastics Corp. Corporate Director Representative ORC Technology Corp. Corporate Director Representative ORC Electrical Machinery Co., Ltd. Corporate Director Representative Wah Hong Industrial Corp. Corporate Director Representative Huaying Supply Chain Management (Shenzhen) Limited Director Shanghai Hua Chang Trading Co., Ltd. Director Wah Lee Tech (Singapore) Pte. Ltd. Chairman Wah Tech Industrial Co., Ltd. Director
Shares Held by the Person	Shareholding of juristic person: 42,106,820 Shareholding of juristic person representative: 0	Shareholding of juristic person: 197,902,180 Shareholding of juristic person representative: 0

**Chang Wah Electromaterials Inc.**  
**List of the Candidates for the Directors of the 12<sup>th</sup> Term**

Name	Huang, Shiou-Chuan	Hung, Chuen-Sing
Educational Attainment	Bachelor of Electrical Engineering, Tatung University	Hong Kong Polytechnic University
Work Experiences	Timex Group Taiwan Ltd. Director of Production Hp Taiwan Information Technology Ltd. Non-Computer Business Group Vice President Hon Hai Precision Industry Co., Ltd. Vice President Innolux Corporation Deputy Chairman	Possehl Electronics Hong Kong Ltd. President Sumitomo Precision Mold Taiwan Co., Ltd. President Sumiko Electronics Taiwan Co., Ltd. President Sumiko Technologies Taiwan Co., Ltd. President
Current Position(s)	Chang Wah Electromaterials Inc. Director Chang Wah Technology Co., Ltd. Corporate Director Representative Vizionfocus Inc. Chairman	Chang Wah Electromaterials Inc. Director Chang Wah Technology Co., Ltd. Corporate Director Representative and President JMC Electronics Co., Ltd. Corporate Director Representative How Weih Holding (Cayman) Co., Ltd. Corporate Director Representative SH Electronics Suzhou Co., Ltd. Director SH Electronics Chengdu Co., Ltd. Director SH Precision Chengdu Co., Ltd. Director Malaysian SH Electronics Sdn. Bhd. Chairman SH Asia Pacific Pte. Ltd. Director Silver Connection Co., Ltd. Corporate Director Representative
Shares Held by the Person	2,658,470	0

**Chang Wah Electromaterials Inc.**  
**List of the Candidates for the Independent Directors of the 12<sup>th</sup> Term**

Name	Kong, Chi-Chuan	Yen, Shu-Yang	Chen, Chih-Cheng
Educational Attainment	Senior Petrochemical Division, Ko Ying Senior Vocational School of Commerce and Industry	MBA/LLM, American University Bachelor and Master of Laws, Fu Jen Catholic University	Bachelor of Accounting, Feng Chia University
Work Experiences	<ul style="list-style-type: none"> <li>➤ Jiao Chang Customs Brokerage Limited Manager</li> </ul>	<ul style="list-style-type: none"> <li>➤ Chien Yeh Law Offices Junior Partner of Kaohsiung Office</li> <li>➤ ASUSTeK Computer Inc. Legal Affairs Center Senior Manager</li> <li>➤ Guo Yu Shan Law Firm Attorney</li> </ul>	<ul style="list-style-type: none"> <li>➤ Deloitte &amp; Touche Senior Assistant President</li> </ul>
Current Position(s)	<ul style="list-style-type: none"> <li>➤ Chang Wah Electromaterials Inc. Independent Director</li> <li>➤ Jiao Chang Customs Brokerage Limited Chairman</li> <li>➤ Tsing Ho Real Estate Co., Ltd. Corporate Director Representative</li> </ul>	<ul style="list-style-type: none"> <li>➤ Asian Pacific Int'l Patent &amp; Trademark Office Managing Attorney</li> <li>➤ EFUN Technology Co., Ltd. Corporate Director Representative</li> </ul>	<ul style="list-style-type: none"> <li>➤ Zhuo Cheng Accounting Firm CPA</li> </ul>
Shares Held by the Person	0	0	0



**Chang Wah Electromaterials Inc.**  
**Lifting of Competition Restrictions for Newly Elected Directors**

Name	Positions in Other Companies
Yuan Yao Energy Technology Co., Ltd. Representative: Canon, Huang	<ul style="list-style-type: none"> <li>➤ Chang Wah Technology Co., Ltd. Chairman and CEO</li> <li>➤ JMC Electronics Co., Ltd. Chairman</li> <li>➤ Elite Semiconductor Microelectronics Technology Inc. Corporate Director Representative</li> <li>➤ Vizionfocus Inc. Corporate Director Representative</li> <li>➤ How Weih Holding (Cayman) Co., Ltd. Corporate Director Representative</li> <li>➤ eChem Solutions Corp. Deputy Chairman</li> <li>➤ Silver Contacts Co., Ltd. Corporate Director Representative</li> <li>➤ Silver Tai Co., Ltd. Corporate Director Representative</li> <li>➤ SH Asia Pacific Pte. Ltd. Chairman</li> <li>➤ Silver Connection Co., Ltd. Chairman</li> </ul>
Wah Lee Industrial Corp. Representative: Chang, Tsuen-Hsien	<ul style="list-style-type: none"> <li>➤ Wah Lee Industrial Corp. Director, President and CEO</li> <li>➤ Raycong Industrial (Hong Kong) Limited Chairman</li> <li>➤ Shanghai Yikang Chemicals &amp; Industries Co., Ltd. Chairman</li> <li>➤ Dongguan Huagang International Trading Limited Chairman</li> <li>➤ Nagase Wahlee Plastics Corp. Corporate Director Representative</li> <li>➤ ORC Technology Corp. Corporate Director Representative</li> <li>➤ ORC Electrical Machinery Co., Ltd. Corporate Director Representative</li> <li>➤ Wah Hong Industrial Corp. Corporate Director Representative</li> <li>➤ Huaying Supply Chain Management (Shenzhen) Limited Director</li> <li>➤ Shanghai Hua Chang Trading Co., Ltd. Director</li> <li>➤ Wah Lee Tech (Singapore) Pte. Ltd. Chairman</li> <li>➤ Wah Tech Industrial Co., Ltd. Director</li> </ul>
Huang, Shiou-Chuan	<ul style="list-style-type: none"> <li>➤ Chang Wah Technology Co., Ltd. Corporate Director Representative</li> <li>➤ Vizionfocus Inc. Chairman</li> </ul>
Hung, Chuen-Sing	<ul style="list-style-type: none"> <li>➤ Chang Wah Technology Co., Ltd. Corporate Director Representative and President</li> <li>➤ JMC Electronics Co., Ltd. Corporate Director Representative</li> <li>➤ How Weih Holding (Cayman) Co., Ltd. Corporate Director Representative</li> <li>➤ SH Electronics Suzhou Co., Ltd. Director</li> <li>➤ SH Electronics Chengdu Co., Ltd. Director</li> <li>➤ SH Precision Chengdu Co., Ltd. Director</li> <li>➤ Malaysian SH Electronics Sdn. Bhd. Chairman</li> <li>➤ SH Asia Pacific Pte. Ltd. Director</li> <li>➤ Silver Connection Co., Ltd. Corporate Director Representative</li> </ul>
Kong, Chi-Chuan	<ul style="list-style-type: none"> <li>➤ Tsing Ho Real Estate Co., Ltd. Corporate Director Representative</li> </ul>
Yen, Shu-Yang	<ul style="list-style-type: none"> <li>➤ EFUN Technology Co., Ltd. Corporate Director Representative</li> </ul>

# Appendix

# **Chang Wah Electromaterials Inc.**

## **Articles of Incorporation**

### **Chapter I General**

- Article 1: The Company is organized under the Company Act and is named **Chang Wah Electromaterials Inc.**
- Article 2: The Company's scope of business is as follow:
- (1)F113020 Wholesale of Electrical Appliances
  - (2)F113070 Wholesale of Telecommunication Apparatus
  - (3)F213010 Retail Sale of Electrical Appliances
  - (4)F213060 Retail Sale of Telecommunication Apparatus
  - (5)F401010 International Trade
  - (6)C805010 Manufacture of Plastic Sheets, Pipes and Tubes
  - (7)C805020 Manufacture of Plastic Films and Bags
  - (8)F107190 Wholesale of Plastic Films and Bags
  - (9)F119010 Wholesale of Electronic Materials
  - (10)F113010 Wholesale of Machinery
  - (11)F213080 Retail Sale of Machinery and Tools
  - (12)E604010 Machinery Installation
  - (13)JE01010 Rental and Leasing
  - (14)F106010 Wholesale of Hardware
  - (15)IG03010 Energy Technical Services
  - (16)D101040 Non-Public Electric Power Generation
  - (17)E601010 Electric Appliance Construction
  - (18)E601020 Electric Appliance Installation
  - (19)CC01080 Electronics Components Manufacturing
  - (20)I501010 Product Designing
  - (21)ZZ99999 All business items that are not prohibited or restricted by law, except those that are subject to special approval.
- Article 2-1: The Company may provide external guarantees for business purposes in accordance with the law and related regulations.
- Article 2-2: The total amount of the Company's reinvestment is not limited to 40% of the paid-in capital.
- Article 3: The Company has the headquarters in Kaohsiung City, and may establish branch offices in appropriate locations in Taiwan and abroad if necessary, by resolution of the Board of Directors.

### **Chapter II Shares**

- Article 4: The total capital of the Company is set at NT\$1.2 billion, divided into 1.2 billion shares at NT\$1 per share, which the Board of Directors is authorized to issue in installments, some of which may be preferred shares. The aforementioned capital stock is reserved with 120 million shares, which is reserved for the exercise of employee stock warrants, new restricted employee shares, preferred shares, and corporate bonds with warrants and may be issued in installments in accordance with the resolution of the Board of Directors.
- Qualification requirements of employees, including the employees of parents or subsidiaries of the Company meeting certain specific requirements, entitled to

receive shares, receive share subscription warrant, and receive restricted stock for employees may be specified by the Board of Directors.

Article 4-1: The rights and obligations covered by the preferred shares and other important conditions of the issue of such shares by the Company are as follows:

1. Capped at an annual rate of 8%, dividends on preferred shares may be paid in cash on a yearly basis, based on the issue price per share, on a record date fixed by the Board of Directors or by the Chairman authorized by a resolution of the Board of Directors for payment of dividends for the preceding year. The payment of dividends in the year of issue and the year of recovery is calculated based on the actual number of days the shares were outstanding in that year.
2. The Company has the discretion to distribute dividends on the preferred shares. In the event of no or insufficient surplus in the annual financial statements of the Company to distribute dividends on the preferred shares or other necessary considerations, the Board of Directors may resolve not to distribute such dividends and such decision shall not constitute a default. Where preferred shares issued are not of a cumulative nature, dividends not to be distributed or to be distributed inadequately by resolution are not cumulatively deferred for payment in subsequent years of surplus.
3. Holders of preferred shares shall not participate in the distribution of ordinary shares in respect of surplus and capital reserves for cash and capitalization, if the preferred shares issued are in a non-participating form, other than receive the dividend referred to in subparagraph 1 of this paragraph.
4. Preferred shares issued by the Company which are convertible shall not be converted within one year from the date of issue. The period during which they may be converted is to be determined in the conditions of the issue by the Board of Directors as authorized. Holders of convertible preferred shares may apply for conversion of some or all of their preferred shares in the ratio of one preferred share to one ordinary share (1:1) in accordance with the conditions of the issue. Upon conversion of the convertible preferred shares into ordinary shares, the rights and obligations are the same as those covered by ordinary shares. Holders of preferred shares converted into ordinary shares before the ex-rights/ex-dividend date of the year of conversion may participate in the distribution of ordinary shares' earnings and capital reserves in that year but not in the distribution of dividends on the preferred shares in that year. Holders of preferred shares converted into ordinary shares after the ex-rights/ex-dividend date of the year of conversion may participate in the distribution of dividends on the preferred shares in that year but not in the distribution of ordinary shares' earnings and capital reserves in that year. Dividends on preferred shares and dividends/bonuses on ordinary shares in the same year are distributed on a non-repeating basis.
5. Holders of preferred shares shall have priority in the distribution of the remaining property of the Company over holders of ordinary shares and shall receive indemnification in the same order as the holders of each class of preferred shares issued by the Company, being lower than that of general creditors, to the extent that the amount thereof does not exceed that of the issued and outstanding preferred shares at the time of the distribution, calculated at the issue price.

6. Holders of preferred shares shall not have the rights to vote and elect at shareholder meetings but shall be entitled to be elected directors and shall have the right to vote at meetings of holders of preferred shares and at shareholder meetings concerning the rights and obligations of such holders.
7. Preferred shares have no maturity date and holders thereof shall not require the Company to recover the preferred shares held by them, but the Company may, at any time from the next day upon five years after the issue, recover all or any part of the preferred shares at the original issue price. The unrecovered preferred shares shall continue to be subject to the rights and obligations set out under the conditions of the issue in the preceding subparagraphs. If the Company resolves to pay a dividend in that year, the dividend payable up to the date of recovery shall be calculated based on the actual number of days the shares were outstanding in that year.
8. The Board of Directors is mandated to list the preferred shares and the ordinary shares converted on the Taiwan Stock Exchange or the Taipei Exchange, subject to the conditions of the Company and the market, etc.

The name of the preferred shares, the date of issue and the specific conditions of the issue are to be determined by the Board of Directors as mandated under the Company's articles of incorporation and relevant laws and regulations, depending on the capital market conditions and investors' willingness to subscribe when the preferred shares are issued.

Article 5: The shares of the Company shall be in registered form, signed or sealed by the directors on behalf of the Company, and shall be issued with certification in accordance with the law.

When issuing new shares, the Company may print certificates for the total number of shares to be issued, or may not print certificates at all, provided that the certificates are kept or registered with a centralized securities depository.

The Company's share affairs are handled in accordance with the "Regulations Governing the Administration of Shareholder Services of Public Companies", unless otherwise required by the relevant securities laws and regulations.

### Chapter III Shareholders Meeting

Article 6: The Company's shareholders meetings are as the following two types:

1. Ordinary meetings shall be convened once a year by the Board of Directors, within six months after the end of each fiscal year.
2. Interim meetings shall be convened as required by law.

When necessary, a meeting of preferred shareholders may be held in accordance with the relevant laws and regulations.

Article 7: In the event that a shareholder is unable to attend a shareholders meeting for any reason, he/she may appoint a proxy to attend the meeting by issuing a letter of proxy issued by the Company specifying the scope of the authority. Unless otherwise provided in the Company Act, the Company shall follow the "Regulations Governing the Use of Proxies for Attendance at Shareholder Meetings of Public Companies" established by the competent authority.

When the Company convenes a shareholders' meeting, the Company may exercise its voting rights in writing or by electronic means. The Company shall include electronic means as one of the methods for shareholders to exercise their voting rights, and shareholders who exercise their voting rights by electronic means shall

be deemed to be present in person, and the related matters shall be handled in accordance with the laws and regulations.

The shareholders who are entitled to do so may propose to the Company a proposal for discussion at a regular shareholders' meeting, provided that only one matter shall be allowed in each single proposal, and in case a proposal contains more than one matter, such proposal shall not be included in the agenda. All related operations shall be conducted in accordance with the Company Act and related regulations.

Article 8: Except in the circumstances otherwise provided for in the Company Act, a shareholder shall have one voting power in respect of each share in his/her/its possession.

Article 9: Unless otherwise provided for in the Company Act, a shareholders meeting shall proceed only if attended by shareholders representing more than one-half of the total outstanding capital stock of the Company. Resolutions of a shareholders meeting shall be made at the meeting with the concurrence of a majority of the votes held by the shareholders present at the meeting.

Article 10: The shareholders' meeting shall be convened by the Board of directors, with the chairperson as the chair. In case the chairperson of the Board of directors is absent, the chairperson of the Board of directors shall designate a person to act on his behalf; if the chairperson of the Board of directors does not designate a person to act on his behalf, the directors shall elect one among themselves to act on his behalf. If the shareholders meeting is convened by a party with power to convene but other than the Board of directors, the convening party shall chair the meeting. When there are two or more such convening parties, they shall mutually select a chair from among themselves.

## Chapter IV Board of Directors

Article 11: The Company shall have seven to nine directors to be elected at the shareholders meeting from among the individuals of legal capacity, with the term of three years. All directors shall be eligible for re-election. In case no election of new directors is effected after expiration of the term of office of existing directors, the term of office of out-going directors shall be extended until the time new directors have been elected and assumed their office.

The election of directors is based on the candidates nomination system under Article 192-1 of the Company Act, and matters related to its implementation are governed by the Company Act, the Securities and Exchange Act and other relevant laws and regulations.

The percentage of shareholdings of all directors shall be in accordance with the provisions prescribed by the competent authority in charge of securities affairs.

The Board of directors meeting may be attended by more than half of the directors as necessary, and a majority of the directors present agree to purchase liability insurance for all directors during their term of office.

Article 11-1: The number of independent directors shall not be less than three and shall not be less than one-fifth of the number of directorships. Regulations governing the professional qualifications, restrictions on shareholdings and concurrent positions held, assessment of independence, method of nomination and election, and other matters for compliance with respect to independent directors shall be prescribed by the competent authority in charge of securities affairs.

Article 12: The Board of directors shall be organized by the directors, and a chairperson shall

be elected by and from among the directors with the presence of at least two-thirds of the directors and the consent of a majority of the directors present. The chairperson shall externally represent the Company.

Article 13: Meetings of the Board of directors shall be convened by the chairperson of the Board of directors. In calling a meeting of the Board of directors, a notice shall be given to each director no later than seven days prior to the scheduled meeting date. In the case of emergency, a meeting of the Board of directors may be convened at any time. The notice of the convening of the Board of directors meeting may be given in writing, by e-mail or by fax.

Unless otherwise provided for in the Company Act, resolutions of the Board of Directors shall be adopted by a majority of the directors at a meeting attended by a majority of the directors.

In the case a director is unable to attend a board meeting for any reason, he/she may appoint in writing another director to attend as his/her proxy in accordance with the law, and the proxy may accept a proxy from one person only; if the director resides abroad, he/she may appoint in writing another shareholder residing in the country to attend the board meeting as his/her proxy on a regular basis, and he/she shall apply to the competent authority for registration, and the same applies to any change of proxy.

In case an independent director is unable to attend a board meeting to express his/her objection or reservation for any reason, he/she shall not appoint a non-independent director to attend the board meeting on his/her behalf and shall give his/her opinion in writing, which shall be recorded in the minutes of the board meeting.

Article 14: In case a director participates in the meeting via tele- or video-conference, it shall be deemed as attendance in person. In case a chairperson cannot perform his/her duty due to certain reason, the assignment of his/her deputy shall be conducted in accordance with the Company Act.

Article 15: The Company's Board of directors may establish functional committees such as Audit Committee and compensation committee, of which the Audit Committee shall be composed of all independent directors in accordance with Article 14-4 of the Securities and Exchange Act, and shall consist of not less than three members, one of whom shall be the convener and at least one of whom shall have accounting or financial expertise. The duties, constitution, exercise of powers and other matters to be followed by the Audit Committee shall be in accordance with the provisions of the Company Act, the Securities and Exchange Act and other relevant laws and regulations and the Company's bylaws.

Article 15-1: Directors' remuneration is set aside within a fixed annual budget of NT\$8 million. Directors' remuneration is determined by reference to the views of the remuneration committee authorized by the Board of directors, and paid in accordance with the degree of involvement of the Company's operations and contribution to the industry in general.

## Chapter V Managerial Officers

Article 16: The Company may have one or more managerial officers. Appointment, discharge and the compensation of the managerial officers shall be in accordance with the Company Act.

## Chapter VI Accounting

Article 17: The Company's fiscal year shall begin on January 1 and end on December 31 of each year. At the end of each fiscal year, the Board of directors shall submit to the Audit Committee for review or the Audit Committee shall appoint an accountant to review and submit a report to the shareholders for approval 30 days prior to the shareholders meeting, including (1) Business Report; (2) Financial Statement; (3) Proposal on Distribution of Surplus and Recovery of Losses

Article 18: The Company may distribute earnings or make up losses after the end of each semi-annual accounting period. If there is any surplus at the end of each semi-annual accounting period, the Company shall first make up the accumulated deficit, estimate and retain the taxable contributions and compensation to employees and directors, and set aside 10% of the legal reserve, except when the legal reserve has reached the Company's total paid-in capital, and set aside or reverse the special reserve as required by law or regulations prescribed by the competent authority. If there is any surplus, the remaining balance shall be added to the accumulated undistributed earnings of the previous semi-accounting year, and the Board of directors shall prepare a proposal for the distribution of the earnings, which shall be resolved by the shareholders' meeting if the earnings are to be distributed by issuing new shares, or by the Board of directors if the earnings are to be distributed in cash. If there is any surplus in the Company's annual final accounts, the Company shall first pay taxes and make up for accumulated deficits, and then set aside 10% as legal reserve, except when the accumulated legal reserve has reached the amount of the Company's paid-in capital, and after setting aside or reversing the special reserve as required by law or by the competent authority, the remaining amount shall be added to the accumulated undistributed earnings of the previous years and distributed in accordance with Article 4-1 of the Articles of Incorporation, and the Board of directors shall prepare a proposal for the distribution of earnings, and if the distribution is to be made by issuing new shares, a resolution shall be submitted to the shareholders' meeting for distribution.

In accordance with Article 240 of the Company Act, the Company authorizes the distributable dividends and bonuses or the legal reserve and capital surplus provided for in Article 241 of the Company Act in whole or in part may be paid in cash after a resolution has been adopted by a majority vote at a meeting of the Board of directors attended by two-thirds of the total number of directors; and in addition thereto a report of such distribution shall be submitted to the shareholders' meeting.

Article 18-1: The Company is in line with the overall environment and the growth characteristics of the industry, as well as the long-term financial planning of the Company, in order to achieve sustainable and stable business development. The Company's dividend policy is based on the residual dividend policy, which is based on the Company's future capital budget plan to measure the annual capital requirements, and the remaining earnings are distributed in the form of cash and stock dividends after reserving the necessary capital for financing. The distribution steps are as follows:

1. Determine the best capital budget.
2. Determine the amount of financing needed to meet the previous capital budget.
3. Determine the amount of capital to be financed by retained earnings.
4. The remaining earnings may be distributed to the shareholders in the form of dividends, after reserving an appropriate amount for operating needs, and the



distribution should be no less than 10% of the Company's distributable earnings for the year, provided that the portion of cash dividends is no less than 10% of the total dividends to be paid.

- Article 18-2: The Company shall distribute compensation to employees at no less than 1% and no more than 12% of the Company's profitability for the year. However, if the Company has accumulated deficits, the Company shall first make up for them. When the Company's annual net income is over NT\$800 million, the surplus from NT\$800 million to NT\$1 billion and over NT\$1 billion, shall be increased the budget to directors remuneration of 2% and 4% increase in net income, respectively, and will be appropriated by resolution of the Company's stockholders in their meeting. However, if the Company has accumulated deficits, the Company shall first make up for them. Compensation to employees may be distributed in the form of shares or in cash to employees of subsidiaries of the Company meeting certain specific requirements that are entitled to receive shares or cash; such requirements shall be established by the Board of directors. Profit of the current year referred to in the first paragraph refers to the net income before taxation for the current year before the distribution of compensation to employees and compensation to directors. The distribution of compensation to employees and compensation to directors shall be made by a resolution adopted by a majority vote at a meeting of Board of directors attended by two-thirds of the total number of directors; and in addition thereto a report of such distribution shall be submitted to the shareholders' meeting.
- Article 19: To transfer shares to employees at less than the average actual share repurchase price, the Company must have obtained the consent of at least two-thirds of the voting rights present at the most recent shareholders meeting attended by shareholders representing a majority of total issued shares in accordance with Article 10-1 and 13 of the Regulations Governing Share Repurchase by Exchange-Listed and OTC-Listed Companies.
- Article 20: If the Company intends to issue employee stock warrants at a price lower than the market price (net value per share), the Company shall comply with the provisions of Article 56-1 and Article 76 of the Regulations Governing Share Repurchase by Exchange-Listed and OTC-Listed Companies and shall only issue such warrants after the resolution of the shareholders' meeting.

## Chapter VII Supplementary Provision

- Article 21: The Company's bylaws and regulations are set forth separately.
- Article 22: All matters not provided for in these Articles of Incorporation shall be governed by the Company Act and other laws and regulations.
- Article 23: These Articles of Incorporation were established on May 4, 1989.  
The 1st amendment was made on December 15, 1990.  
The 2nd amendment was made on November 6, 1995.  
The 3rd amendment was made on December 15, 1996.  
The 4th amendment was made on April 14, 1998.  
The 5th amendment was made on June 30, 1998.  
The 6th amendment was made on November 23, 2000.  
The 7th amendment was made on December 11, 2000.  
The 8th amendment was made on January 8, 2001.

The 9th amendment was made on August 28, 2001.  
The 10th amendment was made on January 2, 2002.  
The 11th amendment was made on March 4, 2002.  
The 12th amendment was made on October 15, 2002.  
The 13th amendment was made on June 24, 2003.  
The 14th amendment was made on May 20, 2004.  
The 15th amendment was made on June 17, 2005.  
The 16th amendment was made on June 6, 2006.  
The 17th amendment was made on May 30, 2007.  
The 18th amendment was made on May 21, 2010.  
The 19th amendment was made on May 19, 2011.  
The 20th amendment was made on May 30, 2012.  
The 21st amendment was made on June 13, 2013.  
The 22nd amendment was made on May 14, 2014.  
The 23rd amendment was made on May 13, 2016.  
The 24th amendment was made on May 13, 2017.  
The 25th amendment was made on May 9, 2018.  
The 26th amendment was made on June 19, 2019.  
The 27th amendment was made on June 19, 2020.

Chang Wah Electromaterials Inc.

Chairperson: Canon, Huang

# **Chang Wah Electromaterials Inc.**

## **Rules of Procedure for Shareholders' Meetings**

### Article 1

To establish a strong governance system and sound supervisory capabilities for this Corporation's shareholders meetings, and to strengthen management capabilities, these Rules are adopted pursuant to Article 5 of the Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies.

The rules of procedures for this Corporation's shareholders meetings, except as otherwise provided by law, regulation, or the articles of incorporation, shall be as provided in these Rules.

### Article 2

Unless otherwise provided by law or regulation, this Corporation's shareholders meetings shall be convened by the board of directors.

This Corporation shall prepare electronic versions of the shareholders meeting notice and proxy forms, and the origins of and explanatory materials relating to all proposals, including proposals for ratification, matters for deliberation, or the election or dismissal of directors, and upload them to the Market Observation Post System (MOPS) before 30 days before the date of a regular shareholders meeting or before 15 days before the date of a special shareholders meeting. This Corporation shall prepare electronic versions of the shareholders meeting agenda and supplemental meeting materials and upload them to the MOPS before 21 days before the date of the regular shareholders meeting or before 15 days before the date of the special shareholders meeting. In addition, before 15 days before the date of the shareholders meeting, this Corporation shall also have prepared the shareholders meeting agenda and supplemental meeting materials and made them available for review by shareholders at any time. The meeting agenda and supplemental materials shall also be displayed at this Corporation and the professional shareholder services agent designated thereby as well as being distributed on-site at the meeting place.

The reasons for convening a shareholders meeting shall be specified in the meeting notice and public announcement. With the consent of the addressee, the meeting notice may be given in electronic form.

Election or dismissal of directors, amendments to the articles of incorporation, reduction of capital, application for the approval of ceasing its status as a public company, approval of competing with the company by directors, surplus profit distributed in the form of new shares, reserve distributed in the form of new shares, the dissolution, merger, or demerger of the corporation, or any matter under Article 185, paragraph 1 of the Company Act, Article 26-1 and 43-6 of the Securities and Exchange Act or Article 56-1 and 60-2 of the Regulations Governing the Offering and Issuance of Securities by Securities Issuers shall be set out and the essential contents explained in the notice of the reasons for convening the shareholders meeting. None of the above matters may be raised by an extraordinary motion.

Where re-election of all directors as well as their inauguration date is stated in the notice of the reasons for convening the shareholders meeting, after the completion of the re-election in said meeting such inauguration date may not be altered by any extraordinary motion or otherwise in the same meeting.

A shareholder holding one percent or more of the total number of issued shares may submit to this Corporation a written proposal for discussion at a regular shareholders meeting. The number of items so proposed, however, is limited to one only, and no proposal containing more than one item

will be included in the meeting agenda. A shareholder may propose shareholder proposal for urging the Corporation to promote public interests or fulfill its social responsibilities be included in the agenda by the board of directors, however, is limited to one only, in accordance with Article 172-1 of the Company Act. In addition, when the circumstances of any subparagraph of Article 172-1, paragraph 4 of the Company Act apply to a proposal put forward by a shareholder, the board of directors may exclude it from the agenda.

Prior to the book closure date before a regular shareholders meeting is held, this Corporation shall publicly announce its acceptance of shareholder proposals in writing or electronically, and the location and time period for their submission; the period for submission of shareholder proposals may not be less than 10 days.

Shareholder-submitted proposals are limited to 300 words, and no proposal containing more than 300 words will be included in the meeting agenda. The shareholder making the proposal shall be present in person or by proxy at the regular shareholders meeting and take part in discussion of the proposal.

Prior to the date for issuance of notice of a shareholders meeting, this Corporation shall inform the shareholders who submitted proposals of the proposal screening results, and shall list in the meeting notice the proposals that conform to the provisions of this article. At the shareholders meeting the board of directors shall explain the reasons for exclusion of any shareholder proposals not included in the agenda.

This Corporation shall specify in its shareholders meeting notices the time during which shareholder attendance registrations will be accepted, the place to register for attendance, and other matters for attention.

The time during which shareholder attendance registrations will be accepted, as stated in the preceding paragraph, shall be at least 30 minutes prior to the time the meeting commences. The place at which attendance registrations are accepted shall be clearly marked and a sufficient number of suitable personnel assigned to handle the registrations.

Shareholders and their proxies (collectively, "shareholders") shall attend shareholders meetings based on attendance cards, sign-in cards, or other certificates of attendance. This Corporation may not arbitrarily add requirements for other documents beyond those showing eligibility to attend presented by shareholders. Solicitors soliciting proxy forms shall also bring identification documents for verification.

This Corporation shall furnish the attending shareholders with an attendance book to sign, or attending shareholders may hand in a sign-in card in lieu of signing in.

This Corporation shall furnish attending shareholders with the meeting agenda book, annual report, attendance card, speaker's slips, voting slips, and other meeting materials. Where there is an election of directors, pre-printed ballots shall also be furnished.

When the government or a juristic person is a shareholder, its proxy shall not be limited to one person, provided that the voting right that may be exercised shall be calculated on the basis of the total number of voting shares it holds. In case the aforesaid proxies are two persons or more, they shall exercise their voting right jointly.

Attendance at shareholders meetings shall be calculated based on numbers of shares. The number of shares in attendance shall be calculated according to the shares indicated by the attendance book and sign-in cards handed in.

On the day of a shareholders meeting, this Corporation shall compile in the prescribed format a statistical statement of the number of shares obtained by solicitors through solicitation and the number of shares represented by proxies, and shall make an express disclosure of the same at the place of the shareholders meeting.

### Article 3

For each shareholders meeting, a shareholder may appoint a proxy to attend the meeting by providing the proxy form issued by this Corporation and stating the scope of the proxy's authorization.

A shareholder may issue only one proxy form and appoint only one proxy for any given shareholders meeting, and shall deliver the proxy form to this Corporation before five days before the date of the shareholders meeting. When duplicate proxy forms are delivered, the one received earliest shall prevail unless a declaration is made to cancel the previous proxy appointment.

After a proxy form has been delivered to this Corporation, if the shareholder intends to attend the meeting in person or to exercise voting rights by correspondence or electronically, a written notice of proxy cancellation shall be submitted to this Corporation before two business days before the meeting date. If the cancellation notice is submitted after that time, votes cast at the meeting by the proxy shall prevail.

When this Corporation holds a shareholder meeting, it shall adopt exercise of voting rights by electronic means and may adopt exercise of voting rights by correspondence. When voting rights are exercised by correspondence or electronic means, the method of exercise shall be specified in the shareholders meeting notice. A shareholder exercising voting rights by correspondence or electronic means will be deemed to have attended the meeting in person, but to have waived his/her rights with respect to the extraordinary motions and amendments to original proposals of that meeting; it is therefore advisable that this Corporation avoid the submission of extraordinary motions and amendments to original proposals.

A shareholder intending to exercise voting rights by correspondence or electronic means under the preceding paragraph shall deliver a written declaration of intent to this Corporation before two days before the date of the shareholders meeting. When duplicate declarations of intent are delivered, the one received earliest shall prevail, except when a declaration is made to cancel the earlier declaration of intent.

After a shareholder has exercised voting rights by correspondence or electronic means, in the event the shareholder intends to attend the shareholders meeting in person, a written declaration of intent to retract the voting rights already exercised under the preceding paragraph shall be made known to this Corporation, by the same means by which the voting rights were exercised, before two business days before the date of the shareholders meeting. If the notice of retraction is submitted after that time, the voting rights already exercised by correspondence or electronic means shall prevail.

When a shareholder has exercised voting rights both by correspondence or electronic means and by appointing a proxy to attend a shareholders meeting, the voting rights exercised by the proxy in the meeting shall prevail.

### Article 4

The venue for a shareholders meeting shall be the premises of this Corporation, or a place easily accessible to shareholders and suitable for a shareholders meeting. The meeting may begin no earlier than 9 a.m. or no later than 3 p.m..

### Article 5

It is advisable that shareholders meetings convened by the board of directors be chaired by the chairperson of the board in person and attended by a majority of the directors, at least one supervisor in person, and at least one member of each functional committee on behalf of the committee. The attendance shall be recorded in the meeting minutes. When the chairperson of the board is on leave or for any reason unable to exercise the powers of the chairperson, the chairperson shall appoint one

of the directors shall be appointed to act as chair. Where the chairperson does not make such a designation, the directors shall select from among themselves one person to serve as chair.

When a director serves as chair, as referred to in the preceding paragraph, the director shall be one who has held that position for six months or more and who understands the financial and business conditions of the company. The same shall be true for a representative of a juristic person director that serves as chair.

If a shareholders meeting is convened by a party with power to convene but other than the board of directors, the convening party shall chair the meeting. When there are two or more such convening parties, they shall mutually select a chair from among themselves.

#### Article 6

This Corporation may appoint its attorneys, certified public accountants, or related persons retained by it to attend a shareholders meeting in a non-voting capacity.

#### Article 7

This Corporation, beginning from the time it accepts shareholder attendance registrations, shall make an uninterrupted audio and video recording of the registration procedure, the proceedings of the shareholders meeting, and the voting and vote counting procedures.

The recorded materials of the preceding paragraph shall be retained for at least one year. If, however, a shareholder files a lawsuit pursuant to Article 189 of the Company Act, the recording shall be retained until the conclusion of the litigation.

#### Article 8

The chair shall call the meeting to order at the appointed meeting time, at the same time, relevant information such as the numbers of no voting rights and the numbers of shares represented by the shareholders present at a meeting of shareholders shall be announced in the meeting. However, when the attending shareholders do not represent a majority of the total number of issued shares, the chair may announce a postponement, for a combined total of no more than one hour, may be made. If the quorum is not met after two postponements, but the attending shareholders represent one third or more of the total number of issued shares, a tentative resolution may be adopted pursuant to Article 175 of the Company Act; all shareholders shall be notified of the tentative resolution and another shareholders meeting shall be convened within one month. If the quorum is not met after two postponements and the attending shareholders still represent less than one third of the total number of issued shares, the chair shall declare the meeting adjourned.

When, prior to conclusion of the meeting, the attending shareholders represent a majority of the total number of issued shares, the chair may resubmit the tentative resolution for a vote by the shareholders meeting pursuant to Article 174 of the Company Act.

#### Article 9

If a shareholders meeting is convened by the board of directors, the meeting agenda shall be set by the board of directors. Votes shall be cast on each separate proposal in the agenda (including extraordinary motions and amendments to the original proposals set out in the agenda). The meeting shall proceed in the order set by the agenda, which may not be changed without a resolution of the shareholders meeting.

The provisions of the preceding paragraph apply *mutatis mutandis* to a shareholders meeting convened by a party with the power to convene that is not the board of directors.

The chair may not declare the meeting adjourned prior to completion of deliberation on the meeting agenda of the preceding two paragraphs (including extraordinary motions), except by a resolution of

the shareholders meeting. If the chair declares the meeting adjourned in violation of the rules of procedure, the other members of the board of directors shall promptly assist the attending shareholders in electing a new chair in accordance with statutory procedures, by agreement of a majority of the votes represented by the attending shareholders, and then continue the meeting. After the meeting is adjourned, the shareholders shall not nominate a different chair to continue the meeting at the current location or another location.

#### Article 10

Before speaking, an attending shareholder must specify on a speaker's slip the subject of the speech, his/her shareholder account number (or attendance card number), and account name. The order in which shareholders speak will be set by the chair.

A shareholder in attendance who has submitted a speaker's slip but does not actually speak shall be deemed to have not spoken. When the content of the speech does not correspond to the subject given on the speaker's slip, the spoken content shall prevail.

When an attending shareholder is speaking, other shareholders may not speak or interrupt unless they have sought and obtained the consent of the chair and the shareholder that has the floor.

#### Article 11

Except with the consent of the chair, a shareholder may not speak more than twice on the same proposal, and a single speech may not exceed 3 minutes; if the consent of the chair, may be extended for 2 minutes and limited to once only. If the shareholder's speech violates the rules or exceeds the scope of the agenda item, the chair may terminate the speech.

#### Article 12

When a juristic person is appointed to attend as proxy, it may designate only one person to represent it in the meeting.

When a juristic person shareholder appoints two or more representatives to attend a shareholders meeting, only one of the representatives so appointed may speak on the same proposal.

#### Article 13

After an attending shareholder has spoken, the chair may respond in person or direct relevant personnel to respond.

#### Article 14

The chair shall allow ample opportunity during the meeting for explanation and discussion of proposals and of amendments or extraordinary motions put forward by the shareholders; when the chair is of the opinion that a proposal has been discussed sufficiently to put it to a vote, the chair may announce the discussion closed, call for a vote, and schedule sufficient time for voting.

#### Article 15

Vote monitoring and counting personnel for the voting on a proposal shall be appointed by the chair, provided that all monitoring personnel shall be shareholders of this Corporation.

Vote counting for shareholders meeting proposals or elections shall be conducted in public at the place of the shareholders meeting. Immediately after vote counting has been completed, the results of the voting, including the statistical tallies of the numbers of votes, shall be announced on-site at the meeting, and a record made of the vote.

Matters relating to the resolutions of a shareholders meeting shall be recorded in the meeting minutes. The meeting minutes shall be signed or sealed by the chair of the meeting and a copy

distributed to each shareholder within 20 days after the conclusion of the meeting.

This Corporation may distribute the meeting minutes of the preceding paragraph by means of a public announcement made through the MOPS.

The meeting minutes shall accurately record the year, month, day, and place of the meeting, the chair's full name, the methods by which resolutions were adopted, and a summary of the deliberations and their voting results (including the number of voting rights), and disclose the number of voting rights won by each candidate in the event of an election of directors or supervisors. The minutes shall be retained for the duration of the existence of this Corporation.

If matters put to a resolution at a shareholders meeting constitute material information under applicable laws or regulations or under Taiwan Stock Exchange Corporation regulations, this Corporation shall upload the content of such resolution to the MOPS within the prescribed time period.

#### Article 16

When a meeting is in progress, the chair may announce a break based on time considerations.

#### Article 17

Except as otherwise provided in the Company Act and in this Corporation's articles of incorporation, the passage of a proposal shall require an affirmative vote of a majority of the voting rights represented by the attending shareholders. At the time of a vote, for each proposal, the chair or a person designated by the chair shall first announce the total number of voting rights represented by the attending shareholders, followed by a poll of the shareholders. After the conclusion of the meeting, on the same day it is held, the results for each proposal, based on the numbers of votes for and against and the number of abstentions, shall be entered into the MOPS.

The election of directors at a shareholders meeting shall be held in accordance with the applicable election and appointment rules adopted by this Corporation, and the voting results shall be announced on-site immediately, including the names of those elected as directors, the numbers of votes with which they were elected; and the names of those fail to be elected as directors, the numbers of votes with which they obtained.

The ballots for the election referred to in the preceding paragraph shall be sealed with the signatures of the monitoring personnel and kept in proper custody for at least one year. If, however, a shareholder files a lawsuit pursuant to Article 189 of the Company Act, the ballots shall be retained until the conclusion of the litigation.

#### Article 18

When there is an amendment or an alternative to a proposal, the chair shall present the amended or alternative proposal together with the original proposal and decide the order in which they will be put to a vote. When any one among them is passed, the other proposals will then be deemed rejected, and no further voting shall be required.

#### Article 19

The chair may direct the proctors or security personnel to help maintain order at the meeting place. When proctors or security personnel help maintain order at the meeting place, they shall wear an identification card or armband bearing the word "Proctor."

#### Article 20

In the case of air-raid sirens during the meeting, the meeting shall be halted and the location be evacuated. The meeting shall resume 2 hours after the sirens cease.



Article 21

In the event that a shareholders' meeting cannot be convened on the day as shown on the notice for any reason, or the meeting cannot be continued due to any reason during the process, the chair of that shareholders' meeting is authorized to announce to postpone or to resume within five days in accordance with Article 182 of the Company Act, and is not applicable to the convening procedures set forth in Article 172 of the Company Act.

Article 22

These Rules shall take effect after having been submitted to and approved by a shareholders meeting. Subsequent amendments thereto shall be effected in the same manner.

## **Chang Wah Electromaterials Inc.**

### **Rules for Election of Directors**

Article 1: Except as otherwise provided by law and regulation or by the Company's articles of incorporation, elections of directors shall be conducted in accordance with these Procedures.

The overall composition of the board of directors shall be taken into consideration in the selection of the Company's directors. The composition of the board of directors shall be determined by taking diversity into consideration and formulating an appropriate policy on diversity based on the Company's business operations, operating dynamics, and development needs. It is advisable that the policy include, without being limited to, the following two general standards:

1. Basic requirements and values: Gender, age, nationality, and culture.
2. Professional knowledge and skills: A professional background (e.g., law, accounting, industry, finance, marketing, technology), professional skills, and industry experience.

Each board member shall have the necessary knowledge, skill, and experience to perform their duties; the abilities that must be present in the board as a whole are as follows:

1. The ability to make judgments about operations.
2. Accounting and financial analysis ability.
3. Business management ability.
4. Crisis management ability.
5. Knowledge of the industry.
6. An international market perspective.
7. Leadership ability.
8. Decision-making ability.

More than half of the directors shall be persons who have neither a spousal relationship nor a relationship within the second degree of kinship with any other director.

Article 2: The Company's election of directors shall adopt the candidate nomination system set forth in Article 192-1 of the Company Act. During the review of qualifications, academic background, work experience and the existence of circumstances set out in Article 30 of the Company Act with respect to director candidates, the Company may not arbitrarily add requirements for additional qualification documents. The review result shall be submitted to shareholders as reference material in electing competent directors.

The cumulative voting method shall be used for election of the directors at the Company. Each share will have voting rights in number equal to the directors to be elected, and may be cast for a single candidate or split among multiple candidates.

- Article 3: Before the election begins, the chair shall appoint a number of persons with shareholder status to perform the respective duties of vote monitoring and counting personnel.
- Article 4: The ballot boxes for the election of directors shall be prepared by the board of directors and publicly checked by the vote monitoring personnel before voting commences.
- Article 5: The Company's directors shall be elected by the shareholders' meeting from among the persons with disposing capacity. In accordance with the quotas set forth in the Company's Articles of Incorporation and the results of the election ballot, the persons elected with the higher number of votes (based on voting rights) shall be elected as independent directors and non-independent directors in order of the votes received. If two or more persons have the same number of votes and the required number of seats is exceeded, the winning candidates shall be determined by drawing lots, and the chair shall draw lots on behalf of the candidates who are not present. If the higher number of votes received for the election of independent directors is not an accounting or financial professional, the number of votes received by the candidates with accounting or financial expertise shall be calculated separately and the one with the highest number of votes shall be elected to one seat, and the remaining elected seats shall be subject to the preceding provisions. If a director elected in accordance with the preceding paragraph renounces his or her election before submitting the change of registration to the competent authority, or if it is verified that his or her personal information does not match or that his or her election is ineffective in accordance with the relevant laws and regulations, the vacant seat shall be filled by the candidate with the second highest number of original voting rights.
- Article 6: The board of directors shall prepare separate ballots for directors in numbers corresponding to the directors to be elected. The number of voting rights associated with each ballot shall be specified on the ballots, which shall then be distributed to the attending shareholders at the shareholders' meeting. Attendance card numbers printed on the ballots may be used instead of recording the names of voting shareholders. Independent directors and non-independent directors shall be elected together and the number of elected seats shall be calculated separately.
- Article 7: If a candidate is a shareholder, a voter must enter the candidate's account name and shareholder account number in the "candidate" column of the ballot; for a non-shareholder, the voter shall enter the candidate's full name and identity card number. However, when the candidate is a governmental organization or juristic-person shareholder, the name of the governmental

organization or juristic-person shareholder shall be entered in the column for the candidate's account name in the ballot paper, or both the name of the governmental organization or juristic-person shareholder and the name of its representative may be entered. When there are multiple representatives, the names of each respective representative shall be entered.

- Article 8: A ballot is invalid under any of the following circumstances:
1. The ballot was not prepared by the board of directors.
  2. A blank ballot is placed in the ballot box.
  3. The writing is unclear and indecipherable or has been altered.
  4. The candidate whose name is entered in the ballot is a shareholder, but the candidate's account name and shareholder account number do not conform with those given in the shareholder register, or the candidate whose name is entered in the ballot is a non-shareholder, and a cross-check shows that the candidate's name and identity card number do not match.
  5. Other words or marks are entered in addition to the candidate's account name or shareholder account number (or identity card number) and the number of voting rights allotted.
  6. The name of the candidate entered in the ballot is identical to that of another shareholder, but no shareholder account number or identity card number is provided in the ballot to identify such individual.
  7. The number of candidates entered in each ballot exceeds the number of seats required.
- Article 9: The voting rights shall be calculated on site immediately after the end of the poll, and the results of the calculation, including the list of persons elected as directors and the numbers of votes with which they were elected, shall be announced by the chair on the site.  
The ballots for the election referred to in the preceding paragraph shall be sealed with the signatures of the monitoring personnel and kept in proper custody for at least one year. If, however, a shareholder files a lawsuit pursuant to Article 189 of the Company Act, the ballots shall be retained until the conclusion of the litigation.
- Article 10: The election result would be annulled for circumstances in violation of Article 26-3, paragraph 3 of the Securities and Exchange Act.
- Article 11: The board of directors of the Company shall issue notifications to the persons elected as directors.
- Article 12: These Procedures shall take effect after they have been approved by the shareholders' meeting. Subsequent amendments thereto shall be effected in the same manner.

## Shareholding Status of the Directors

- I. The paid-in capital of the Company is NT\$689,419,426, and totally 689,419,426 shares have been issued.
- II. In accordance with Article 26 of the Securities and Exchange Act, the Board of Directors shall hold at least 55,153,554 shares in total.
- III. The number of shares held by the directors as of the date for suspension of share transfer of the shareholders' meeting (April 19, 2022) is as follows, which has met the criteria of the percentage stipulated in Article 26 of the Securities and Exchange Act.

Title	Name	Date of Election	Curent Holding Shares		Remark
			Shares	Shareholding percentage	
Chairperson	Yuan Yao Energy Technology Co., Ltd. Juristic person representative: Canon, Huang	June 19, 2019	42,106,820	6.10%	
Director	Yuan Yao Energy Technology Co., Ltd. Juristic person representative: Chou, Kang-Chi	June 19, 2019			
Director	Wah Lee Industrial Corp. Juristic person representative: Chang, Tsuen-Hsien	June 19, 2019	197,902,180	28.70%	
Director	Wah Lee Industrial Corp. Juristic person representative: Chang, Jui-Ting	June 19, 2019			
Director	Huang, Shiou-Chuan	June 19, 2019	2,658,470	0.38%	
Director	Hung, Chuen-Sing	June 19, 2019	0	0%	
Independent Director	Su, Erh-Lang	June 19, 2019	0	0%	
Independent Director	Hsin, Chun-Hao	June 19, 2019	0	0%	
Independent Director	Kong, Chi-Chuan	June 19, 2019	0	0%	
Total shares held by the directors			242,667,470	35.18%	

Note: The Company has set up an Audit Committee, so the requirement that the "number of shares held by supervisors should not be less than a certain percentage" does not apply.