

Stock code: 8070



**Chang Wah Electromaterials Inc.**

**2024 Annual Shareholders' Meeting**

# **Meeting Agenda**

(Translation)

**Date: May 31, 2024**

**Location: No. 2, Renfa 6th Rd., Renwu Dist., Kaohsiung City**

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# **Chang Wah Electromaterials Inc.**

## **Meeting Procedure of**

### **Annual Shareholders' Meeting 2024**

**I. Call the Meeting to Order**

**II. Chairperson's Speech**

**III. Status Reports**

**IV. Matters for Ratification**

**V. Matters for Discussions**

**VI. Extempore Motions**

**VII. Adjournment**

# **Chang Wah Electromaterials Inc.**

## **Meeting Agenda**

**Time: 10:00 A.M., May 31 (Fri.), 2024**

**Place: No. 2, Renfa 6th Rd., Renwu Dist., Kaohsiung City**

**Meeting Type: Physical Shareholders' meeting**

**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 2023 Annual Business Report
- B. Report by Audit Committee on review of the 2023 Annual Accounting Final Reports and Statements
- C. Report on the Distribution of Employees and Board Directors' Compensation
- D. Report on the 2023 Remuneration of Directors
- E. Report on the Earnings' Distribution
- F. Distribution of cash from capital surplus
- G. Report on the Company's Endorsement, Guarantee and Financings Provided to Other Parties
- H. Report on the Company's Investment in Mainland China
- I. Report on the Handling of Corporate Bonds
- J. Amendments of the "Rules of Procedure for Board of Directors' Meetings"
- K. Establish the "2023 Rules Governing the First-time Transfer of Repurchased Shares to Employees"
- L. Report on the resolution and execution of share repurchase
- M. The Descriptions of Proposals from shareholders

**4. Matters for Ratification**

- A. Ratification of the 2023 Annual Business Report and the Financial Statements
- B. Ratification of 2023 Earnings Distribution Report

**5. Matters for Discussions**

- A. Proposal for the issuance of employee restricted stock awards

**6. Extempore Motions**

**7. Adjournment**

## Status Reports

- (1) The Company's 2023 annual business report.

Please refer to page 12-13 of this meeting agenda.

- (2) Report by Audit Committee on review of the 2023 annual accounting final reports and statements.

Please refer to page 14 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 12, 2024. According to Article 18-2 of the Articles of Incorporation of the Company, the distribution of employees and board directors' compensation of 2023 is listed below:

Item	Ratio	Amount	Unit: NT\$ Way of Distribution
Employees' Compensation	2%	\$ 32,090,189	All distributed by cash.
Directors' Compensation	3.5%	\$ 28,180,378	

- (4) Report on the 2023 Remuneration of Directors.

1. Remuneration of directors is paid based the Company's "Standards, Policy and Structure of Director Remuneration." It is reviewed regularly by the Compensation Committee and distributed upon approval from the Board. Remuneration of directors comprises of base compensation, compensation to directors and allowances. Base compensation is a fixed amount distributed from a budget of NT\$8 million every year. Whether the director is a member of a functional committee and his/her involvement and contribution to the operation are considered when the Board determines the amount. Compensation to directors is paid pursuant to the Articles of Incorporation. When the Company's net income for the year exceeds NT\$800 million, 2% of the excess from income between NT\$800 million and NT\$1 billion shall be distributed as compensation to directors. When the annual income exceeds NT\$1 billion, 4% of the excess shall be distributed as compensation to directors. Allowances include attendance allowance and others. Remuneration policy is established with consideration to the level of participation and contribution of individual director to the Company (please refer to the Annual Report for results of performance evaluation by the Board and individual director), industry average (companies in the electronics distribution industry or ones with similar levels of paid-in capital, revenue, or profits) as well as business

performance indicators. Performance of the chairman is evaluated by performance indicators associated with operation, governance and financial performance, including profit before tax, earnings per share, budget achievement and growth.

2. For 2023 remuneration of directors, please refer to page 15 of this meeting agenda.

(5) Report on the earnings' distribution.

1. The report is written and executed according to the Company Act and the Articles of Incorporation of the Company.

2. The 2023 earnings distribution table has been approved by the Board of Directors, and has been reviewed by the Audit Committee. Please refer to page 16 of this meeting agenda.

3. The status of earnings distributed as cash dividends by the Company in 2023 is listed below:

Unit: NT\$

Time	Distributed Year	Amount	NT\$ per Share	Date Issues by the Directors' Meeting
1	First Half of 2023 (Note)	\$ 372,288,060	0.54042015	November 7, 2023
2	Second Half of 2023	\$ 1,116,269,447	1.62384810	March 12, 2024

Note: The cash dividend of the first half year of 2023 has been distributed on January 19, 2024.

(6) Distribution of cash from capital surplus.

1. The Company proposes to distribute NT\$258,575,217 from capital surplus related to shares issued at a premium to shareholders in the form of cash.

2. Shareholders recorded in the register on the record date are entitled to receive NT\$0.37615190 per share, with the payment to an individual shareholder rounded down to the nearest dollar. Payments of fractional dollar amount to an individual shareholder are transferred to the Employee Welfare Committee of Chang Wah Electromaterials Inc. It is proposed that the Board of Directors authorizes the chairman to set the record date and the payment date for the cash distribution from capital surplus and handle relevant matters. In the event that there are changes in the total number of outstanding shares and consequently the payout ratio due to events including share repurchase, transfer or cancellation of treasury stocks and conversion of convertible bonds, the chairman is also authorized to handle matters pertaining to changes in the dividend payout ratio.

(7) Report on the Company's endorsement, guarantee and financings provided to other parties. Please refer to page 17-18 of this meeting agenda.

- (8) Report on the Company’s investment in Mainland China.  
Please refer to page 19-20 of this meeting agenda.
- (9) Report on the handling of corporate bonds.  
Please refer to page 21 of this meeting agenda.
- (10) Amendments of the “Rules of Procedure for Board of Directors’ Meetings”.  
Please refer to page 22-27 of this meeting agenda.
- (11) Establish the “2023 Rules Governing the First-time Transfer of Repurchased Shares to Employees”.  
Please refer to page 28-29 of this meeting agenda.

- (12) Report on the resolution and execution of share repurchase.

Details on the resolution and execution of share repurchase are set out below :

Unit: NT\$

Instance	Seventh
Date of Board Resolution	Nov. 7 2023
Purpose	Transfer of shares to employees
Buyback Period	Nov. 8 2023 ~ Jan. 7 2024
Price Range	NT\$21.70 ~ NT\$46.00
Type of Shares	Ordinary Shares
Number of Shares to be Repurchased	2,000,000 shares
Number of Shares Repurchased	2,000,000 shares
Amount of Repurchased Shares	NT\$68,708,175
Average Repurchase Price per Share	NT\$34.35
Reasons for Not Completing the Repurchase	Completed
Cancelled and Transferred Shares	Yet to be processed
Cumulated holding Volume	2,000,000 shares
The ratio of the Cumulated holding Volume to the total issued shares (Note) (%)	0.29%

Note: As of to date, the Company has 689,422,332 issued shares.

- (13) 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 Feb. 23 to Mar. 4, 2024 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 2024.

## **Matters for Ratification**

Proposal 1: Proposed by the Board of Directors

Content: Ratification of the 2023 Annual Business Report and the Financial Statements.

Explanatory Notes:

- 1.The Company's 2023 financial statement (including the parent company only and consolidated financial statements) were approved by the board of directors on March 12, 2024, 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 30-49 of this meeting agenda), and annual business report (please refer to page 12-13 of this meeting agenda) are attached herein.

Resolutions:

Proposal 2: Proposed by the Board of Directors

Content: Ratification of 2023 Earnings Distribution Report.

Explanatory Notes:

1. The Company's 2023 earnings distribution table has been approved by the Board of Directors on March 12, 2024, and is reviewed by the Audit Committee. Please refer to page 16 of this meeting agenda.
2. The agenda has been proposed for ratification.

Resolutions:

## Matters for Discussions

Proposal 1: Proposed by the Board of Directors

Content : Proposal for the issuance of employee restricted stock awards.

Explanatory Notes:

1. To attract and retain professional talents, motivate employees as well as improve employee loyalty in order to jointly create more profits for the Company and shareholders, and align employee interests with shareholder interests, the Company proposes to issue employee restricted stock awards (RSAs) pursuant to Article 267 of the Company Act and the “Regulations Governing the Offering and Issuance of Securities by Securities Issuers” released by the Financial Supervisory Commission.
2. The RSAs may be granted in one or more tranches within one year from the date the notice of effective registration from the competent authorities is received. The chairman is authorized to determine the actual issuance date.
3. Details of the RSAs are as follows:
  - (1) Total amount issued: The total amount issued equals NT\$5 million, where the Company plans to issue 5,000 thousand shares with a par value of NT\$1 per share.
  - (2) Terms of issuance:
    - A. Issue price: The RSAs are free of charge.
    - B. Vesting conditions:
      - a. The RSAs granted to employees are vested if the employees have remained employed by the Company on the vesting dates; have not violated the employment contract, work rules, confidentiality agreement, and non-compete restrictions during the period; and have achieved personal performance targets set by the Company and the Company’s business targets. The vesting schedule and the ratio of shares to be vested are set out below:

Have remained employed three years from the grant date and the individual as well the Company have met the performance and business targets: 20%.

Have remained employed four years from the grant date and the individual as well the Company have met the performance and business targets: 30%.

Have remained employed five years from the grant date and the individual as well the Company have met the performance and business targets: 50%.
      - b. Performance targets for individuals are set by the chairman for individual employees in each department. As for the Company’s business targets, the return on equity (ROE), earnings per share (EPS) and the corporate governance evaluation rankings are adopted as performance indicators. The weightings and target conditions of each indicator are listed below. Targets are set for each indicator. The number of shares

vested for the year is calculated based on the corresponding weighting ratios of indicators with targets achieved; otherwise, the corresponding weighting ratio is 0%. ROE and EPS are calculated based on the audited consolidated financial statements for the year prior to the vesting date. The corporate governance evaluation rankings are based on the results produced by the Corporate Governance Evaluation System for the year prior to the vesting date.

Performance Indicator	Weighting	Target
ROE (%)	40%	Above 60% of the Company's average of the previous three years (Note 1)
EPS	40%	Above 80% of the Company's average of the previous three years (Note 2)
Corporate governance evaluation ranking	20%	Ranked in the top 50% of listed companies in the corporate governance evaluation

Note 1: Compare the results of performance indicators in the year of calculation to 60% of the average of the three preceding years (excluding the year of calculation).

Note 2: Compare the results of performance indicators in the year of calculation to 80% of the average of the three preceding years (excluding the year of calculation).

- c. Types of shares issued: New ordinary shares of the Company.
- d. Measures taken when employees fail to meet the vesting conditions or in the event of inheritance: When employees fail to meet the vesting conditions, the Company would reclaim and cancel the RSAs without costs. For other circumstances, please refer to the Company's rules governing the RSA issuance.

(3) Employee eligibility and the number of shares to be granted or subscribed:

- A. To safeguard shareholders' rights, the Company would manage the RSA plan prudently. Employees eligible to RSAs are limited to full-time regular employees of the Company and its affiliates as of the grant date who belong to one of the following categories:
  - a. Employees who are highly relevant to the Company's future strategies and developments;
  - b. Employees who have significant influence on business operation; or
  - c. Employees whose performance is of considerable value to the Company.
- B. Employees to receive the RSAs and the number of RSAs granted are determined based on the distribution standards drawn up with consideration to employees' job levels, work performance, overall contributions, and other factors, as well as the Company's operational needs and business development strategies. Once determined by the chairman, the proposal is submitted to the Audit Committee and the Board of Directors for approval. However, for employees who are managerial officers or directors, the proposal shall be submitted to the Compensation Committee and the Board of Directors

for approval.

C. The number of RSAs granted to individual employees is subject to the Regulations Governing the Offering and Issuance of Securities by Securities Issuers.

- (4) Reasons for the RSAs: To attract and retain talents needed by the Company, motivate employees as well as improve employee loyalty in order to jointly create profits for the Company and shareholders, and align employee interests with shareholder interests.
  - (5) Estimated expenses: With the average closing price of the Company's ordinary shares of NT\$34.63 in January 2024, the maximum expense is estimated to be NT\$173,150 thousand if the vesting conditions are fulfilled for all RSAs. If RSAs are to be issued in early October of 2024, expenses are estimated to be NT\$9,400 thousand, NT\$41,845 thousand, NT\$41,845 thousand, NT\$39,251 thousand, NT\$27,384 thousand and NT\$13,425 thousand from 2024 to 2029, respectively.
  - (6) Dilution on EPS: With 689,422,332 shares outstanding at present, the possible decreases in the Company's EPS are approximately NT\$0.01, NT\$0.06, NT\$0.06, NT\$0.06, NT\$0.04 and NT\$0.02 from 2024 to 2029, respectively. The dilutive effect on EPS is limited.
  - (7) Other matters that may affect the shareholders' equity: Based on the assessment above, the dilutive effect on the Company's EPS in future years is limited and the RSAs shall have no material impact on shareholders' equity at present.
  - (8) Restrictions on the rights to RSAs before the vesting conditions are fulfilled: Except for inheritance, employees shall not sell, pledge, transfer, give to another person, create any encumbrance on, or otherwise dispose of, unvested RSAs.
4. The RSAs issued may immediately be deposited into a stock trust custody account.
  5. For rules governing the 2024 issuance of employee RSAs, please refer to page 50-53 of this meeting agenda.
  6. If amendments or corrections on the RSAs' terms and conditions are required due to instructions from the competent authorities, amendments to relevant laws and regulations, status of the financial market or the objective environment, it is proposed for the shareholders' meeting to grant full authority to the Board of Directors to handle relevant matters.
  7. Restrictions, important terms and conditions or issues not covered with respect to the RSAs shall be managed according to relevant laws and regulations as well as issuance rules formulated by the Company.
  8. The agenda has been proposed for discussion.

Resolutions:

## **Extempore Motions**

## **Adjournment**

# Attachments

## Chang Wah Electromaterials Inc. 2023 Annual Business Report

The semiconductor industry has undergone inventory digestion since the second half of 2022. Inventory adjustment continued in 2023 as multiple factors, including the macroeconomy, the Russia-Ukraine war and inflation, led to a slowdown in the semiconductor industry, weak consumer electronics demand, and low willingness of customers to place orders.

The Company's consolidated revenue was NT\$16.49 billion in 2023, a decrease of 25% over 2022. Operating profit amounted to NT\$1.68 billion, down 51% compared to 2022. With a year-over-year decrease in foreign exchange gains under non-operating income, net profit after tax also dropped compared to 2022. Net profit attributable to owners of the Company was NT\$1.48 billion, down 32% from last year, with an EPS of NT\$2.19. Despite inventory adjustment throughout the industry and foreign exchange losses at the end of the year, the robust demand for automotive and industrial control chips offset a part of the negative effects from the sluggish consumer chips demand, allowing the Company to deliver a satisfactory performance in the stagnant semiconductor market. The consolidated figures for the year ended December 31, 2023 are as follows :

(Parent Company Only) Unit: NT\$ in Thousands

Item	2023		2022		2021	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
Operating Income	6,475,334	100%	10,302,401	100%	10,812,001	100%
Gross Profit	481,855	8%	648,182	6%	699,697	7%
Gross Profit Margin	8%	—	6%	—	7%	—
Operating Profit	238,525	4%	263,730	2%	303,252	3%
Net Income before Tax	1,544,239	24%	2,298,678	22%	1,800,735	17%
Net Income after Tax	1,477,214	23%	2,163,818	21%	1,725,500	16%

(Consolidated) Unit: NT\$ in Thousands

Item	2023		2022		2021	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
Operating Income	16,490,002	100%	21,858,509	100%	20,670,509	100%
Gross Profit	3,071,748	19%	5,069,322	23%	4,147,963	20%
Gross Profit Margin	19%	—	23%	—	20%	—
Operating Profit	1,680,410	10%	3,424,363	15%	2,559,268	12%
Net Income before Tax	2,688,052	16%	4,501,463	20%	3,078,874	15%
Net Income after Tax	2,248,755	14%	3,572,984	16%	2,488,063	12%

### 【Financial Performance】

(Parent Company Only)

Item	2023	2022	2021
<b>Financial Structure</b>			
Debt Ratio	34%	43%	48%
Long-term Funds to Fixed Assets	23,864%	20,266%	20,617%
Net Asset Value per Share	22.40	17.07	15.80
<b>Solvency</b>			
Current Ratio	87%	103%	116%
Quick Ratio	81%	95%	105%
<b>Profitability</b>			
Return on Assets	7%	11%	10%

Item	2023	2022	2021
Return on Equity	11%	19%	20%
Net Profit Margin	23%	21%	16%
Earnings per Share	2.19	3.16	2.54

(Consolidated)

Item	2023	2022	2021
<b>Financial Structure</b>			
Debt Ratio	46%	51%	51%
Long-term Funds to Fixed Assets	641%	616%	795%
Net Asset Value per Share	22.40	17.07	15.80
<b>Solvency</b>			
Current Ratio	158%	171%	177%
Quick Ratio	135%	140%	131%
<b>Profitability</b>			
Return on Assets	7%	12%	10%
Return on Equity	13%	23%	21%
Net Profit Margin	14%	16%	12%
Earnings per Share	2.19	3.16	2.54

#### 【Research and Development】

Regarding EME from Sumitomo Bakelite Co., Ltd. under our agency, the Japanese company has increased its production lines in Taiwan, boosting the supply of packaging materials for the back-end semiconductor manufacturing. Moreover, the installation of molding equipment from Apic Yamada Corp. of Japan under our agency is underway, allowing for the expansion of advanced packaging process.

Equipment installation at the new plant of our subsidiary Chang Wah Technology Co., Ltd. in the Kaohsiung Nanzih Technology Industrial Park was completed at the end of July, 2023. The plant is designated to produce lead frames with high reliability for aQFN and third-generation semiconductors, as well as lead frames for Mini LED backlighting and Pre-Mold Metal Substrate (PMMS). The rise of emerging technologies such as 5G, AI, and IoT prompts continuous growth in the consumer and automotive electronics markets, and brings about new business opportunities for display applications. Devices are shifting toward being lighter and smaller or high value-added, or with high-end specifications. We apply different processes to QFNs to produce differentiated products and tap into the niche market of lead frames for Mini LED and automotive power management.

#### 【Strategy of Future Development】

In June 2023, the Company held a Board of Directors' meeting to elect a new chairman, and Mr. Chuen-Sing Hung, the president of our subsidiary Chang Wah Technology Co., Ltd., was elected, kicking off our succession plan.

Driven by the demand of AI, HPC, and electrification, Gartner predicts that the global semiconductor market will return to growth in 2024 with an annual growth rate of 16.8% and a market size of US\$624 billion; whereas IDC expresses an even more optimistic view, i.e., the semiconductor market will return to growth in 2024 with an annual growth rate of 20%. In 2023, we began to tap into packaging materials for key components of EV and automotive electronics, and worked with companies in exploring IC substrates for Mini LED packaging to build future growth momentums. We plan to drive operational growth from the three key areas of 3Cs (computer, communication, and consumer electronics), automotive, and industrial applications.

Chairperson:  
Hung, Chuen-Sing

Manager:  
Canon, Huang

Accountant:  
Kelly, Chiu

## Chang Wah Electromaterials Inc. Audit Committee Report

The Board of Directors had prepared and submitted the 2023 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 2023 Annual Business Report and the 2023 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,

2024 Annual Shareholders' Meeting of Chang Wah Electromaterials Inc.

Audit Committee of Chang Wah Electromaterials Inc.

Convener: 陳志誠

Convener: 孔曼全

Convener: 魏淑萍

Date: March 12, 2024.

## 2023 Remuneration of Directors

NT\$ thousands; %

Title	Name	Remuneration (Note 1)								Total of A, B, C and D and as a % of Net Income		Relevant Remuneration Received by Directors Who are Also Employees								Total of A, B, C, D, E, F and G and as a % of Net Income		Compensation from Non-consolidated Affiliates or Parent Company
		Base Compensation (A)		Severance Pay (B) (Note 2)		Bonus to Directors (C)		Allowances (D)				Salary, Bonuses, and Allowances (E)		Severance Pay (F)		Profit Sharing- Employee Bonus (G)						
		From CWE	From All Consolidated Entities	From CWE	From All Consolidated Entities	From CWE (Note 3)	From All Consolidated Entities	From CWE	From All Consolidated Entities	From CWE	From All Consolidated Entities	From CWE	From All Consolidated Entities	From CWE	From All Consolidated Entities	Cash	Stock	Cash	Stock	From CWE	From All Consolidated Entities	
Chairman	Juan Yao Investment Co., Ltd. Rep.:Hung, Chuen-Sing(Note 4)	1,584	4,842	0	0	15,880	16,180	24	48	17,488 1.18%	21,070 1.42%	0	41,200	0	134	0	0	0	0	17,488 1.18%	62,404 4.22%	289
Director and President	Yuan Yao Energy Technology Co., Ltd. Rep.:Canon, Huang	1,298	16,182	0	0	12,300	12,300	21	39	13,619 0.92%	28,521 1.93%	29,662	35,869	0	0	0	0	0	0	43,281 2.93%	64,390 4.36%	3,227
Director	Wah Lee Industrial Corp. Rep.: Chang, Tsuen-Hsien	1,011	1,011	0	0	0	0	24	24	1,035 0.07%	1,035 0.07%	0	0	0	0	0	0	0	0	1,035 0.07%	1,035 0.07%	0
Director	Huang, Shiou-Chuan	1,011	1,011	0	0	0	269	24	24	1,035 0.07%	1,304 0.09%	0	0	0	0	0	0	0	0	1,035 0.07%	1,304 0.09%	2,031
Independent Director	Kong, Chi-Chuan	636	636	0	0	0	0	24	24	660 0.05%	660 0.05%	0	0	0	0	0	0	0	0	660 0.05%	660 0.05%	0
Independent Director	Yen, Shu-Yang	600	600	0	0	0	0	24	24	624 0.04%	624 0.04%	0	0	0	0	0	0	0	0	624 0.04%	624 0.04%	0
Independent Director	Chen, Chih -Cheng	660	660	0	0	0	0	24	24	684 0.05%	684 0.05%	0	0	0	0	0	0	0	0	684 0.05%	684 0.05%	0

1.The policy, system, standards and structure for the remuneration of independent directors, and the correlation between the amount of remuneration and the amount of remuneration based on the responsibilities, risks and time commitment:

The remuneration of the Company's independent directors is governed by the "Regulations Governing Directors' Compensation". The Company may pay each independent director between NT\$30,000 and NT\$60,000 per month, regardless of the Company's operating profit or loss or the responsibilities, risks, and time commitment of the independent director.

2.Except as disclosed in the table above, compensation received for services rendered (e.g., a non-employee consultant to the parent company/entities within the financial statements/investees) by directors in the most recent year: NT\$ 150,000.

Note 1: In accordance with the Company's Articles of Incorporation and the Regulations Governing the Compensation of Directors.

Note 2: There is no actual payment and no provision for retirement pension for this year.

Note 3: On March 12, 2024, the Board of Directors approved the distribution of directors' remuneration in the amount of NT\$28,180 thousand for 2023.

Note 4: The status of Mr. Chuen-Sing Hung changed from being a natural-person Director to a representative of Corporate Director, and assumed the position of the Chairman on June 12, 2023.

**Chang Wah Electromaterials Inc.**  
**2023 Earnings Distribution Table**

Unit: NT\$

Beginning balance of undistributed earnings		1,987,854,353
Net profit after tax plus the amount of other items accounted for as the undistributed earnings in fiscal year 2023		
Net profit after tax in fiscal year 2023	1,477,213,474	
Remeasurements of defined benefit plans recognized in the retained earnings	(161,873)	
The accumulated profit and losses from the disposal of the investment in equity instruments measured at FVTOCI was directly transferred to the retained earnings	124,531,798	1,601,583,399
Provision of the legal reserve (10%)		
Part provided in the first half of fiscal year 2023	(83,597,291)	
Part provided in the second half of fiscal year 2023	(76,561,049)	(160,158,340)
Reversal of special reserve according to applicable laws		
Reversal of special reserve in the first half of 2023	45,371,776	
Reversal of special reserve in the second half of 2023	1,760,672	47,132,448
Distributable earnings in fiscal year 2023		3,476,411,860
Item of distribution:		
The amount of earnings distribution as the dividends for shareholders in the first half of fiscal year 2023 - cash (NT\$0.54042015 for each share)	(372,288,060)	
The amount of earnings distribution as the dividends for shareholders in the second half of fiscal year 2023 - cash (NT\$1.62384810 for each share)	(1,116,269,447)	(1,488,557,507)
Ending balance of undistributed earnings		1,987,854,353

Chairperson: Hung, Chuen-Sing;      Manager: Canon, Huang;      Accountant: Kelly, Chiu

**Note:**

1. The dividend for each share was calculated with the basis of 687,422,332 outstanding shares by March 12, 2024. 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. In accordance with Official Letter No. Financial-Supervisory-Securities-Corporation-1090150022 issued by the Financial Supervisory Commission, the Company appropriates or reverses special reserve based on the shareholding percentage for the difference between the market and book value of the Company's shares held by the subsidiaries as of December 31, 2023 as the market value is lower than the book value.
4. The proposals of earnings distribution for the first half and the second half of fiscal year 2023 were respectively approved by the Board of Directors with resolutions made on Nov. 7, 2023 and Mar. 12, 2024.

## Financing Provided in Fiscal Year 2023

### Chang Wah Electromaterials Inc. and Subsidiaries

#### ENDORSEMENTS/GUARANTEES PROVIDED

FOR THE YEAR ENDED DECEMBER 31, 2023

(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	\$ 3,002,196	\$ 52,659	\$ 52,659	\$ 52,659	\$ -	0.35	\$ 7,505,491	Yes	No	Yes	Note 1
1	Chang Wah Technology Co., Ltd.	Shanghai Chang Wah Electromaterials Inc.	2, 6	1,980,782	119,289	119,289	119,289	-	1.20	4,951,956	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.

## Endorsement/Guarantee in Fiscal Year 2023

### Chang Wah Electromaterials Inc. and Subsidiaries

#### FINANCING PROVIDED TO OTHERS

FOR THE YEAR ENDED DECEMBER 31, 2023

(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 4)	Interest Rate (%)	Nature for Financing (Note 3)	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	\$ 75,000	1.2-2	2	\$ -	Operating capital	\$ -	None	\$ -	\$ 1,501,098	\$ 6,004,392	Note 1
1	SH Electronics Chengdu Co., Ltd.	SH Electronics Suzhou Co., Ltd.	Other receivables	Yes	322,403	322,403	-	0.8-3	2	-	Repayments of loans	-	None	-	956,096	956,096	Note 2
2	SH Asia Pacific Pte. Ltd.	Malaysian SH Electronics Sdn. Bhd	Other receivables	Yes	1,842,300	921,150	921,150	4.18	2	-	Financing of funds	-	None	-	6,089,301	6,089,301	Note 2

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: SH Electronics Chengdu Co., Ltd., SH Asia Pacific Pte. 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 3: The nature for financial is as follows:

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

Note 4: Amount was eliminated from the consolidated financial statements.

## Investment in Mainland China in Fiscal Year 2023

### Chang Wah Electromaterials Inc. and Subsidiaries

#### INFORMATION ON INVESTMENTS IN MAINLAND CHINA FOR THE YEAR ENDED DECEMBER 31, 2023

(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, 2023	Remittance of Funds		Accumulated Outward Remittance for Investments from Taiwan as of December 31, 2023	Net Income of the Investee	% of Ownership of Direct or Indirect Investment	Investment Gain (Notes 7 and 8)	Carrying Amount as of December 31, 2022 (Notes 7 and 8)	Accumulated Repatriation of Investment Income as of December 31, 2023	Note
					Outward	Inward							
Guangdong How Weih Electronics Co., Ltd.	Researching, developing, manufacturing and selling of new electronic components and precision hardware and plastic components.	\$ 650,280	3	\$ -	\$ -	\$ -	\$ -	\$ 67,502	25	\$ 16,971	\$ 796,516	\$ 27,947	Note 2
SH Electronics Chengdu Co., Ltd.	Researching, developing, manufacturing and selling of leadframe, semiconductor materials and precision tools	260,993	2	66,077	-	-	66,077	163,504	100	163,504	1,156,199	1,010,592	Notes 2, 7 and 8
Shanghai Chang Wah Electromaterials Inc.	Acting as an agent for IC packaging materials and equipment	122,820	2	149,668	-	-	149,668	83,863	100	83,863	563,698	181,110	Notes 2, 7 and 8
SH Precision Chengdu Co., Ltd.	Researching, developing, manufacturing and selling of leadframe, semiconductor materials and precision tools	107,468	2	31,807	-	-	31,807	74,791	100	86,186	490,636	464,517	Notes 2, 7 and 8
CWTC (Shanghai) Inc.	Selling of lighting materials and equipment, communication devices, semiconductor materials and equipment, electronic products, machinery and equipment, etc.	61,410	1	64,308	-	-	64,308	7,965	100	7,965	100,401	-	Notes 7 and 8
SH Electronics Suzhou Co., Ltd.	Researching, developing, manufacturing and selling of leadframe, semiconductor packaging materials and precision tools	767,625	2	-	-	-	-	188,923	100	195,035	1,229,253	125,080	Notes 2, 7 and 8

Investor Company	Accumulated Outward Remittance for Investments in Mainland China as of December 31, 2022 (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	\$ 1,069,910	\$ -
Chang Wah Technology Co., Ltd.	64,308	1,401,468	-

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

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

(Continued)

- Note 2: Guangdong How Weih Electronics Co., Ltd. accumulated repatriation of investment income of RMB6,290 thousand (USD915 thousand); SH Electronics Chengdu Co., Ltd. accumulated repatriation of investment income of RMB230,205 thousand (USD32,967 thousand); SH Precision Chengdu Co., Ltd. accumulated repatriation of investment income of RMB107,496 thousand (USD15,330 thousand); Shanghai Chang Wah Electromaterials Inc. accumulated repatriation of investment income of RMB39,682 thousand (USD6,027 thousand); SH Electronics Suzhou Co., Ltd. accumulated repatriation of investment income of RMB28,407 thousand (USD4,000 thousand).
- 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. USD820 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 USD(7,469) thousand, Guangdong How Weih Electronics Co., Ltd. USD21,509 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 or loss and carrying amount recognition is the financial statements audited and attested as of December 31, 2023.
- Note 8: The investment income or loss and carrying amount was eliminated from the consolidated financial statements as of December 31, 2023.

(Concluded)

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

Type of corporate bonds	Domestic unsecured convertible bonds of the 5 <sup>th</sup> issuance	
Date of issue	March 13, 2023	
Carrying amount	NT\$100,000 for each certificate	
Location of issue and trading	Issued within the country, listed in the Taipei Exchange	
Issue price	NT\$101	
Total amount	NT\$1,200,000,000	
Interest rate	Coupon rate: 0%	
Expiration	3 years; Expiration date: March 13, 2026	
Guarantee institution	None	
Trustee	Taishin International Bank	
Underwriter	Taishin Securities Co., Ltd.	
Certified attorney	Attorney, Qiu, Li-fei	
Certified public accountant	Deloitte Taiwan Cooperating CPA in the most recent fiscal year: Lee-Yuan Kuo and Hung-Ju Liao Cooperating CPA in the most recent term: Lee-Yuan Kuo and Hung-Ju Liao	
Method of redemption	Except being converted in advance, being redeemed by the Company in advance, or being written off due to repurchase by the Company, the corporate bonds will be redeemed by cash payment in one time according to the carrying amount.	
Unpaid principal	NT\$1,199,900,000	
Provisions for redemption or payoff in advance	Please read the regulations on the issuance and conversion of the corporate bonds.	
Provisions of limitation	None	
Name of credit rating agency, date of rating, and the rating of corporate bond	None	
Other rights attached	Amount of the corporate bonds that were converted (by exchange or share subscription) to common shares, global depository receipts or other marketable securities by the print date of the Company's financial statements	Converted to 2,906 ordinary shares
	Regulations of issuance and conversion (exchange or share subscription)	Please refer to the information about issuance of bonds provided in the Zone of Bonds and Trust at the MOPS.
Potential dilution and current rights of shareholders may be caused by the regulations on the issuance and conversion, exchange or share subscription, and the conditions of issuance	If all the creditors of the convertible corporate bonds ask for conversion based on the conversion price of NT\$33.90, the maximum dilution rate will be approximately 5.13%. The effect of dilution should be limited.	
Name of the custodian agency for the exchange target	None	

**Chang Wah Electromaterials Inc.**  
**Comparison Table of “Rules of Procedure for Board of Directors’ Meetings”**  
**before and after Amendments**

Article	Content		Basis and Reason for amendment
	After	Before	
5	<p>The Company shall provide the attending directors with an attendance book to sign at the board meetings for future reference.</p> <p>Directors shall attend the board meetings in person. A director who is unable to attend in person shall appoint another director to attend the meetings as proxy in accordance with the Company’s Articles of Incorporation.</p> <p>Directors attending the meetings via video conferencing shall be deemed to have attended the meetings in person.</p> <p style="text-align: center;">(Omitted)</p>	<p>The Company shall provide the attending directors with an attendance book to sign at the board meetings for future reference.</p> <p>Directors shall attend the board meetings in person. A director who is unable to attend in person shall appoint another director to attend the meetings as proxy in accordance with the Company’s Articles of Incorporation.</p> <p>Directors attending the meetings via video conferencing shall be deemed to have attended the meetings in person. <del><b>However, the attendance book shall be faxed as proof of attendance.</b></del></p> <p style="text-align: center;">(Omitted)</p>	<p>Amended in accordance with Official Letter No. Taiwan-Stock-Listing-I-1130 000762 of the Taiwan Stock Exchange Corporation.</p>
8	<p style="text-align: center;">(Paragraphs 1 is Omitted)</p> <p>Depending on the agenda items, personnel from relevant departments or subsidiaries may be notified to attend.</p> <p>If necessary, certified public accountants, attorneys or other professionals may also be invited to be present at the meeting. However, they shall excuse themselves during discussion and voting.</p> <p><b><u>The chair of the Board of Directors</u></b> shall call the meeting to order at the scheduled time when the attending directors represent the majority of all directors. <b><u>At the scheduled time for the</u></b></p>	<p style="text-align: center;">(Paragraphs 1 is Omitted)</p> <p>Depending on the agenda items, personnel from relevant departments or subsidiaries may be notified to attend <b><u>the board meetings to report on corporate performance and business as well as answer questions raised by directors, thereby assisting directors with understanding the company and making proper decisions.</u></b> If necessary, certified public accountants, attorneys or other professionals may also be invited to be present at the meeting <b><u>and provide expert opinions as references for directors.</u></b> However, they shall excuse themselves during discussion and voting.</p> <p><b><u>The chair</u></b> shall call the meeting to order at the scheduled time when the attending directors represent the majority of all directors. <b><u>When</u></b> the attending directors do not represent the</p>	<p>Amended in accordance with Official Letter No. Taiwan-Stock-Listing-I-1130 000762 of the Taiwan Stock Exchange Corporation.</p>

Article	Content		Basis and Reason for amendment
	After	Before	
	<p><b><u>meeting, if</u></b> the attending directors do not represent the majority of all directors, the chair may announce to postpone the meeting <b><u>to the same day</u></b>. The postponement is limited to two times. If the number of attending directors does not meet the quorum after two postponements, the chair shall reconvene the meeting in accordance with the procedures specified in Paragraph 2 of Article 3 herein.</p> <p>The term “all directors” in <b><u>the preceding paragraph</u></b> and Subparagraph 2, Paragraph 2 of Article 16 herein means the number of directors who are actually in office.</p>	<p>majority of all directors, the chair may announce to postpone the meeting. The postponement is limited to two times. If the number of attending directors does not meet the quorum after two postponements, the chair shall reconvene the meeting in accordance with the procedures specified in Paragraph 2 of Article 3 herein.</p> <p><b><u>Where the chair cannot call the meeting to order at the scheduled time due to force majeure events or other special circumstances, he/she may postpone the meeting after seeking opinions from each director and secure the consent of the majority of directors. The postponed meeting may be held at another location or (and) via video conferencing. However, it shall be convened before 12 o'clock midnight of that date.</u></b></p> <p>The term “all directors” in <b><u>Paragraph 3</u></b> and Subparagraph 2, Paragraph 2 of Article 16 herein means the number of directors who are actually in office.</p>	
11	<p>Board meetings shall proceed in accordance with the agenda set out in the meeting notices. The agenda shall not be changed without the consent of the majority of attending directors. The chair may not declare the meeting adjourned without the consent of the majority of</p>	<p><b><u>Proposals raised by directors shall be delivered to the Company’s board meeting unit three days prior to the delivery of meeting notices; otherwise, they would not be included in the agenda.</u></b></p> <p>Board meetings shall proceed in accordance with the agenda set out in the meeting notices. The agenda shall not be changed without the consent of the majority of attending directors. The chair may not declare the meeting adjourned <b><u>prior to the completion of meeting agenda in</u></b></p>	<p>Amended in accordance with Official Letter No. Taiwan-Stock-Listing-I-1130 000762 of the Taiwan Stock Exchange Corporation.</p>

Article	Content		Basis and Reason for amendment
	After	Before	
	<p>attending directors.</p> <p>In the process of the board meetings, if the number of directors in attendance were less than the majority of directors originally attending the meeting, the chair shall temporarily adjourn the meeting upon a motion by the directors in attendance. Under such circumstance, Paragraph <b>4</b> of Article 8 herein shall apply mutatis mutandis.</p> <p>When the <b>board</b> meeting is in progress, <b><u>if the chair is unable to chair the meeting for any cause or declares the meeting adjourned without adhering to Paragraph 2, the provisions of Paragraph 3, Article 7 shall apply mutatis mutandis to the election of a proxy for the chair.</u></b></p>	<p><b><u>the preceding paragraph and extempore motions</u></b> without the consent of the majority of attending directors.</p> <p>In the process of the board meetings, if the number of directors in attendance were less than the majority of directors originally attending the meeting, the chair shall temporarily adjourn the meeting upon a motion by the directors in attendance. Under such circumstance, Paragraph <b>3</b> of Article 8 herein shall apply mutatis mutandis.</p> <p>When the meeting is in progress, the chair <b><u>may set time for a break or negotiation at his/her discretion.</u></b></p>	
12	<p>(Paragraphs 1 to 3 are Omitted)</p> <p>At least one independent director of the Company shall attend the board meetings in person. For matters that shall be proposed for discussion at the board meetings as set out in Paragraph 1, all independent directors shall attend the board meeting in person. An independent director who is unable to attend in person shall appoint another independent director to stand proxy. Objections</p>	<p>(Paragraphs 1 to 3 are Omitted)</p> <p><b><u>When discussing the material financial or business transactions referred to in Subparagraph 4, Paragraph 1 at the board meetings, full consideration shall be given to the opinions of the Audit Committee or the independent directors. Their consents or objections and the reasons thereof shall be recorded in the board meeting minutes.</u></b></p> <p>At least one independent director of the Company shall attend the board meetings in person. For matters that shall be proposed for discussion at the board meetings as set out in Paragraph 1, all independent directors shall attend the board meeting in person. An independent director who is unable to attend in person shall appoint another independent director to stand proxy. Objections</p>	<p>Amended in accordance with Official Letter No. Taiwan-Stock-Listing-I-1130 000762 of the Taiwan Stock Exchange Corporation.</p>

Article	Content		Basis and Reason for amendment
	After	Before	
	<p>or reservations of the independent directors, if any, shall be recorded in the board meeting minutes. If the independent directors are unable to attend the meetings in person to express their objections or reservations, they shall submit written statements in advance, unless there are legitimate reasons to do otherwise, and the statements shall be recorded in the board meeting minutes.</p>	<p>or reservations of the independent directors, if any, shall be recorded in the board meeting minutes. If the independent directors are unable to attend the meetings in person to express their objections or reservations, they shall submit written statements in advance, unless there are legitimate reasons to do otherwise, and the statements shall be recorded in the board meeting minutes.</p> <p><b><u>With regard to proposals in the meeting agenda, amendments, alternative proposals or other issues raised through extempore motions shall be seconded by other directors.</u></b></p> <p><b><u>Written statements shall be provided by directors with specific reasons for objection concerning proposals to be voted on and the reasons shall be recorded in the meeting minutes.</u></b></p>	
	(Omitted)	(Omitted)	
14	<p>Unless otherwise stipulated by the Act and the Company Act, resolutions of the board meetings shall be adopted by the majority of attending directors which represents the majority of all directors.</p>	<p><b><u>Each director has one vote.</u></b></p> <p>Unless otherwise stipulated by the Act and the Company Act, resolutions of the board meetings shall be adopted by the majority of attending directors which represents the majority of all directors.</p>	Amended in accordance with Official Letter No. Taiwan-Stock-Listing-I-1130 000762 of the Taiwan Stock Exchange Corporation.
	(Omitted)	(Omitted)	
16	<p>Discussions at the board meetings shall be recorded in the meeting minutes, which shall document the following items:</p> <ol style="list-style-type: none"> <li>1. The term (or year), time and place of the meeting;</li> <li>2. Name of the chair;</li> <li>3. The attendance of directors, including the names and numbers of directors who are present, on leave, and absent;</li> <li>4. Names and job titles of parties attending the meeting;</li> </ol>	<p>Discussions at the board meetings shall be recorded in the meeting minutes, which shall document the following items:</p> <ol style="list-style-type: none"> <li>1. The term (or year), time and place of the meeting;</li> <li>2. Name of the chair;</li> <li>3. The attendance of directors, including the names and numbers of directors who are present, on leave, and absent;</li> <li>4. Names and job titles of parties attending the meeting;</li> </ol>	Amended in accordance with Official Letter No. Taiwan-Stock-Listing-I-1130 000762 of the Taiwan Stock Exchange Corporation.

Article	Content		Basis and Reason for amendment
	After	Before	
	<p>5. Name of the recorder;</p> <p>6. Report items;</p> <p>7. Discussion items: Resolution method and result of each proposal; speech summary of directors, experts and other personnel; names of directors having a personal interest pursuant to Paragraph 1 of the preceding article; description on major aspects of the interest; reasons for recusal or non-recusal; status of recusal; objections or reservations which are on the record or in writing; and written statements submitted by independent directors pursuant to Paragraph <b>4</b> of Article 12 herein;</p> <p>8. Extempore motion: Name of proposer; resolution method and result of each proposal; speech summary of directors, experts and other personnel; names of directors having a personal interest pursuant to Paragraph 1 of the preceding article; description on major aspects of the interest; reasons for recusal or non-recusal; status of recusal; and objection or reservation which are on the record or in writing; and</p> <p>9. Other items that shall be recorded.</p> <p>(Omitted)</p>	<p>5. Name of the recorder;</p> <p>6. Report items;</p> <p>7. Discussion items: Resolution method and result of each proposal; speech summary of directors, experts and other personnel; names of directors having a personal interest pursuant to Paragraph 1 of the preceding article; description on major aspects of the interest; reasons for recusal or non-recusal; status of recusal; objections or reservations which are on the record or in writing; and written statements submitted by independent directors pursuant to Paragraph <b>6</b> of Article 12 herein;</p> <p>8. Extempore motion: Name of proposer; resolution method and result of each proposal; speech summary of directors, experts and other personnel; names of directors having a personal interest pursuant to Paragraph 1 of the preceding article; description on major aspects of the interest; reasons for recusal or non-recusal; status of recusal; and objection or reservation which are on the record or in writing; and</p> <p>9. Other items that shall be recorded.</p> <p>(Omitted)</p>	
18	<p>The Rules took effect after being approved by the board on April 11, 2008 and reported in the shareholders' meeting. The 1st amendment was approved by the board on April 9, 2010 and reported in the shareholders' meeting on May 21, 2010. The 2nd amendment was approved by the board on February 25, 2011 and reported in the shareholders'</p>	<p>The Rules took effect after being approved by the board on April 11, 2008 and reported in the shareholders' meeting. The 1st amendment was approved by the board on April 9, 2010 and reported in the shareholders' meeting on May 21, 2010. The 2nd amendment was approved by the board on February 25, 2011 and reported in the shareholders'</p>	<p>Added the date of the last amendment.</p>

Article	Content		Basis and Reason for amendment
	After	Before	
	<p>meeting on May 19, 2011. The 3rd amendment was approved by the board on March 14, 2012 and reported in the shareholders' meeting on May 30, 2012. The 4th amendment was approved by the board on March 19, 2013 and reported in the shareholders' meeting on June 13, 2013. The 5th amendment was approved by the board on November 8, 2017 and reported in the shareholders' meeting on May 9, 2018. The 6th amendment was approved by the board on March 18, 2020 and reported in the shareholders' meeting on June 19, 2020. The 7th amendment was approved by the board on March 16, 2023 and reported in the shareholders' meeting on June 12, 2023. <b><u>The 8th amendment was approved by the board on February 21, 2024 and reported in the shareholders' meeting on May 31, 2024.</u></b></p>	<p>meeting on May 19, 2011. The 3rd amendment was approved by the board on March 14, 2012 and reported in the shareholders' meeting on May 30, 2012. The 4th amendment was approved by the board on March 19, 2013 and reported in the shareholders' meeting on June 13, 2013. The 5th amendment was approved by the board on November 8, 2017 and reported in the shareholders' meeting on May 9, 2018. The 6th amendment was approved by the board on March 18, 2020 and reported in the shareholders' meeting on June 19, 2020. The 7th amendment was approved by the board on March 16, 2023 and reported in the shareholders' meeting on June 12, 2023.</p>	

## Chang Wah Electromaterials Inc.

# 2023 Rules Governing the First-time Transfer of Repurchased Shares to Employees

Established on November 7, 2023

Amended on December 21, 2023

Article 1: To motivate its employees and build team spirit, the Company formulates the Regulations Governing Shares Repurchased for Transferring to Employees in accordance with Subparagraph 1, Paragraph 1, Article 28-2 of the Securities and Exchange Act and the "Regulations Governing Share Repurchase by Exchange-Listed and OTC-Listed Companies" issued by the Financial Supervisory Commission (FSC). The transfer of shares repurchased by the Company to its employees shall be governed by the provisions of these Regulations, except as provided in the relevant laws and regulations.

### **(Type of shares to be transferred, rights to the shares, and restrictions on such rights)**

Article 2: All shares transferred to employees by the Company are ordinary shares with the same rights and obligations as other outstanding ordinary shares, except as otherwise provided in these Regulations.

### **(Transfer period)**

Article 3: Shares repurchased by the Company shall be transferable to employees in one or more tranches within a period of five years from the date of the repurchase pursuant to the provisions hereof.

### **(Eligibility of transferees)**

Article 4: All employees of the Company and of its domestic affiliates in which the Company directly or indirectly holds more than 50% of the voting shares, who have been employed prior to the record date or who have made special contributions to the Company and been approved by the Board of Directors, shall be entitled to subscribe for treasury shares.

The term "employees" herein refers to full-time salaried employees of the Company. These Regulations do not apply to part-time workers, temporary workers, short-term work-study students and dispatched workers.

### **(Number of shares for employee subscription)**

Article 5: The Company shall determine the number of shares to be transferred to its employees based on the criteria of their rank, length of service and special contribution to the Company and by taking into account the total number of repurchased shares held by the Company and the maximum number of shares to be subscribed by a single employee as at the base date of the share options, etc.. The eligibility and number of shares for subscription shall be determined by the Board of Directors and shall not be delegated to the chairman. However, if the transferee is a managerial officer, he/she shall be approved by the Compensation Committee before being submitted to the Board of Directors for approval. If the transferee is not a managerial officer, he/she shall be approved by the Audit Committee before being submitted to the board for approval.

### **(Procedures for share transfer)**

Article 6: The transfer of shares repurchased by the Company to employees shall be effected in accordance with the following procedures:

1. Subject to the resolution, announcement, declaration by the Board, the shares of the Company shall be repurchased within the implementation period.
2. The Board shall determine and announce the base date for subscription by employees, the criteria for the number of subscriptions, the subscription payment

period, the content of rights and restrictions, etc. under these Regulations.

3. The number of shares actually subscribed and paid for shall be counted and the transfer of shares registered.

**(Agreed transfer price per share)**

Article 7: For the transfer of repurchased shares to employees, the average price at which the shares are actually repurchased is the transfer price (rounded down to the nearest New Taiwan dollar). However, in the event of an increase in the number of ordinary shares issued by the Company prior to the transfer, this may be adjusted by the rate of increase in the number of shares issued. Or in accordance with the provisions of the articles of incorporation of the Company, 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, and must have listed the matters as set out in Article 10-1 of the "Regulations Governing Share Repurchase by Exchange-Listed and OTC-Listed Companies" in the notice of reasons for that shareholders' meeting.

**(Rights and obligations after the transfer)**

Article 8: Upon the transfer of shares bought back by the Company to its employees and the registration of transfers, the remaining rights and obligations shall be the same as the original shares unless otherwise provided.

**(Other rights and obligations of the Company and its employees)**

Article 9: The transfer of shares bought back by the Company to its employees shall not be registered until the relevant taxes have been paid as required by law.

**(Other matters)**

Article 10: Any shares repurchased by the Company for the purpose of transferring them to its employees shall be transferred in full within five years from the date of the repurchase. Any untransferred portion of the shares shall be deemed to be unissued by the Company and shall be subject to cancellation of registration of change of shares in accordance with the law.

Article 11: These Regulations shall take effect after they have been approved by the board of directors and may be amended by a resolution of the board of directors.

# 2023 Parent Company Only Financial Statement

## INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders  
Chang Wah Electromaterials Inc.

### Opinion

We have audited the accompanying parent company only financial statements of Chang Wah Electromaterials Inc. (the "Corporation"), which comprise the parent company only balance sheets as of December 31, 2023 and 2022, and the parent company only statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the parent company only financial statements, including material accounting policy information (collectively referred to as the "parent company only financial statements").

In our opinion, based on our audits and the reports of other auditors (refer to the Other Matter section), the accompanying parent company only financial statements present fairly, in all material respects, the parent company only financial position of the Corporation as of December 31, 2023 and 2022, and its parent company only financial performance and its parent company only cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

### Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Financial Statement Audit and Attestation Engagements of Certified Public Accountants and the Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Parent Company Only 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 parent company only financial statements for the year ended December 31, 2023. These matters were addressed in the context of our audit of the parent company only 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 parent company only financial statements for the year ended December 31, 2023 are stated as follows:

#### Revenue Recognition of Specific Customers

Due to the pressure of achieving the expected targets and market expectations, the possibility of overstating sales may arise. The operation revenue in 2023 has decrease substantially compared with that of 2022, especially revenue from specific customers which is inconsistent with market trend and is significant to the overall operating revenue. Therefore, the revenue recognition of specific customers with significant sales amount and changes was 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 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\$796,516 thousand and NT\$823,036 thousand, respectively, representing 3.5% and 4.0% of the Corporation's total assets as of December 31, 2023 and 2022, and the share of the profit of such associates amounted to NT\$16,971 thousand and NT\$64,761 thousand, respectively, representing 1.1% and 2.8% of the Corporation's profit before income tax for the year ended December 31, 2023 and 2022.

### **Responsibilities of Management and Those Charged with Governance for the Parent Company Only Financial Statements**

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

In preparing the parent company only 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 Parent Company Only Financial Statements**

Our objectives are to obtain reasonable assurance about whether the parent company only 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 Standards on Auditing of the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these parent company only financial statements.

As part of an audit in accordance with the Standards on Auditing of 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 parent company only 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 parent company only 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 parent company only financial statements, including the disclosures, and whether the parent company only 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 parent company only 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 parent company only financial statements for the year ended December 31, 2023 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 12, 2024

Notice to Readers

*The accompanying parent company only financial statements are intended only to present the parent company only 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 parent company only financial statements are those generally applied in the Republic of China.*

*For the convenience of readers, the independent auditors' report and the accompanying parent company only 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 parent company only financial statements shall prevail.*

## Chang Wah Electromaterials Inc.

### PARENT COMPANY ONLY BALANCE SHEETS (In Thousands of New Taiwan Dollars)

ASSETS	December 31, 2023		December 31, 2022	
	Amount	%	Amount	%
<b>CURRENT ASSETS</b>				
Cash and cash equivalents (Notes 4 and 6)	\$ 1,457,558	7	\$ 1,510,653	7
Financial assets at fair value through profit or loss - current (Notes 4 and 7)	6,519	-	2,880	-
Financial assets at fair value through other comprehensive income - current (Notes 4 and 8)	266,743	1	213,189	1
Notes and accounts receivable, net (Notes 4, 5 and 9)	1,471,083	7	1,881,115	9
Accounts receivable - related parties (Notes 4, 5, 9 and 30)	3,610	-	2,736	-
Other receivables (Note 30)	296,944	1	464,418	2
Inventories (Notes 4 and 10)	217,397	1	307,527	2
Other financial assets - current (Notes 11 and 31)	50,000	-	80,710	1
Other current assets	24,568	-	25,841	-
Total current assets	<u>3,794,422</u>	<u>17</u>	<u>4,489,069</u>	<u>22</u>
<b>NON-CURRENT ASSETS</b>				
Financial assets at fair value through profit or loss - non-current (Notes 4 and 7)	272,665	1	258,069	1
Financial assets at fair value through other comprehensive income - non-current (Notes 4 and 8)	10,741,331	47	7,609,237	37
Investments accounted for using the equity method (Notes 4, 5, 12 and 30)	7,882,761	35	7,877,947	39
Property, plant and equipment (Notes 4 and 13)	77,423	-	79,137	1
Right-of-use assets (Notes 4, 14 and 30)	18,063	-	23,751	-
Investment properties (Notes 4, 15 and 30)	18,501	-	9,258	-
Intangible assets (Note 4)	180	-	349	-
Deferred tax assets (Notes 4 and 24)	34,405	-	41,422	-
Refundable deposits	340	-	1,373	-
Other financial assets - non-current (Notes 11 and 31)	500	-	500	-
Other non-current assets	8,901	-	6,261	-
Total non-current assets	<u>19,055,070</u>	<u>83</u>	<u>15,907,304</u>	<u>78</u>
<b>TOTAL</b>	<u>\$ 22,849,492</u>	<u>100</u>	<u>\$ 20,396,373</u>	<u>100</u>
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Short-term borrowings (Notes 16 and 31)	\$ 1,900,000	8	\$ 1,140,000	6
Contract liabilities - current (Notes 4 and 22)	55,667	-	81,245	-
Accounts payable (Note 18)	746,589	3	998,833	5
Accounts payable - related parties (Notes 18 and 30)	518,670	2	526,455	2
Dividend payable (Notes 21 and 30)	372,288	2	503,276	2
Other payables (Notes 19 and 30)	528,182	2	770,186	4
Current tax liabilities (Note 24)	139,239	1	191,865	1
Lease liabilities - current (Notes 4, 14 and 30)	6,897	-	5,813	-
Other current liabilities	105,857	1	140,884	1
Total current liabilities	<u>4,373,389</u>	<u>19</u>	<u>4,358,557</u>	<u>21</u>
<b>NON-CURRENT LIABILITIES</b>				
Bonds payable (Note 17)	1,154,201	5	-	-
Long-term borrowings (Note 16)	2,210,000	10	4,274,480	21
Deferred tax liabilities (Notes 4 and 24)	54,123	-	143,581	1
Lease liabilities - non-current (Notes 4, 14 and 30)	27,347	-	18,599	-
Net defined benefit liabilities (Notes 4 and 20)	17,791	-	17,902	-
Guarantee deposits	1,660	-	1,575	-
Total non-current liabilities	<u>3,465,122</u>	<u>15</u>	<u>4,456,137</u>	<u>22</u>
Total liabilities	<u>7,838,511</u>	<u>34</u>	<u>8,814,694</u>	<u>43</u>
<b>EQUITY (Note 21)</b>				
Ordinary shares	689,422	3	689,419	3
Capital surplus	5,532,092	25	5,316,428	26
Retained earnings				
Legal reserve	1,654,043	7	1,460,695	7
Special reserve	3,038	-	18,830	-
Unappropriated earnings	3,178,924	14	3,368,140	17
Total retained earnings	<u>4,836,005</u>	<u>21</u>	<u>4,847,665</u>	<u>24</u>
Other equity	4,617,041	20	1,108,567	6
Treasury shares	(663,579)	(3)	(380,400)	(2)
Total equity	<u>15,010,981</u>	<u>66</u>	<u>11,581,679</u>	<u>57</u>
<b>TOTAL</b>	<u>\$ 22,849,492</u>	<u>100</u>	<u>\$ 20,396,373</u>	<u>100</u>

The accompanying notes are an integral part of the parent company only financial statements.

(With Deloitte & Touche auditors' report dated March 12, 2024)

## Chang Wah Electromaterials Inc.

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

	For the Year Ended December 31			
	2023		2022	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4, 22 and 30)	\$ 6,475,334	100	\$ 10,302,401	100
OPERATING COSTS (Notes 10, 23 and 30)	<u>5,995,781</u>	<u>92</u>	<u>9,656,332</u>	<u>94</u>
GROSS PROFIT	479,553	8	646,069	6
REALIZED GAIN ON TRANSACTIONS WITH SUBSIDIARIES AND ASSOCIATES	<u>2,302</u>	<u>-</u>	<u>2,113</u>	<u>-</u>
REALIZED GROSS PROFIT	<u>481,855</u>	<u>8</u>	<u>648,182</u>	<u>6</u>
OPERATING EXPENSES (Notes 9, 20, 23 and 30)				
Selling and marketing expenses	120,288	2	119,800	1
General and administrative expenses	109,626	2	301,027	3
Research and development expenses	226	-	169	-
Expected credit loss (reversal of credit loss)	<u>13,190</u>	<u>-</u>	<u>(36,544)</u>	<u>-</u>
Total operating expenses	<u>243,330</u>	<u>4</u>	<u>384,452</u>	<u>4</u>
PROFIT FROM OPERATIONS	<u>238,525</u>	<u>4</u>	<u>263,730</u>	<u>2</u>
NON-OPERATING INCOME AND EXPENSES (Notes 23 and 30)				
Interest income	56,992	1	18,029	-
Other income	530,443	8	541,496	5
Other gains and losses	(53,118)	(1)	(156,006)	(1)
Finance costs	(96,119)	(1)	(64,522)	(1)
Share of the profit of subsidiaries and associates	<u>867,516</u>	<u>13</u>	<u>1,695,951</u>	<u>17</u>
Total non-operating income and expenses	<u>1,305,714</u>	<u>20</u>	<u>2,034,948</u>	<u>20</u>
PROFIT BEFORE INCOME TAX	1,544,239	24	2,298,678	22
INCOME TAX EXPENSE (Notes 4 and 24)	<u>67,025</u>	<u>1</u>	<u>134,860</u>	<u>1</u>
NET PROFIT FOR THE YEAR	<u>1,477,214</u>	<u>23</u>	<u>2,163,818</u>	<u>21</u>
OTHER COMPREHENSIVE INCOME (LOSS) (Notes 20, 21 and 24)				
Items that will not be reclassified subsequently to profit or loss				

(Continued)

## Chang Wah Electromaterials Inc.

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

	<b>For the Year Ended December 31</b>			
	<b>2023</b>		<b>2022</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
Remeasurement of defined benefit plans	\$ 124	-	\$ 320	-
Unrealized gains and losses on investments in equity instruments at fair value through other comprehensive income	3,512,024	54	(815,624)	(8)
Share of the other comprehensive income (loss) of subsidiaries and associates	161,714	3	(192,229)	(2)
Income tax relating to items that will not be reclassified subsequently to profit or loss	(2,190)	-	(19,742)	-
Items that may be reclassified subsequently to profit or loss				
Share of the other comprehensive income (loss) of subsidiaries and associates	(42,280)	(1)	140,988	1
Income tax relating to items that may be reclassified subsequently to profit or loss	<u>3,451</u>	<u>-</u>	<u>(2,927)</u>	<u>-</u>
Other comprehensive income (loss) for the year, net of income tax	<u>3,632,843</u>	<u>56</u>	<u>(889,214)</u>	<u>(9)</u>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<u>\$ 5,110,057</u>	<u>79</u>	<u>\$ 1,274,604</u>	<u>12</u>
<b>EARNINGS PER SHARE (Note 25)</b>				
Basic	\$ 2.19		\$ 3.16	
Diluted	2.12		3.16	

The accompanying notes are an integral part of the parent company only financial statements. (Concluded)

(With Deloitte & Touche auditors' report dated March 12, 2024)

# Chang Wah Electromaterials Inc.

## PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY (In Thousands of New Taiwan Dollars)

	Retained Earnings						Exchange Differences on Translating Foreign Operations	Other Equity		Treasury Shares	Total Equity
	Ordinary Shares	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Total		Unrealized Gains and Losses on Financial Assets at Fair Value Through Other Comprehensive Income	Total Other Equity		
BALANCE AT JANUARY 1, 2022	\$ 689,419	\$ 3,903,361	\$ 1,208,656	\$ 1,277	\$ 2,826,933	\$ 4,036,866	\$ (157,530)	\$ 2,422,428	\$ 2,264,898	\$ -	\$ 10,894,544
Appropriation of earnings	-	-	252,039	-	(252,039)	-	-	-	-	-	-
Legal reserve	-	-	-	-	-	-	-	-	-	-	-
Special reserve	-	-	-	17,553	(17,553)	-	-	-	-	-	-
Cash dividends	-	-	-	-	(1,620,136)	(1,620,136)	-	-	-	-	(1,620,136)
	-	-	252,039	17,553	(1,889,728)	(1,620,136)	-	-	-	-	(1,620,136)
Share of changes in capital surplus of associates accounted for using the equity method	-	(689)	-	-	-	-	-	-	-	-	(689)
Net profit for the year ended December 31, 2022	-	-	-	-	2,163,818	2,163,818	-	-	-	-	2,163,818
Other comprehensive income (loss) for the year ended December 31, 2022, net of income tax	-	-	-	-	1,764	1,764	138,061	(1,029,039)	(890,978)	-	(889,214)
Total comprehensive income (loss) for the year ended December 31, 2022	-	-	-	-	2,165,582	2,165,582	138,061	(1,029,039)	(890,978)	-	1,274,604
Acquisition of the Corporation's shares held by subsidiaries (Note 21)	-	-	-	-	-	-	-	-	-	(380,400)	(380,400)
Change in capital surplus due to the distribution of dividends to subsidiaries	-	16,638	-	-	-	-	-	-	-	-	16,638
Difference between consideration and carrying amount of subsidiaries acquired or disposed of (Note 26)	-	1,396,432	-	-	-	-	-	-	-	-	1,396,432
Share of changes in equity of subsidiaries (Note 26)	-	686	-	-	-	-	-	-	-	-	686
Disposal of investments in equity instruments at fair value through other comprehensive income (Note 21)	-	-	-	-	265,353	265,353	-	(265,353)	(265,353)	-	-
BALANCE AT DECEMBER 31, 2022	689,419	5,316,428	1,460,695	18,830	3,368,140	4,847,665	(19,469)	1,128,036	1,108,567	(380,400)	11,581,679
Appropriation of earnings	-	-	193,348	-	(193,348)	-	-	-	-	-	-
Legal reserve	-	-	-	-	-	-	-	-	-	-	-
Special reserve	-	-	-	(15,792)	15,792	-	-	-	-	-	-
Cash dividends	-	-	-	-	(1,613,243)	(1,613,243)	-	-	-	-	(1,613,243)
	-	-	193,348	(15,792)	(1,790,799)	(1,613,243)	-	-	-	-	(1,613,243)
Equity component of convertible bonds issued by the Company (Note 17)	-	68,937	-	-	-	-	-	-	-	-	68,937
Net profit for the year ended December 31, 2023	-	-	-	-	1,477,214	1,477,214	-	-	-	-	1,477,214
Other comprehensive income (loss) for the year ended December 31, 2023, net of income tax	-	-	-	-	(163)	(163)	(38,829)	3,671,835	3,633,006	-	3,632,843
Total comprehensive income (loss) for the year ended December 31, 2023	-	-	-	-	1,477,051	1,477,051	(38,829)	3,671,835	3,633,006	-	5,110,057
Convertible bonds converted to ordinary shares (Note 17)	3	92	-	-	-	-	-	-	-	-	95
Buy-back of ordinary shares (Note 21)	-	-	-	-	-	-	-	-	-	(50,699)	(50,699)
Acquisition of the Corporation's shares held by subsidiaries (Note 21)	-	-	-	-	-	-	-	-	-	(232,480)	(232,480)
Change in capital surplus due to the distribution of dividends to subsidiaries	-	37,560	-	-	-	-	-	-	-	-	37,560
Difference between consideration and carrying amount of subsidiaries acquired or disposed of (Note 26)	-	(25,990)	-	-	-	-	-	-	-	-	(25,990)
Share of changes in equity of subsidiaries (Note 26)	-	135,065	-	-	-	-	-	-	-	-	135,065
Disposal of investments in equity instruments at fair value through other comprehensive income (Note 21)	-	-	-	-	124,532	124,532	-	(124,532)	(124,532)	-	-
BALANCE AT DECEMBER 31, 2023	\$ 689,422	\$ 5,532,092	\$ 1,654,043	\$ 3,038	\$ 3,178,924	\$ 4,836,005	\$ (58,298)	\$ 4,675,339	\$ 4,617,041	\$ (663,579)	\$ 15,010,981

The accompanying notes are an integral part of the parent company only financial statements.

(With Deloitte & Touche auditors' report dated March 12, 2024)

## Chang Wah Electromaterials Inc.

### PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS (In Thousands of New Taiwan Dollars)

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before income tax	\$ 1,544,239	\$ 2,298,678
Adjustments for:		
Depreciation expense	15,965	15,793
Amortization expense	169	164
Expected credit loss (reversal of credit loss)	13,190	(36,544)
Gain on financial assets at fair value through profit or loss	(6,341)	(74,034)
Finance costs	96,119	64,522
Interest income	(56,992)	(18,029)
Dividend income	(507,554)	(528,375)
Compensation costs of share-based payments	73,280	-
Share of the profit of subsidiaries and associates	(867,516)	(1,695,951)
Impairment loss (reversal of impairment loss) recognized on non-financial assets	(4,821)	322,359
Realized gain on transactions with subsidiaries and associates	(2,302)	(2,113)
Others	17,381	(21,901)
Changes in operating assets and liabilities		
Financial assets mandatorily classified as at fair value through profit or loss	(11,534)	29,662
Notes and accounts receivable, net	396,842	826,481
Accounts receivable - related parties	(874)	3,443
Other receivables	78,693	(9,187)
Inventories	94,951	(1,906)
Other current assets	1,273	3,596
Contract liabilities	(25,578)	5,185
Accounts payable	(252,244)	(230,902)
Accounts payable - related parties	(7,785)	(284,923)
Other payables	(247,907)	153,086
Other current liabilities	(52,409)	30,886
Net defined benefit liabilities	13	(396)
Cash generated from operations	288,258	849,594
Interest received	57,977	14,243
Dividends received	1,526,320	1,146,083
Interest paid	(77,717)	(60,490)
Income taxes paid	(200,831)	(108,589)
Net cash generated from operating activities	<u>1,594,007</u>	<u>1,840,841</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of financial assets at fair value through other comprehensive income	(420,226)	(1,495,705)
Proceeds from disposal of financial assets at fair value through other comprehensive income	732,970	510,756

(Continued)

## Chang Wah Electromaterials Inc.

### PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS (In Thousands of New Taiwan Dollars)

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Acquisition of investments accounted for using the equity method Investee's capital reduction and return of capital stock using the equity method	\$ -	\$ (105,192)
Acquisition of property, plant and equipment	21,638	-
Decrease (increase) in refundable deposits	(721)	(3,601)
Decrease (increase) in other receivables	1,033	(1,030)
Acquisition of intangible assets	(75,000)	25,000
Decrease in other financial assets	-	(223)
	<u>30,710</u>	<u>80,010</u>
Net cash generated from (used in) investing activities	<u>290,404</u>	<u>(989,985)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from short-term borrowings	1,110,000	200,000
Repayment of short-term borrowings	(350,000)	(560,000)
Proceeds from issuance of convertible bonds	1,206,690	-
Proceeds from long-term borrowings	2,185,000	3,883,000
Repayment of long-term borrowings	(4,255,000)	(4,623,000)
Proceeds from guarantee deposits received	85	-
Repayment of the principal portion of lease liabilities	(7,253)	(7,220)
Dividends paid	(1,744,231)	(1,378,839)
Payments for buyback of treasury shares	(48,121)	-
Net cash outflow on acquisition of subsidiaries	(34,676)	-
Partial disposal of interests in subsidiaries without loss of control	<u>-</u>	<u>1,997,355</u>
Net cash used in financing activities	<u>(1,937,506)</u>	<u>(488,704)</u>
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(53,095)</b>	<b>362,152</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>	<b><u>1,510,653</u></b>	<b><u>1,148,501</u></b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	<b><u>\$ 1,457,558</u></b>	<b><u>\$ 1,510,653</u></b>

The accompanying notes are an integral part of the parent company only financial statements. (Concluded)

(With Deloitte & Touche auditors' report dated March 12, 2024)

# 2023 Consolidated Financial Statement

## INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders  
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, 2023 and 2022, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including material accounting policy information (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, 2023 and 2022, 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 Financial Statement Audit and Attestation Engagements of Certified Public Accountants and the Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the 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. 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, 2023. 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, 2023 is described as follows:

## Revenue Recognition of Specific Customers

Due to the pressure of achieving the expected targets and market expectations, the possibility of overstating sales may arise. The operating revenue in 2023 has decreased substantially compared with that of 2022, especially revenue from specific customers, which amount is inconsistent with market trend and is significant to the overall operating revenue. Therefore, the revenue recognition of specific customers with significant sales amount and changes was 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 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\$796,516 thousand and NT\$823,036 thousand, respectively, representing 2.2% and 2.5% of the Corporation and its subsidiaries' total assets as of December 31, 2023 and 2022, and the share of the profit of such associates amounted to NT\$16,971 thousand and NT\$64,795 thousand, respectively, representing 0.6% and 1.4% of the Corporation and its subsidiaries' profit before income tax for the year ended December 31, 2022, and 2021.

We have also audited the standalone financial statements of the Corporation as of and for the years ended December 31, 2023 and 2022 on which we have issued an unmodified opinion with other matter paragraph for both years.

## **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 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 Standards on Auditing of the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the Standards on Auditing of the Republic of China, we exercise professional judgment and 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, 2023 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 12, 2024

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, 2023		December 31, 2022	
	Amount	%	Amount	%
<b>CURRENT ASSETS</b>				
Cash and cash equivalents (Notes 4 and 6)	\$ 7,435,171	21	\$ 7,873,833	24
Financial assets at fair value through profit or loss - current (Notes 4 and 7)	100,402	-	60,588	-
Financial assets at fair value through other comprehensive income - current (Notes 4 and 8)	266,743	1	213,189	-
Notes and accounts receivable, net (Notes 4, 5 and 9)	3,296,495	9	3,894,006	12
Accounts receivable - related parties (Notes 4, 5, 9 and 33)	28,131	-	18,072	-
Other receivables (Note 33)	120,984	-	218,382	1
Current tax assets (Note 27)	19,433	-	2,519	-
Inventories (Notes 4, 5 and 10)	2,134,754	6	2,751,720	8
Other financial assets - current (Notes 11 and 34)	2,136,696	6	775,081	2
Other current assets	123,129	-	129,620	1
Total current assets	15,661,938	43	15,937,010	48
<b>NON-CURRENT ASSETS</b>				
Financial assets at fair value through profit or loss - non-current (Notes 4 and 7)	272,665	1	258,069	1
Financial assets at fair value through other comprehensive income - non-current (Notes 4 and 8)	11,423,489	32	8,333,681	25
Investments accounted for using the equity method (Notes 4 and 13)	3,137,122	9	3,098,868	9
Property, plant and equipment (Notes 4 and 14)	4,108,319	11	3,868,648	12
Right-of-use assets (Notes 4 and 15)	494,001	1	501,579	2
Investment properties (Notes 4, 16 and 33)	155,689	-	149,208	1
Goodwill (Notes 4 and 17)	684,051	2	684,101	2
Other intangible assets (Notes 4 and 18)	102,452	-	39,375	-
Deferred tax assets (Notes 4, 5 and 27)	158,339	1	111,395	-
Other financial assets - non-current (Notes 11 and 34)	23,068	-	32,105	-
Other non-current assets (Note 23)	45,043	-	107,227	-
Total non-current assets	20,604,238	57	17,184,256	52
<b>TOTAL</b>	<b>\$ 36,266,176</b>	<b>100</b>	<b>\$ 33,121,266</b>	<b>100</b>
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Short-term borrowings (Note 19)	\$ 4,501,607	13	\$ 3,408,934	10
Short-term notes and bills payable (Note 19)	30,000	-	-	-
Contract liabilities - current (Notes 4 and 25)	323,180	1	412,289	1
Notes Payable	341	-	170	-
Accounts payable (Note 21)	1,562,237	4	1,929,488	6
Accounts payable - related parties (Notes 21 and 33)	101,770	-	86,904	-
Dividends payable (Note 33)	745,352	2	822,995	3
Other payables (Notes 22, 23 and 33)	1,395,086	4	1,715,875	5
Current tax liabilities (Note 27)	492,315	1	700,921	2
Lease liabilities - current (Notes 4 and 15)	21,458	-	26,638	-
Current portion of long-term borrowings (Note 19)	602,061	2	-	-
Other current liabilities	161,066	-	195,366	1
Total current liabilities	9,936,473	27	9,299,580	28
<b>NON-CURRENT LIABILITIES</b>				
Contract liabilities - non-current (Notes 4 and 25)	36,526	-	81,977	-
Bonds payable (Notes 4 and 20)	1,154,201	3	-	-
Long-term borrowings (Note 19)	5,119,181	14	6,748,465	21
Deferred tax liabilities (Notes 4, 5 and 27)	327,298	1	471,052	2
Lease liabilities - non-current (Notes 4 and 15)	113,597	1	91,658	-
Net defined benefit liabilities (Notes 4 and 23)	18,316	-	17,902	-
Other non-current liabilities	21,528	-	23,686	-
Total non-current liabilities	6,790,647	19	7,434,740	23
Total liabilities	16,727,120	46	16,734,320	51
<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE CORPORATION (Notes 20 and 24)</b>				
Ordinary shares	689,422	2	689,419	2
Capital surplus	5,532,092	15	5,316,428	16
Retained earnings				
Legal reserve	1,654,043	4	1,460,695	5
Special reserve	3,038	-	18,830	-
Unappropriated earnings	3,178,924	9	3,368,140	10
Total retained earnings	4,836,005	13	4,847,665	15
Other equity	4,617,041	13	1,108,567	3
Treasury shares	(663,579)	(2)	(380,400)	(1)
Total equity attributable to owners of the Corporation	15,010,981	41	11,581,679	35
<b>NON-CONTROLLING INTERESTS (Notes 12 and 24)</b>	<b>4,528,075</b>	<b>13</b>	<b>4,805,267</b>	<b>14</b>
Total equity	19,539,056	54	16,386,946	49
<b>TOTAL</b>	<b>\$ 36,266,176</b>	<b>100</b>	<b>\$ 33,121,266</b>	<b>100</b>

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

(With Deloitte & Touche auditors' report dated March 12, 2024)

## 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			
	2023		2022	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4, 25 and 33)	\$ 16,490,002	100	\$ 21,858,509	100
OPERATING COSTS (Notes 10, 14, 23, 26 and 33)	<u>13,418,254</u>	<u>81</u>	<u>16,789,187</u>	<u>77</u>
GROSS PROFIT	<u>3,071,748</u>	<u>19</u>	<u>5,069,322</u>	<u>23</u>
OPERATING EXPENSES (Notes 9, 23, 26 and 33)				
Selling and marketing expenses	328,851	2	349,791	2
General and administrative expenses	631,664	4	902,406	4
Research and development expenses	420,688	3	422,594	2
Expected credit loss (reversal of credit loss)	<u>10,135</u>	<u>-</u>	<u>(29,832)</u>	<u>-</u>
Total operating expenses	<u>1,391,338</u>	<u>9</u>	<u>1,644,959</u>	<u>8</u>
PROFIT FROM OPERATIONS	<u>1,680,410</u>	<u>10</u>	<u>3,424,363</u>	<u>15</u>
NON-OPERATING INCOME AND EXPENSES (Note 26)				
Interest income	345,357	2	93,462	-
Other income	695,454	4	668,369	3
Other gains and losses	33,460	-	171,468	1
Finance costs	(191,426)	(1)	(113,301)	-
Share of the profit of associates	<u>124,797</u>	<u>1</u>	<u>257,102</u>	<u>1</u>
Total non-operating income and expenses	<u>1,007,642</u>	<u>6</u>	<u>1,077,100</u>	<u>5</u>
PROFIT BEFORE INCOME TAX	2,688,052	16	4,501,463	20
INCOME TAX EXPENSE (Notes 4 and 27)	<u>439,297</u>	<u>2</u>	<u>928,479</u>	<u>4</u>
NET PROFIT FOR THE YEAR	<u>2,248,755</u>	<u>14</u>	<u>3,572,984</u>	<u>16</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	414	-	1,459	-
Unrealized gains and losses on investments in equity instruments at fair value through other comprehensive income	3,732,120	23	(965,264)	(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			
	2023		2022	
	Amount	%	Amount	%
Share of the other comprehensive income (loss) of associates	\$ 56,035	-	\$ (121,098)	(1)
Income tax relating to items that will not be reclassified subsequently to profit or loss	(2,248)	-	(19,970)	-
Items that may be reclassified subsequently to profit or loss				
Exchange differences on translation of foreign operations	(57,969)	(1)	288,192	1
Share of the other comprehensive (loss) income of associates	(18,246)	-	15,443	-
Income tax relating to items that may be reclassified subsequently to profit or loss	<u>14,437</u>	<u>-</u>	<u>(60,259)</u>	<u>-</u>
Other comprehensive income (loss) for the year, net of income tax	<u>3,724,543</u>	<u>22</u>	<u>(861,497)</u>	<u>(4)</u>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<u>\$ 5,973,298</u>	<u>36</u>	<u>\$ 2,711,487</u>	<u>12</u>
<b>NET PROFIT ATTRIBUTABLE TO:</b>				
Owners of the Corporation	\$ 1,477,214		\$ 2,163,818	
Non-controlling interests	<u>771,541</u>		<u>1,409,166</u>	
	<u>\$ 2,248,755</u>		<u>\$ 3,572,984</u>	
<b>TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:</b>				
Owners of the Corporation	\$ 5,110,057		\$ 1,274,604	
Non-controlling interests	<u>863,241</u>		<u>1,436,883</u>	
	<u>\$ 5,973,298</u>		<u>\$ 2,711,487</u>	
<b>EARNINGS PER SHARE (Note 28)</b>				
Basic	\$ 2.19		\$ 3.16	
Diluted	2.12		3.16	

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

(Concluded)

(With Deloitte & Touche auditors' report dated March 12, 2024)

# 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						Other Equity		Treasury Shares	Total Equity Attributable to Owners of the Corporation	Non-controlling Interests	Total Equity	
	Ordinary Shares	Capital Surplus	Retained Earnings			Total	Exchange Differences on Translation of Foreign Operations	Unrealized Gains and Losses on Financial Assets At Fair Value Through Other Comprehensive Income					Total Other Equity
			Legal Reserve	Special Reserve	Unappropriated Earnings								
BALANCE AT JANUARY 1, 2022	\$ 689,419	\$ 3,903,361	\$ 1,208,656	\$ 1,277	\$ 2,826,933	\$ 4,036,866	\$ (157,530)	\$ 2,422,428	\$ 2,264,898	\$ -	\$ 10,894,544	\$ 3,826,423	\$ 14,720,967
Appropriation of earnings	-	-	252,039	-	(252,039)	-	-	-	-	-	-	-	-
Legal reserve	-	-	-	-	(17,553)	-	-	-	-	-	-	-	-
Special reserve	-	-	-	17,553	(17,553)	-	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	(1,620,136)	(1,620,136)	-	-	-	-	(1,620,136)	-	(1,620,136)
	-	-	252,039	17,553	(1,889,728)	(1,620,136)	-	-	-	-	(1,620,136)	-	(1,620,136)
Share of changes in capital surplus of associates accounted for using the equity method	-	(689)	-	-	-	-	-	-	-	-	(689)	-	(689)
Net profit for the year ended December 31, 2022	-	-	-	-	2,163,818	2,163,818	-	-	-	-	2,163,818	1,409,166	3,572,984
Other comprehensive income (loss) for the year ended December 31, 2022, net of income tax	-	-	-	-	1,764	1,764	138,061	(1,029,039)	(890,978)	-	(889,214)	27,717	(861,497)
Total comprehensive income (loss) for the year ended December 31, 2022	-	-	-	-	2,165,582	2,165,582	138,061	(1,029,039)	(890,978)	-	1,274,604	1,436,883	2,711,487
Acquisition of the Corporation's shares held by subsidiaries (Note 24)	-	-	-	-	-	-	-	-	-	(380,400)	(380,400)	(441,452)	(821,852)
Change in capital surplus due to the distribution of dividends to subsidiaries	-	16,638	-	-	-	-	-	-	-	-	16,638	34,519	51,157
Difference between consideration and carrying amount of subsidiaries acquired or disposed of (Note 29)	-	1,396,432	-	-	-	-	-	-	-	-	1,396,432	85,689	1,482,121
Share of changes in equity of subsidiaries (Note 29)	-	686	-	-	-	-	-	-	-	-	686	-	686
Non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(136,795)	(136,795)
Disposal of investments in equity instruments at fair value through other comprehensive income (Note 24)	-	-	-	-	265,353	265,353	-	(265,353)	(265,353)	-	-	-	-
BALANCE AT DECEMBER 31, 2022	689,419	5,316,428	1,460,695	18,830	3,368,140	4,847,665	(19,469)	1,128,036	1,108,567	(380,400)	11,581,679	4,805,267	16,386,946
Appropriation of earnings	-	-	193,348	-	(193,348)	-	-	-	-	-	-	-	-
Legal reserve	-	-	-	-	15,792	-	-	-	-	-	-	-	-
Reserved special reserve	-	-	-	(15,792)	15,792	-	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	(1,613,243)	(1,613,243)	-	-	-	-	(1,613,243)	-	(1,613,243)
	-	-	193,348	(15,792)	(1,790,799)	(1,613,243)	-	-	-	-	(1,613,243)	-	(1,613,243)
Equity component of convertible bonds issued by the Company (Note 20)	-	68,937	-	-	-	-	-	-	-	-	68,937	-	68,937
Net profit for the year ended December 31, 2023	-	-	-	-	1,477,214	1,477,214	-	-	-	-	1,477,214	771,541	2,248,755
Other comprehensive (loss) income for the year ended December 31, 2023, net of income tax	-	-	-	-	(163)	(163)	(38,829)	3,671,835	3,633,006	-	3,632,843	91,700	3,724,543
Total comprehensive income (loss) for the year ended December 31, 2023	-	-	-	-	1,477,051	1,477,051	(38,829)	3,671,835	3,633,006	-	5,110,057	863,241	5,973,298
Convertible bonds converted to ordinary shares (Note 20)	3	92	-	-	-	-	-	-	-	-	95	-	95
Treasury shares buyback (Note 24)	-	-	-	-	-	-	-	-	-	(50,699)	(50,699)	-	(50,699)
Acquisition of the Corporation's shares held by subsidiaries (Note 24)	-	-	-	-	-	-	-	-	-	(232,480)	(232,480)	(279,861)	(512,341)
Change in capital surplus due to the distribution of dividends to subsidiaries	-	37,560	-	-	-	-	-	-	-	-	37,560	68,130	105,690
Difference between consideration and carrying amount of subsidiaries acquired or disposed of (Note 29)	-	(25,990)	-	-	-	-	-	-	-	-	(25,990)	-	(25,990)
Share of changes in equity of subsidiaries (Note 29)	-	135,065	-	-	-	-	-	-	-	-	135,065	-	135,065
Non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(928,702)	(928,702)
Disposal of investments in equity instruments at fair value through other comprehensive income (Note 24)	-	-	-	-	124,532	124,532	-	(124,532)	(124,532)	-	-	-	-
BALANCE AT DECEMBER 31, 2023	\$ 689,422	\$ 5,532,092	\$ 1,654,043	\$ 3,038	\$ 3,178,924	\$ 4,836,005	\$ (58,298)	\$ 4,675,339	\$ 4,617,041	\$ (663,579)	\$ 15,010,981	\$ 4,528,075	\$ 19,539,056

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

(With Deloitte & Touche auditors' report dated March 12, 2024)

## 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>2023</b>	<b>2022</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before income tax	\$ 2,688,052	\$ 4,501,463
Adjustments for:		
Depreciation expense	836,560	740,028
Amortization expense	14,943	13,423
Expected credit loss (reversal of credit loss)	10,135	(29,832)
Gain on financial assets at fair value through profit or loss	(39,821)	(53,334)
Finance costs	191,426	113,301
Interest income	(345,357)	(93,462)
Dividend income	(561,544)	(592,320)
Compensation costs of share-based payments	154,051	6,405
Share of the profit of associates	(124,797)	(257,102)
Gain on disposal of property, plant and equipment	(2,025)	(423)
Impairment loss recognized on non-financial assets	6,812	426,090
Others	(4,799)	(14,318)
Changes in operating assets and liabilities		
Financial assets mandatorily classified as at fair value through profit or loss	(14,229)	60,080
Notes and accounts receivable, net	587,378	911,024
Accounts receivable - related parties	(10,059)	6,989
Other receivables	97,011	19,133
Inventories	629,669	(374,354)
Other current assets	6,472	33,160
Contract liabilities	(134,560)	244,053
Notes payable	171	170
Accounts payable	(367,251)	(621,793)
Accounts payable - related parties	14,866	(39,063)
Other payables	(167,861)	251,386
Other current liabilities	(49,315)	35,613
Net defined benefit liabilities	3,423	(385)
Other non-current liabilities	(2,150)	9,872
Cash generated from operations	3,417,201	5,295,804
Interest received	317,924	83,782
Dividends received	706,400	746,479
Interest paid	(153,384)	(91,216)
Income taxes paid	(843,525)	(571,301)
Net cash generated from operating activities	<u>3,444,616</u>	<u>5,463,548</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of financial assets at fair value through other comprehensive income	(451,868)	(1,687,248)

(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>2023</b>	<b>2022</b>
Proceeds from disposal of financial assets at fair value through other comprehensive income	\$ 1,024,940	\$ 652,568
Acquisition of investments accounted for using the equity method	-	(4,720)
Investee's capital reduction and return of capital stock using the equity method	21,638	-
Acquisition of property, plant and equipment	(1,152,869)	(1,368,539)
Proceeds from disposal of property, plant and equipment	5,314	453
Acquisition of intangible assets	-	(1,691)
Acquisition of investment properties	-	(261,628)
Increase in other financial assets	(1,352,615)	(593,685)
Increase in other non-current assets	<u>(82,045)</u>	<u>(150,504)</u>
Net cash used in investing activities	<u>(1,987,505)</u>	<u>(3,414,994)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from short-term borrowings	2,815,000	2,887,293
Repayment of short-term borrowings	(1,722,414)	(2,440,704)
Increase in short-term bills payable	30,000	-
Proceeds from issuance of convertible bonds	1,206,690	-
Redemption of convertible bonds	-	(775)
Proceeds from long-term borrowings	4,833,173	5,518,592
Repayment of long-term borrowings	(5,865,916)	(5,521,480)
Proceeds from guarantee deposits received	84	72
Repayment of the principal portion of lease liabilities	(23,812)	(20,183)
Dividends paid	(1,666,711)	(1,378,839)
Acquisition of the Corporation's shares held by subsidiaries	(514,159)	(820,034)
Treasury shares buyback	(48,121)	-
Partial disposal of interests in subsidiaries without loss of control	-	1,997,355
Decrease in non-controlling interests	<u>(890,111)</u>	<u>(511,284)</u>
Net cash used in financing activities	<u>(1,846,297)</u>	<u>(289,987)</u>
<b>EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS</b>	<u>(49,476)</u>	<u>210,316</u>
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>	(438,662)	1,968,883
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>	<u>7,873,833</u>	<u>5,904,950</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	<u>\$ 7,435,171</u>	<u>\$ 7,873,833</u>

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

(Concluded)

(With Deloitte & Touche auditors' report dated March 12, 2024)

**Chang Wah Electromaterials Inc.**  
**2024 Rules Governing the Issuance of Employee Restricted Stock Awards**

- Article 1 Purpose  
To attract and retain professional talents, motivate employees as well as improve employee loyalty in order to jointly create more profits for the Company and shareholders, and align employee interests with shareholder interests, the Company established the Rules Governing the Issuance of Employee Restricted Stock Awards (RSAs) pursuant to Article 267 of the Company Act and the “Regulations Governing the Offering and Issuance of Securities by Securities Issuers” released by the Financial Supervisory Commission.
- Article 2 Issuance period  
The RSAs may be granted in one or more tranches within one year from the date the notice of effective registration from the competent authorities is received. The chairman is authorized to determine the actual issuance date.
- Article 3 Employee eligibility
1. To safeguard shareholders’ rights, the Company would manage the RSA plan prudently. Employees eligible to RSAs are limited to full-time regular employees of the Company and its affiliates as of the grant date who belong to one of the following categories:
    - (1) Employees who are highly relevant to the Company’s future strategies and developments;
    - (2) Employees who have significant influence on business operation; or
    - (3) Employees whose performance is of considerable value to the Company.
  2. Employees to receive the RSAs and the number of RSAs granted are determined based on the distribution standards drawn up with consideration to employees’ job levels, work performance, overall contributions, and other factors, as well as the Company’s operational needs and business development strategies. Once determined by the chairman, the proposal is submitted to the Audit Committee and the Board of Directors for approval. However, for employees who are managerial officers or directors, the proposal shall be submitted to the Compensation Committee and the Board of Directors for approval.
  3. The number of shares subscribable by a single employee from employee stock warrants issued by the Company under Article 56-1, paragraph 1 of the “Regulations Governing the Offering and Issuance of Securities by Securities Issuers”, plus the cumulative number of RSAs granted to the single employee may not exceed 0.3 percent of the Company’s total issued shares. The sum in combination with the cumulative number of shares subscribable by the single employee from employee stock warrants issued under Article 56, paragraph 1 of the “Regulations Governing the Offering and Issuance of Securities by Securities Issuers” may not exceed 1 percent of the Company’s total issued shares. The number of RSAs a single employee may receive under the Article is subject to amendments made by the competent authorities.
- Article 4 Total amount issued  
The total amount issued equals NT\$5,000 thousand where the Company plans to issue 5,000 thousand shares with a par value of NT\$1 per share.
- Article 5 Terms of issuance
1. Issue price: Shares will be issued at NT\$0 per share, as bonus shares to

employees.

2. Types of shares issued: New ordinary shares of the Company.
3. Vesting conditions

(1) The RSAs granted to employees are vested if the employees have remained employed by the Company on the vesting dates; have not violated the employment contract, work rules, confidentiality agreement, and non-compete restrictions during the period; and have achieved personal performance targets set by the Company and the Company's business targets. The vesting schedule and the ratio of shares to be vested are set out below:

Have remained employed three years from the grant date and the individual as well the Company have met the performance and business targets: 20%.

Have remained employed four years from the grant date and the individual as well the Company have met the performance and business targets: 30%.

Have remained employed five years from the grant date and the individual as well the Company have met the performance and business targets: 50%.

(2) Performance targets for individuals are set by the chairman for individual employees in each department. As for the Company's business targets, the return on equity (ROE), earnings per share (EPS) and the corporate governance evaluation rankings are adopted as performance indicators. The weightings and target conditions of each indicator are listed below. Targets are set for each indicator. The number of shares vested for the year is calculated based on the corresponding weighting ratios of indicators with targets achieved; otherwise, the corresponding weighting ratio is 0%. ROE and EPS are calculated based on the audited consolidated financial statements for the year prior to the vesting date. The corporate governance evaluation rankings are based on the results produced by the Corporate Governance Evaluation System for the year prior to the vesting date.

Performance Indicator	Weighting	Target
ROE (%)	40%	Above 60% of the Company's average of the previous three years (Note 1)
EPS	40%	Above 80% of the Company's average of the previous three years (Note 2)
Corporate governance evaluation ranking	20%	Ranked in the top 50% of listed companies in the corporate governance evaluation

Note 1: Compare the results of performance indicators in the year of calculation to 60% of the average of the three preceding years (excluding the year of calculation).

Note 2: Compare the results of performance indicators in the year of calculation to 80% of the average of the three preceding years (excluding the year of calculation).

4. Measures taken when employees fail to meet the vesting conditions
  - (1) Upon voluntary separation, dismissal, separation with severance packages, and retirement within five years from the grant date, the unvested shares will be reclaimed by the Company without costs.
  - (2) For employees who are approved to take leave without pay within five years from the grant date:

- (i) If the employee is on leave without pay on the vesting date, it shall be deemed that he/she fails to meet the vesting conditions, and the Company is entitled to reclaim and cancel unvested RSAs from the employee without cost.
  - (ii) For employees on leave without pay, the number of RSAs that may be vested is not only calculated according to the vesting conditions set forth in Paragraph 3 of this article, but also be prorated based on the number of months the employees work during the year prior to the vesting date (rounded to the nearest share). The remaining unvested shares are reclaimed and cancelled by the Company without cost.
- (3) For employees whose performance evaluations fail to satisfy the vesting conditions during the third to fifth years from the grant date, the unvested shares will be reclaimed by the Company without cost.
  - (4) For employees who are transferred by the Company to other entities due to operational needs, the rights and obligations of the unvested RSAs will remain unaffected and subject to the Rules.
  - (5) The Remuneration Committee is authorized to approve exceptions to the circumstances set out above where appropriate.
5. For employees who violate the employment contract, work rules or any corporate rules of the Company and the domestic and overseas holding or affiliated companies meeting certain criteria, the Company is entitled to reclaim and cancel unvested RSAs from those employees based on the severity of the violation.
  6. In the cases of disability or death due to occupational accidents or natural death, the unvested RSAs shall be handled as follows:
    - (1) For employees who are unable to carry out their duties due to disabilities as a result of occupational accidents, the vesting conditions are deemed fulfilled for unvested RSAs on the effective date of employment termination.
    - (2) For death due to occupational accidents or natural death, the vesting conditions are deemed fulfilled for unvested RSAs on the date of death. Once the heirs of employees complete all legal procedures and provide relevant proofing documents, they may apply for shares they can inherit or interests arising from disposal of such RSAs.
  7. The Company will cancel all RSAs reclaimed without costs.
  8. Restrictions on the rights of RSAs before the vesting conditions are fulfilled:
    - (1) Except for inheritance, employees shall not sell, pledge, transfer, give to another person, create any encumbrance on, or otherwise dispose of, unvested RSAs. After fulfilling the vesting conditions, RSAs will be transferred from the trust account to the employee's personal securities depository account pursuant to trust/custody agreement.
    - (2) The rights to attend, propose, speak, vote and elect in the shareholders' meetings shall comply with the trust/custody agreement.
    - (3) In addition to terms set out in the trust agreement, prior to the fulfillment of vesting conditions, the rights of RSAs granted pursuant to the Rules include but not limited to: appropriation of dividends, bonuses, and capital surplus and the subscription rights of new shares issued for capital increases, which are the same as ordinary shares issued by the Company.
  9. Other important terms and conditions:

- (1) Upon issuance, the RSAs shall immediately be deposited into a trust account. The interests appropriated are also trust property. The Company or the person designated by the Company would represent the employees in entering into trust agreements with the trustee/custodian institution.
- (2) For employees who fulfill the vesting conditions between the book closure date for issuance of bonus shares, book closure date for cash dividends, book closure date for subscription of new shares issued for capital increases, book closure date for shareholders' meetings as stipulated in Article 165, paragraph 3 of the Company Act, or other statutory book closure dates and the record date for distribution of rights, the time and procedures to remove the restrictions of vested RSAs are subject to the trust/custody agreement.

Article 6

Agreement and confidentiality

1. Once the number of RSA units issued, subscription prices, allocation principles and grantees are confirmed, the department in charge will inform employees to sign the RSA Agreement.
2. Upon signing the RSA Agreement, employees will receive the RSAs. Employees who fail to sign the agreements will be deemed to have forfeited the RSAs.
3. Upon signing the RSA Agreement, employees shall maintain confidentiality of the particulars and personal rights regarding the RSAs.
4. Persons receiving the RSAs and derivative interests pursuant to the Rules shall abide by the Rules and the RSA Agreement. Violators are deemed as not fulfilling the vesting conditions and the Company can reclaim and cancel the RSAs without costs.

Article 7

Tax

Taxes incurred in connection with RSAs granted under the Rules shall be handled in accordance with the applicable R.O.C. tax laws and regulations at that time.

Article 8

Implementation rules

The department in charge will inform employees entitled to the RSAs of procedures and detailed schedules concerning matters including the list of grantees and signing of agreements.

Article 9

Implementation and amendments

1. The Rules shall be approved in the Board of Directors' meeting with the consent of majority of attending directors which represents more than two-third of all directors. It takes effect after being approved by the competent authorities. Amendments prior to the issuance of RSAs are subject to the same procedures. The chairperson is authorized to amend the Rules when amendments are warranted due to requests from the competent authorities during their review process. These amendments shall be approved by the Board of Directors before RSAs can be issued.
2. Issues not covered by the Rules shall be handled in accordance with relevant laws and regulations.

# 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.

The Corporation's shareholders' meeting may be convened virtually or in other manners announced by the Ministry of Economic Affairs.

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 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

## 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.  
The 28th amendment was made on June 12, 2023.

Chang Wah Electromaterials Inc.

Chairperson: Hung, Chuen-Sing

# **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.

Changes to the methods of convening the shareholders' meeting shall be resolved by the board of directors and made before sending out the shareholders' meeting notice.

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. However, if this Corporation's paid-in capital equals to or exceeds NT\$10 billion as of the end of the most recent fiscal year or the aggregate shareholding percentage of foreign and mainland Chinese investors equals to or exceeds 30% as recorded in the shareholder register of the regular shareholders' meeting in the most recent fiscal year, the aforementioned electronic versions of documents shall be uploaded 30 days before the date of a regular 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.

The shareholders' meeting agenda and supplemental meeting materials in the preceding paragraph shall be made available by this Corporation in the following manners for shareholders to review on the date of the shareholders' meeting:

1. For physical shareholders' meetings, the documents shall be distributed at the meeting.
2. For hybrid shareholders' meetings, the documents shall be distributed at the meeting and their electronic versions shall be available on the virtual meeting platform.
3. For virtual shareholders' meetings, the electronic versions of documents shall be available on the virtual meeting platform.

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 shareholders, solicitors and proxies (collectively, "shareholders") 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. For virtual shareholders' meetings, shareholder attendance registrations may begin on the virtual meeting platform 30 minutes prior to the time the meeting commences. Shareholders completing the registration will be deemed as attending the shareholders' meeting in person.

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.

For virtual shareholders' meetings, shareholders shall register with this Corporation two days before the date of the shareholders' meeting if they intend to attend the meeting online.

For virtual shareholders' meetings, this Corporation shall upload the shareholders' meeting agenda, annual report and other relevant materials to the virtual meeting platform at least 30 minutes prior to the time the meeting commences and have the information available until the end of the meeting.

To convene a virtual shareholders' meeting, this Corporation shall include the following items in the shareholders' meeting notice:

1. The means for shareholders to attend the virtual meeting and exercise their rights.
2. Actions to be taken when the virtual meeting platform or online participation is obstructed due to natural disasters, accidents or other force majeure events. The action plan shall at least cover the following items:
  - A. The time to which the meeting is postponed if the above obstruction cannot be removed or the time the meeting will resume, and the date to which the meeting is postponed or the date the meeting will resume.
  - B. Shareholders who did not register to attend the original virtual shareholders' meeting cannot attend the postponed or resumed session.
  - C. For hybrid shareholders' meetings, if the virtual meeting cannot continue and the total number of shares represented by attending shareholders, excluding shares represented by ones attending the virtual meeting online, meets the minimum quorum requirement for a shareholders' meeting, the meeting shall continue. For shareholders who attend the virtual meeting online, their shares shall be included in the total number of shares represented by the attending shareholders, and they are deemed to have waived their rights with respect to all proposals of that shareholders' meeting.
  - D. Actions to be taken if the outcome of all proposals has been announced and extraordinary motions have not been carried out.
3. For virtual shareholders' meetings, alternative measures available to shareholders with difficulties in attending a virtual shareholders' meeting online shall be specified.

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 and the shares of shareholders whose attendances are registered at the virtual meeting platform, plus the number of shares with voting rights exercised by correspondence or electronic means.

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 the number of shares represented by shareholders attending the meeting by correspondence or electronic means, and shall make an express disclosure of the same at the place of the shareholders' meeting. For virtual shareholders' meetings, this Corporation shall upload the aforementioned meeting materials to the virtual meeting platform at least 30 minutes prior to the time the meeting commences and have the information available until the end of the meeting.

For virtual shareholders' meetings, when the meeting is called to order, the total number of shares

represented at the meeting shall be disclosed on the virtual meeting platform. The same shall apply whenever the total number of shares represented at the meeting and a new tally of votes is released during the 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.

After a proxy form has been delivered to this Corporation, if the shareholder intends to attend the meeting online, a written notice of proxy cancellation shall be submitted to this Corporation two days before the date of the shareholders' meeting. 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 or online, 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., full consideration shall be given to the opinions of independent directors with respect to the venue and time of the meeting.

The constraints on meeting venue do not apply in the case of virtual shareholders' meetings.

#### 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.

For virtual shareholders' meetings, this Corporation shall keep records of the shareholder registration, sign-in, check-in, question time, and voting as well as the vote counting by this Corporation, and make an uninterrupted audio and video recording of the entire proceedings of the virtual meetings.

The records and audio and video recording in the preceding paragraph shall be properly retained during the existence of this Corporation. Copies of the audio and video recording shall be given to the party engaged by this Corporation to handle the virtual meetings for safekeeping.

For virtual shareholders' meetings, the Company is advised to make audio and video recording of the back-end operation interface of the virtual meeting platform.

#### Article 8

The chair shall call the meeting to order at the appointed meeting time, at the same time, 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. When the majority of the total number of issued shares is not represented by the attending shareholders, the chair may announce to postpone the meeting. The postponement is limited to two times with a combined duration of less than one hour. 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. For virtual shareholders' meetings, the Corporation shall announce the adjournment of meeting at the virtual meeting platform.

If the quorum is not met after two postponements as mentioned in the preceding paragraph, but one-third or more of the total number of issued shares are represented by the attending shareholders, tentative resolutions may be made pursuant to Paragraph 1, Article 175 of this Corporation Act. All shareholders shall be notified of the tentative resolutions and the shareholders' meeting shall be convened within one month. For virtual shareholders' meetings, shareholders shall re-register with the Corporation pursuant to Article 2 herein if they intend to attend the meeting online.

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 resolutions for a vote in the shareholders' meeting pursuant to Article 174 of this Corporation 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.

For virtual shareholders' meetings, shareholders attending online may raise questions in writing at the virtual meeting platform after the chair calls the meeting to order and before the chair announces the meeting adjourned. Shareholders cannot raise more than two questions concerning the same proposal and each question shall be limited to 200 words.

Questions referred to in the preceding paragraph are advised to be disclosed to the public at the virtual meeting platform if they do not violate any rules nor exceed the scope of a proposal.

#### 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 maintained in a record.

For virtual shareholders' meetings, when the meeting is called to order, shareholders attending the meeting online shall cast votes on proposals and elections via the virtual meeting platform before the chair announces the end of the voting session. Otherwise, they are deemed to have waived their rights.

For virtual shareholders' meetings, all votes are counted after the chair announces the end of the voting session. The results of voting and elections shall be announced immediately.

For hybrid shareholders' meetings, shareholders who decide to attend the physical shareholders' meeting in person after registering to attend the meeting online in accordance with Article 2 shall retract their registration two days before the date of the shareholders' meeting by the same means as their original registration. If their registration is retracted after that time, they can only attend the shareholders' meeting online.

When voting rights have been exercised by correspondence or electronic means, unless the shareholders withdraw their declarations of intent and attend the shareholders' meeting online, they cannot exercise voting rights on the original proposals, make any amendments to the original proposals or exercise voting rights on amendments to the original proposals, except for extraordinary motions.

Resolutions of the shareholders' meeting shall be recorded in the minutes, which shall be signed or sealed by the chair of the meeting with a copy distributed to each shareholder within 20 days after the conclusion of the meeting. The minutes may be prepared and distributed by electronic means.

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.

For virtual shareholders' meetings, besides items set forth in the preceding paragraph, the time the shareholders' meeting start and end, method for convening the meeting, names of the chair and recorder, and actions to be taken when the virtual meeting platform or online participation is obstructed due to natural disasters, accidents or other force majeure events as well as the outcomes thereof shall be included in the minutes.

For virtual shareholders' meetings, besides complying with requirements set forth in the preceding paragraph, alternative measures available to shareholders with difficulties in attending a virtual shareholders' meeting online shall be specified in the meeting minutes.

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

For virtual shareholders' meetings, this Corporation shall disclose the results of voting and election promptly after the end of the voting session on the virtual meeting platform as required. The disclosure shall continue at least 15 minutes after the chair has announced the meeting adjourned.

#### Article 23

When convening a virtual shareholders' meeting, the chair and the recorder shall be at the same location in Taiwan. The chair shall announce the address of their location when the meeting is called to order.

#### Article 24

Prior to a virtual shareholders' meeting, this Corporation may conduct a simple connection trial with shareholders. Relevant services shall be provided promptly before and during the meeting to assist with technical issues of communication.

When calling a virtual shareholders' meeting to order, the chair shall also announce the date to which the meeting would be postponed or resume in cases where the virtual meeting platform or online participation is obstructed due to natural disasters, accidents or other force majeure events before the chair announces the meeting adjourned and the obstruction continues for more than 30 minutes, except for circumstances set forth in Article 44-20, paragraph 4 of the Regulations Governing the Administration of Shareholder Services of Public Companies where the meeting is not required to be postponed or resumed. The new date shall be within five days from the original meeting and Article 182 of the Company Act does not apply.

For postponed or resumed meetings as described in the preceding paragraph, shareholders who did not register to attend the original virtual shareholders' meeting cannot attend the postponed or resumed session.

For meetings postponed or resumed in accordance with paragraph 2, the number of shares represented by and the voting rights and election rights exercised by the shareholders, who register to attend and complete the attendance registration of the original shareholders' meeting but do not take part in the postponed or resumed meeting, shall be counted towards the total number of shares, number of voting rights and number of election rights represented at the postponed or resumed meeting.

In meetings postponed or resumed in accordance with paragraph 2, discussions and resolutions are not required for proposals with votes cast and counted as well as results announced, or concerning the list of elected directors and supervisors.

For hybrid shareholders' meetings where the virtual meeting cannot continue due to circumstances set forth in paragraph 2, if the total number of shares represented by attending shareholders, excluding shares represented by ones attending the virtual meeting online, meets the minimum quorum requirement for a shareholders' meeting, the meeting shall continue. Rules of postponement or resumption under paragraph 2 shall not apply.

When the meeting continues as described in the preceding paragraph, shares represented by shareholders attending the meeting online shall be included in the total number of shares represented by attending shareholders. However, these shareholders are deemed to have waived their rights with respect to all proposals of that shareholders' meeting.

When this Corporation postpones or resumes the shareholders' meeting in accordance with paragraph 2, preliminary works shall be done according to the date of the original shareholders' meeting and the requirements set forth in Article 44-20, paragraph 7 of the Regulations Governing the Administration of Shareholder Services of Public Companies.

For dates or periods set forth in the second half of Article 12, and Article 13, paragraph 3 of the Regulations Governing the Use of Proxies for Attendance at Shareholder Meetings of Public Companies as well as Article 44-5, paragraph 2, Article 44-15, and Article 44-17, paragraph 1 of the Regulations Governing the Administration of Shareholder Services of Public Companies, this Corporation shall proceed based on the date of shareholders' meeting postponed or resumed in accordance with paragraph 2.

When convening a virtual shareholders' meeting, this Corporation shall provide appropriate alternative measures to shareholders with difficulties in attending the virtual shareholders' meeting online.

#### Article 25

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.

## Shareholding Status of the Directors

I. The paid-in capital of the Company is NT\$689,422,332, and totally 689,422,332 shares have been issued.

II. In accordance with Article 26 of the Securities and Exchange Act, the Board of Directors shall hold at least 55,153,786 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 2, 2024) 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	Juan Yao Investment Co., Ltd. Juristic person representative: Hung, Chuen-Sing	June 12, 2023	100,000	0.01%	
Director	Yuan Yao Energy Technology Co., Ltd. Juristic person representative: Canon, Huang	June 17, 2022	43,298,820	6.28%	
Director	Wah Lee Industrial Corp. Juristic person representative: Chang, Tsuen-Hsien	June 17, 2022	197,902,180	28.70%	
Director	Huang, Shiou-Chuan	June 17, 2022	2,767,700	0.40%	
Independent Director	Kong, Chi-Chuan	June 17, 2022	0	0%	
Independent Director	Chen, Chih -Cheng	June 17, 2022	0	0%	
Independent Director	Yen, Shu-Yang	June 17, 2022	0	0%	
Total shares held by the directors			244,068,700	35.39%	

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.