

Stock Code:6163



HWACOM SYSTEMS INC.

Annual General Shareholders Meeting for 2024

Meeting Handbook

May 24, 2024

## Table of Contents

	Page
A. Meeting Procedures-----	1
B. Meeting Agenda-----	2
I. Reporting Items-----	3
II. Matters for Ratification-----	4
III. Matters for Discussion-----	6
IV. Other Motions and Extraordinary Motions-----	8
V. Adjournment -----	8
C. Attachments-----	9
I. 2023 Business Report-----	9
II. Audit Committee's Report for 2023 -----	12
III. CPA Review Report and the Individual Financial Statements of the Most Recent Year-----	13
IV. CPA Review Report and the Consolidated Financial Statements of the Most Recent Year-----	22
V. The Draft Issuance Rules of 2024 Employee Restricted Stock Awards Plan ---	32
D. Appendices -----	38
I. Rules of Procedure for Shareholders' Meetings -----	38
II. Articles of Incorporation-----	47
III. Effects of the Stock Dividends Proposed by the Shareholders' Meeting on the Company's Business Performance and Earnings Per Share -----	54
IV. Status of Shareholding of the Company's Directors and Supervisors -----	55

# HWACOM SYSTEMS INC.

## Procedures for the 2024 Shareholders' Meeting

- I. Announce Respective Number of Shares Held by Shareholders Present
- II. Calling the Meeting to Order
- III. Chairperson Takes Chair
- IV. Chairperson's Remarks
- V. Reporting Items
- VI. Matters for Ratification
- VII. Matters for Discussion
- VIII. Other Motions and Extraordinary Motions
- IX. Adjournment

# **HWACOM SYSTEMS INC.**

## **Agenda of the 2024 General Shareholders' Meeting**

- I. Time: 9:00 A.M. May 24, 2024 (Friday)
- II. Venue: 18F, Building B, No. 102, Sec. 1, Xintai 5th Rd., Xizhi District, New Taipei City
- III. Announce Respective Number of Shares Held by Shareholders Present and Calling the Meeting to Order
- IV. Chairperson's Remarks
- V. Reporting Items:
  - Item 1: 2023 Business Report.
  - Item 2: 2023 Audit Committee's Report on the statements and records of accounts prepared by the Board of Directors to be presented at the Shareholders' Meeting.
  - Item 3: Status of distribution of director and employee remuneration for 2023.
  - Item 4: Report on the buyback of treasury shares.
- VI. Matters for Ratification:
  - Proposal 1: Proposal for the ratification of the Company's 2023 business report and financial statements.
  - Proposal 2: Proposal for the ratification of the earnings distribution proposal in 2023.
- VII. Matters for Discussion:
  - Proposal 1: Discuss the issuance of employee restricted stock awards.
- VIII. Other Motions and Extraordinary Motions
- IX. Adjournment

## [Reporting Items]

Item 1: 2023 Business Report.

Description: Please refer to Pages 9 to 11 in this Handbook for the Company's 2023 business report.

Item 2: 2023 Audit Committee's Report on the statements and records of accounts prepared by the Board of Directors to be presented at the Shareholders' Meeting.

Description: Please refer to Page 12 of this Handbook for the Audit Committee's Report on the reports and statements of the Company in 2023.

Item 3: Report on the status of distribution of directors and employee remuneration for 2023.

Description: Pursuant to Article 20 of the Articles of Incorporation, the provision of remunerations for directors and employees are as follows:

(I) Director's remuneration: NT\$768,692.

(II) Employee's remuneration: NT\$9,224,303.

(III) All remunerations are distributed in cash.

Item 4: Report on the buyback of treasury shares.

Description:

(I) In accordance with the resolution from the 7th meeting of the 10th term of the Board, the Company has approved of the repurchase of Company Shares. Its execution is as follows:

Repurchase session	The fifth time (session)
Purpose of repurchase	To transfer shares to employees
Repurchase period	2020/03/24~2020/05/21
Repurchase price range	9.00~18.00
Types and amount of repurchased shares	4,338,000 shares of common shares
Value of repurchased shares	NT\$59,797,365
The ratio of the repurchased amount to the planned total repurchase (%)	86.76%
Amount of shares written off and transferred	3,377,000 shares
Cumulative holding of the Company's shares	961,000 shares
Ratio of cumulative holding of the Company's shares to total shares issued (%)	0.68%

## [Matters for Ratification]

Proposal 1: Proposal for the ratification of the Company's 2023 business report and financial statements. **(Proposed by the Board of Directors)**

Description:

- (I) The consolidated and individual financial statements for the fiscal year 2023 have been prepared, audited and certified by our appointed accounting firm, BDO Taiwan Union & Co., who has issued an audit report. The financial statements, along with the business report, have also been audited by the company's Audit Committee. They have been submitted to the Shareholders' Meeting for ratification. (Please refer to Pages 13 to 31 of this Handbook).
- (II) Submitted for your approval.

Resolution:

Proposal 2: Proposal for the ratification of the earnings distribution proposal in 2023. **(Proposed by the Board of Directors)**

Description:

- (I) At the beginning of 2023, the Company had undistributed retained earnings of NT\$349,876,416 (denoted in NTD, the same follows). The net profit for the current period was NT\$57,619,580, and the amount after adjustment was NT\$68,124,048. After appropriating NT\$6,812,405 to legal reserves, the distributable earnings of the current period were NT\$411,188,059. The earnings distribution plan is as follows:

Earning Distribution Plan Year of 2023		Unit: NT\$
Item	Amount	Note
Undistributed profits at the beginning of the period	349,876,416	
Net profit of the term	57,619,580	
Actuarial profits (losses) included in the retained earnings	3,804,305	
Disposal of investments in equity instruments at fair value through other comprehensive income	6,700,163	
Net profit after adjustment	68,124,048	
Appropriation of 10% as legal reserve	(6,812,405)	
Distributable profits of the current period	411,188,059	
Distribution items		
Shareholder dividends	(42,026,770)	Cash dividends NT\$0.3
Undistributed earnings at end of year	369,161,289	

- (II) The cash dividends for common shares in this distribution will be calculated to the nearest whole NTD. Amounts less than one NTD will be rounded down, and any resulting fractional amounts will be transferred to other income by the Company. In the event that the subsequent number of outstanding shares changes due to share repurchases, transfers, conversions, cancellations, capital increases, or other reasons, leading to increases or decreases in the number of shares outstanding, the total amount of cash dividends to be distributed will be adjusted according to the actual number of shares outstanding on the record date, as determined by the Shareholders' Meeting.
- (III) Upon approval by the Shareholders' Meeting, the Chairman is authorized to determine the record date, adjust the dividend ratio, as well as handle matters related to dividend distributions.
- (IV) Submitted for your deliberation.

Resolution:

## [Matters for Discussion]

Proposal 1: Discuss the issuance of employee restricted stock awards. **(Proposed by the Board of Directors)**

Description:

- (I) In order to attract and retain talents, to strengthen a sense of belonging, and to foster the best interests of the Company and its shareholders, and further ensure the alignment of shareholders' interests with those of the Company's employees.

The relevant matters are as follows:

1. Expected issue price: The shares are issued gratuitously with an issuance price of NT\$0 per share.
2. Expected total amount (shares) of issuance: The number of shares to be issued will not exceed 1,000,000 common shares, with a par value of NT\$10 per share, for a total amount of NT\$10,000,000.

The number of shares actually given to employees and employee restricted stock awards will be based on seniority, grade, position, performance, overall contribution, special achievements or other factors. The allocation standards will be formulated by the chairman of the board. After approval, it will be submitted to the board of directors for approval.

3. Vesting conditions:

(1) If an employee, after receiving shares with restricted employee rights (the base date for capital increase), is determined by the Company as having not violated the employment contract, employee code of conduct, trust agreement, corporate governance best practice principles, ethical corporate management best practice principles, work handbook or non-compete and non-disclosure agreement of the Company or any agreement with the Company, and has fulfilled the personal performance indicators set by the Company,; The number of vested shares will be vested in four years, with vesting dates being May 1st and November 1st of each year. The vested proportions are as follows:

Vested time	2024		2025		2026		2027		2028	
	May 1st	Nov 1st	May 1st	Nov 1st	May 1st	Nov 1st	May 1st	Nov 1st	May 1st	Nov 1st
Expiry date	--	issu- ance	--	1 year	1.5 year	2 year	2.5 year	3 year	3.5 year	4 year
<b>Vested percentage</b>	--		--	<b>25%</b>	<b>12.5%</b>	<b>12.5%</b>	<b>12.5%</b>	<b>12.5%</b>	<b>12.5%</b>	<b>12.5%</b>

(2) Employee's year-end performance rating shall be excellent and above.

4. Qualification criteria for employees:

Only the Company's and its subsidiaries' full-time employees with more than 1 year (include) and a grade of 8 (include) or above are eligible for this incentive plan.

(A) Highly relevant to the company's future strategic connection and development.



(B) Have a significant influence on the Company's operational decisions,

(C) Be the Company's key talents.

5. Calculated expense amount:

(1) The Company shall value the fair market value of shares and record expenses during the vesting period annually.

(2) Calculated based on the closing price of the company's common stock on April 1, 2024, NT\$22.45. The total expenses are preliminarily estimated at approximately NT\$22,450,000 based on the maximum of 1,000,000 common shares to be granted as RSAs, and the calculation by the valuation model.

The expenses are preliminarily estimated at approximately NT\$935,417, NT\$5,612,500, NT\$5,612,500, NT\$5,612,500 NT\$4,677,083 for 2024, 2025, 2026, 2027 and 2028.

6. Dilution of the Company's earnings per share (EPS):

Based on the calculation of the Company's outstanding shares, the maximum dilution of the Company's EPS is estimated to be in the amount of NT\$0.01, NT\$0.04, NT\$0.04, NT\$0.04 and NT\$0.04 for 2024, 2025, 2026, 2027 and 2028, respectively.

7. Restrictions before employees meet the vesting conditions once the RSA are received or subscribed for:

During the vesting period, employees may not sell, pledge, transfer, give to another person, create any encumbrance on, or otherwise dispose of, RSAs Awards except for inheritance.

8. Other important terms and conditions:

The granted RSAs should be deposited in a stock trust custody account.

9. Any other matters that need to be specified:

(1) The issuance rules are approved by more than one-half of the board member and more than two-thirds of the board member present. Once approved, it will be implemented after reporting to the competent authority and taking effect. If there are subsequent changes in laws and regulations or revision is necessary due to the review requirements of the competent authority, the chairman of the board shall be authorized to amend the issuance rules, which will then be submitted to the board of directors for ratification before issuance.

(2) With respect to the issuance of RSAs, the relevant restrictions, important agreements, and any other matters not set forth here shall be dealt with in accordance with the applicable laws and regulations and the issuance rules set by the Company.

(II) Please refer to Pages 32 for the draft issuance rules of 2024 Employee Restricted Stock Awards Plan

(III) Submitted for your deliberation.

Resolution:

[Other Motions and Extraordinary Motions]

[Extraordinary Motions]

[Adjournment]

## Business Report

### I. 2023 Operating Performance:

#### (I) Business Plan Implementation Results:

The Company's net operating revenue of 2023 was NT\$5,252,732 thousand, a decrease of 13.81% over NT\$6,094,449 thousand in 2022. Net profit after tax was NT\$57,452 thousand and EPS was NT\$0.42.

#### (II) Budget Implementation: The Company did not disclose financial forecast in 2023.

#### (III) Financial Structure and Profitability Analysis

Unit: NT\$ thousand

Item \ Year		2023	2022	Increase (decrease) (%)
Financial revenues and expenses	Operating revenue	5,252,732	6,094,449	(13.81)
	Operating profit - gross	1,070,027	1,224,102	(12.59)
	Operating profit	13,688	117,540	(88.35)
	Non-operating income and expenses	57,452	46,080	24.68
Profitability	Return on assets (ROA)	1.10%	2.54%	(56.69)
	Return on equity (ROE)	2.46%	6.24%	(60.58)
	Pre-tax income to paid-in capital	5.04%	12.23%	(58.79)
	Net profit margin	1.10%	2.27%	(51.54)
	Earnings per share (NT\$)	0.42	1.06	(60.38)
	Net profit after tax	57,620	138,097	(58.28)

#### (IV) Research and Development Status:

The Company continues to invest in various relevant R&D technologies. The R&D progress for this year is listed as the following:

1. R&D of value-added application platform used for IoV smart transportations and related equipment.
2. Developed cloud-based cyber security application services by utilizing big data.
3. Developed smart operation center integrated monitoring platform for smart city by utilizing AI and big data technologies.
4. 5G private network-related internet-based application services.

### II. Overview of Business Plan for 2024:

#### (I) Operating Policy:

1. HWACOM will continue to focus on the business field of "Broadband Application Service Integrator". Continue to strengthen our R&D capabilities in AI, cloud services, big data technology, and application system integration.
2. Developing innovative services: Optimistic about the diversified development

of IoT, ICT, and mobile markets, the Company will focus on developing five fields, namely, 5G private network application and integration service, information network service, IPTV, information security application and integration service, and smart services, etc. HWACOM aims to gradually evolve into a value-added innovative and integration service provider to meet customers' needs and to build our core business values.

3. Drive digital transformation by consolidating internal organization and aligning them with external resources. Through enhancing technological integration and software development competencies and promoting for digitization of service platforms and project management, we can become an integrated service provider of total solutions.
  4. Strengthen brand promotion and establish a positive brand presence, and by conveying our brand value, HWACOM aims to gradually enhance brand recognition.
  5. Fulfill the social responsibility as a corporate citizen by giving back to the society; the Company will collaborate with partners and customers to actively participate in charity and welfare in order to contribute to and to care for the society. We will also assume the responsibilities as a corporation and take actions to target material ESG issues.
- (II) Expected sales volume, their basis, and major manufacturing and marketing strategy:
1. Enhance overall profitability and strengthen management over large-scale projects; accelerate project acceptance schedules to save costs.
  2. Enhance sales capabilities by shifting from Product Sales to Business Solution-oriented sales approach so as to become a "Broadband Application Service Integrator."
  3. Increase sales of value-added integration services in cloud-based IoT application and information security.
  4. Drive profits while reducing costs; prioritize talent cultivation and growth, as well as overall employee welfare and incentives.
  5. Continue to promote the building of information exchange platforms throughout the Company to effectively enhance work planning, thereby improving business performance.

### III. Future Development Strategies

- (I) Promote digital transformation and value-added services for cloud-based IoT.
- (II) Build an infrastructure team for smart, ICT, IoT, and cybersecurity services.
- (III) Strengthen relations with partners throughout the industry chain, and continue to invest in in-house R&D of niche products and services while formulating market sales and promotional plans.
- (IV) Develop cloud-based IoT, cybersecurity, and big data in smart city governance by building a shared innovation service and applications platform.

#### **IV. Impacts from external environment, regulatory environment, and overall business environment**

In response to the competitive market trends and post-COVID industry changes, the Company will uphold the spirit of long-term commitment - which has won much of our customers' trust - to strengthen our company structure, financial standings, performance, technical capabilities, and most importantly, service quality, to strive for customer faith in our technical expertise and service, thereby awarding us with more projects.

Finally, the Company wishes to express our utmost gratitude to our shareholders, customers, partners, and all employees who have provided unwavering supports. The Company will continue to uphold the belief in sustainable operation and pursuit of excellence, hoping to achieve even better performance in the coming year.

**We would like to wish everyone**

**Great health and prosperity,**

**Chairman Gary Chen**

## HwaCom Systems Inc. Audit Committe Review Report

The Board of Directors has prepared and submitted the 2023 financial statements (including individual and consolidated financial statements), and has appointed BDO Taiwan to audit and certify the statements. The audit has been completed and an audit report has been issued. The aforementioned statements and reports submitted by the Board of Directors are in compliance and no discrepancies have been found. Therefore, in accordance with Article 219 of the Company Act, we have hereby issued the following report.

Please verify.

To

2024 General Shareholders' Meeting

Independent Director: Jason Lee

Independent Director: Li Ming-juinn

Independent Director: Chorng-Shyong Ong

Independent Director: Cllin Lin

March 7, 2024

## **INDEPENDENT AUDITORS' REPORT**

The Board of Directors and Shareholders  
HwaCom Systems Inc.

### **Opinion**

We have audited the accompanying financial statements of HwaCom Systems Inc. (the “Company”), 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 notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying parent company only financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2023 and 2022, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

### **Basis for Opinion**

We conducted our audits in accordance with the Regulations Governing Financial Statement Audit and Attestation Engagements of Certified Public Accountants and 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 Company in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis 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 Company's parent company only financial statements for the year ended December 31, 2023. These matters were addressed in the context of our audit of the 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 for the Company's parent company only financial statements for the year ended December 31, 2023 are stated as follows:

#### **Revenue recognition**

##### **Explanations**

Please refer to Note 4 to the parent company only financial statements for the accounting policies of revenue recognition; please refer to Note 5 for the accounting judgment, estimates and assumptions of revenue recognition.

The Company is engaged in the services, including telecommunication integration system services, IP broadband network service, media industry service, smart city control business, and service for business customers, etc. As the inherent risk of revenue is high, and significant to the

financial statements, revenue recognition is identified as one of the key audit matters.

#### Audit procedures in response

The main audit procedures in response to the aforementioned key audit matter implemented on specific level are summarized below:

1. Obtain an understanding of and test the internal control and the operating effectiveness relevant to revenue transactions.
2. Obtain an understanding the primary types of revenue, contract terms and transaction terms, to evaluate the rationality of the accounting policies of revenue recognition.
3. Perform sample testing to sales contracts or purchase orders, and evaluate the contract terms and transaction terms, etc., to confirm revenue is recognized in the appropriate period in accordance with company policies.
4. Perform cut-off testing as of year-end, to confirm the correctness of the periods that revenue is attributable to.
5. Check the reasons for significant returns or allowances in the current period and in the subsequent period, and evaluate the rationality of the estimates of returns and allowances.

#### **Inventory valuation**

##### Explanations

Please refer to Note 4 to the parent company only financial statements for the accounting policies of inventory valuation; please refer to Note 5 for the accounting judgment, estimates and assumptions of inventory valuation.

The Company is a system integration supplier of telecommunication media and internet information. The products distributed and the business developed provides the upstream, midstream, and downstream of industry chain with value-added integration and distribution functions. Based on the classification of communication network frameworks, the Company provided customized product mixes depending on different sales counterparties and projects, from the underlying infrastructure of communication network, layer by layer to broadband utilization. As inventory valuation involves management's judgment, is with highly estimate uncertainty, and significant to the financial statements, inventory valuation is identified as one of the key audit matters.

#### Audit procedures in response

The main audit procedures in response to the aforementioned key audit matter implemented on specific level are summarized below:

1. Obtain an understanding of and evaluate the estimates and policies adopted by inventory valuation.
2. Acquire the data used for the Company to evaluate the net realizable value of inventories, and select samples to verify the relevant information on sales prices and estimated costs to completion.



3. Perform sample testing to the correctness of inventory age data, and obtain an understanding of the condition of inventories with long age and the possibility of destock in the future.

### **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 the 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 Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

### **Auditors' Responsibilities for the Audit of the Parent company only Financial Statements**

Our objectives are to obtain reasonable assurance about whether the 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 Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the 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 Su-Chen Chang and Winner Hsu.

BOD Taiwan  
Taipei, Taiwan  
Republic of China

March 7, 2024

### Notice to Readers

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

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

## HwaCom Systems Inc.

Parent Company Only Balance Sheets  
As of December 31, 2023 and 2022

Expressed in thousands of New Taiwan Dollars													
Code	Assets	Note	December 31, 2023	%	December 31, 2022	%	Code	Liabilities and equity	Note	December 31, 2023	%	December 31, 2022	%
11XX	Current assets						21XX	Current liabilities					
1100	Cash and cash equivalents	6.1	\$1,077,603	20.88	\$725,438	13.64	2100	Short-term borrowings	6.13	\$326,996	6.34	\$421,318	7.92
1110	Financial assets at fair value through profit or loss - current	6.7	8,175	0.16	5,019	0.09	2130	Contract liabilities - current	6.24	737,465	14.29	897,555	16.87
1136	Financial assets at amortized cost - current	6.2	100,000	1.94	-	-	2170	Accounts payables	6.14	1,142,675	22.14	1,082,873	20.35
1140	Contract assets - current	6.24	47,481	0.92	30,414	0.57	2200	Other payables	6.15	271,731	5.27	287,765	5.41
1150	Notes receivables, net		442	0.01	425	0.01	2230	Current income tax liabilities		16,974	0.33	18,547	0.35
1170	Accounts receivables, net	6.3	1,241,496	24.06	2,074,507	38.99	2250	Provisions - current	6.17	14,667	0.28	-	-
1200	Other receivables		25,658	0.50	998	0.02	2280	Lease liabilities - current	6.11	24,489	0.47	24,568	0.46
130X	Inventories	6.4	1,085,634	21.04	1,159,038	21.78	2300	Other current liabilities	6.16	38,669	0.75	22,311	0.42
1410	Prepayments	6.5	182,604	3.54	257,320	4.84	21XX	Sub-total		2,573,666	49.87	2,754,937	51.78
1470	Other current assets	6.6	338,279	6.54	213,232	4.01	25XX	Non-current liabilities					
11XX	Sub-total		4,107,372	79.59	4,466,391	83.95	2500	Financial liabilities at fair value through profit or loss – non-current	6.7	-	-	368	0.01
							2530	Bonds payables	6.18	-	-	115,450	2.17
							2540	Long-term borrowings	6.19	21,300	0.41	26,513	0.50
							2550	Provisions – non-current	6.17	12,283	0.24	12,283	0.23
							2570	Deferred tax liabilities	6.30	19,645	0.38	17,782	0.33
							2580	Lease liabilities – non-current	6.11	22,469	0.44	23,328	0.44
15XX	Non-current assets						2600	Other non-current liabilities		98,430	1.91	104,831	1.96
	Financial assets at fair value through other comprehensive income – non-current	6.8	139,392	2.70	132,110	2.48	25XX	Sub-total		174,127	3.38	300,555	5.64
1517							2XXX	Total liabilities		2,747,793	53.25	3,055,492	57.42
	Investments accounted for using equity method	6.9	100,245	1.94	47,463	0.89	31XX	Equity					
1600	Property, plant and equipment	6.10	265,230	5.14	228,922	4.30	3100	Capital stock	6.21				
1755	Right-of-use assets	6.11	46,355	0.90	47,341	0.89	3110	Common stock		1,410,502	27.33	1,337,776	25.14
1780	Intangible assets		40,573	0.79	23,038	0.43	3200	Capital surplus	6.22	402,974	7.81	359,937	6.77
1840	Deferred tax assets	6.30	34,453	0.67	34,825	0.65	3300	Retained earnings	6.23				
1900	Other non-current assets	6.12	427,121	8.27	340,283	6.41	3310	Legal reserve		123,877	2.40	109,359	2.06
15XX	Sub-total		1,053,369	20.41	853,982	16.05	3350	Unappropriated earnings (accumulated deficit)		418,000	8.10	406,213	7.64
							3400	Other equity		70,842	1.37	64,843	1.22
							3500	Treasury stock	6.21	(13,247)	(0.26)	(13,247)	(0.25)
							3XXX	Total equity		2,412,948	46.75	2,264,881	42.58
1XXX	Total assets		\$5,160,741	100.00	\$5,320,373	100.00	3X2X	Total liabilities and equity		\$5,160,741	100.00	\$5,320,373	100.00

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

HwaCom Systems Inc.  
Parent Company Only Statements of Comprehensive Income  
For the Years Ended December 31, 2023 and 2022

Expressed in thousands of  
New Taiwan Dollars

Code Item	Note	2023	%	2022	%
4000 Net revenue	6.24	\$5,211,993	100.00	\$6,077,095	100.00
5000 Costs of revenue	6.4,	(4,172,982)	(80.06)	(4,860,934)	(79.99)
5900 Gross profit		1,039,011	19.94	1,216,161	20.01
5910 Unrealized (profit) loss from sales		(45)	(0.01)	-	-
5950 Gross profit, net		1,038,966	19.93	1,216,161	20.01
6000 Operating expenses	6.27				
6100 Selling expenses		(757,248)	(14.53)	(832,444)	(13.70)
6200 Administrative expenses		(224,526)	(4.31)	(193,348)	(3.18)
6300 Research and development expenses		(53,551)	(1.03)	(58,065)	(0.95)
6450 Expected credit (losses) reversal		8,870	0.18	-	-
6000 Sub-total		(1,026,455)	(19.69)	(1,083,857)	(17.83)
6900 Net operating income (loss)		12,511	0.24	132,304	2.18
7000 Non-operating income and expenses					
7100 Interest income		9,440	0.18	2,827	0.05
7010 Other income	6.25	74,396	1.43	57,058	0.94
7020 Other gains and losses	6.26	(14,567)	(0.28)	217	-
7050 Financial costs	6.27	(12,295)	(0.24)	(14,048)	(0.23)
7070 Share of profit or loss of subsidiaries, associates and joint ventures accounted for using equity method	6.9	1,358	0.03	(14,738)	(0.25)
7000 Total non-operating income and expenses		58,332	1.12	31,316	0.51
7900 Net income (loss) before income tax		70,843	1.36	163,620	2.69
7950 Income tax benefits (expenses)	6.30	(13,223)	(0.25)	(25,523)	(0.42)
8000 Net income (loss) from continuing operations		\$57,620	1.11	\$138,097	2.27
8200 Net income (loss)		\$57,620	1.11	\$138,097	2.27
8300 Other comprehensive income					
8310 Items not to be reclassified into profit or loss					
8311 Remeasurements of defined benefit plans		\$4,755	0.09	\$8,863	0.15
8316 Unrealized gains (losses) from investments in equity instruments at fair value through other comprehensive income		14,403	0.28	(67,479)	(1.11)
8330 Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using equity method		221	-	(699)	(0.01)
8349 Income tax related to items of other comprehensive income that will not be reclassified to profit or loss		(2,710)	(0.05)	13,969	0.23
8360 Items that may be subsequently reclassified into profit or loss					
8361 Exchange differences on translation of foreign financial statements		(166)	-	121	-
8300 Other comprehensive income, net of tax		\$16,503	0.32	\$(45,225)	(0.74)
8500 Total comprehensive income		\$74,123	1.43	\$92,872	1.53
Earnings per share (NT\$) :	6.31				
9750 Basic earnings per share (NT\$)		\$0.42		\$1.06	
9850 Diluted earnings per share (NT\$)		\$0.41		\$1.01	

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

HwaCom Systems Inc.  
Parent Company Only Statements of Changes in Equity  
For the Years Ended December 31, 2023 and 2022

Summary	Expressed in thousands of New Taiwan Dollars							
	Capital stock	Capital surplus	Retained earnings		Other equity		Treasury stock	Total equity
			Legal reserve	Unappropriated earnings (or accumulated deficit)	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) from investments in equity instruments at fair value through other comprehensive income		
Balance at January 1, 2022	\$1,336,934	\$356,799	\$92,192	\$318,301	\$(802)	\$117,960	\$(59,797)	\$2,161,587
Appropriation and distribution of 2021 earnings								
Appropriate of legal reserve	-	-	17,167	(17,167)	-	-	-	-
Cash dividend of ordinary shares	-	-	-	(40,108)	-	-	-	(40,108)
Stock option recognized by issuance of convertible bonds	-	(60)	-	-	-	-	-	(60)
Profit of 2022	-	-	-	138,097	-	-	-	138,097
Other comprehensive income	-	-	-	7,090	122	(52,437)	-	(45,225)
Transfer of corporate bonds payables to ordinary shares	842	572	-	-	-	-	-	1,414
Treasury shares transferred to employees	-	2,626	-	-	-	-	46,550	49,176
Balance at January 1, 2023	\$1,337,776	\$359,937	\$109,359	\$406,213	\$(680)	\$65,523	\$(13,247)	\$2,264,881
Appropriation and distribution of 2022 earnings								
Appropriate of legal reserve	-	-	14,519	(14,519)	-	-	-	-
Cash dividend of ordinary shares	-	-	-	(41,818)	-	-	-	(41,818)
Stock option recognized by issuance of convertible bonds	-	(5,058)	-	-	-	-	-	(5,058)
Profit of 2023	-	-	-	57,620	-	-	-	57,620
Other comprehensive income	-	-	-	3,804	(166)	12,865	-	16,503
Transfer of corporate bonds payables to ordinary shares	72,726	48,095	-	-	-	-	-	120,821
Disposal of investments in equity instruments at fair value through other comprehensive income	-	-	-	6,700	-	(6,700)	-	-
Rounding to thousands	-	-	(1)	-	-	-	-	(1)
Balance at December 31, 2023	\$1,410,502	\$402,974	\$123,877	\$418,000	\$(846)	\$71,688	\$(13,247)	\$2,412,948

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

HwaCom Systems Inc.  
Parent Company Only Statements of Cash Flows  
For the Years Ended December 31, 2023 and 2022

Item	Expressed in thousands of New Taiwan Dollars	
	2023	2022
Cash flows from operating activities		
Profit (loss) before tax from continuing operations	\$70,843	\$163,620
Consolidated total profit (loss)	70,843	163,620
Adjustments:		
Items of income and expenses		
Depreciation expenses	78,189	70,668
Amortization expenses	24,563	20,507
Expected credit losses (reversal)	(8,870)	-
Net gains or losses from financial assets (liabilities) at fair value through profit or loss	(3,634)	1,035
Interest expenses	12,295	14,048
Interest income	(9,440)	(2,827)
Dividends	(1,283)	(830)
Share-based payments	-	6,551
Share of profit or loss of subsidiaries, associates and joint ventures accounted for using equity method	(1,359)	14,738
Losses (gains) from disposal and scrap of property, plant and equipment	(144)	(206)
Unrealized profit (loss) from sales	46	-
Losses (gains) on lease improvements	-	(23)
Changes in operating assets and liabilities		
Decrease (increase) in contract assets	(17,066)	2,055
Decrease (increase) in notes receivables	(17)	300
Decrease (increase) in accounts receivables	841,881	(754,056)
Decrease (increase) in other receivables	(24,281)	14,324
Decrease (increase) in inventories	73,404	707,249
Decrease (increase) in prepaid expenses	(581)	2,438
Decrease (increase) in prepayments	75,298	(26,844)
Decrease (increase) in other current assets	(125,047)	22,230
Increase (decrease) in contract liabilities	(160,091)	(508,676)
Increase (decrease) in accounts payables	59,802	316,261
Increase (decrease) in other payables	(16,038)	7,995
Increase (decrease) in provisions	14,667	(2,536)
Increase (decrease) in advance receipts	17,405	-
Increase (decrease) in other current liabilities	(1,085)	4,805
Increase (decrease) in net defined benefit liabilities	707	286
Interests received	9,062	2,716
Dividends received	1,283	830
Interest paid	(11,467)	(11,487)
Income taxes returned (paid)	(15,274)	(48,359)
Net cash inflow (outflow) provided by operating activities	883,768	16,812
Cash flows from investing activities		
Acquisition of financial assets at fair value through other comprehensive income	-	(6,000)
Disposal of financial assets at fair value through other comprehensive income	7,121	-
Acquisition of financial assets at amortized cost	(100,000)	-
Acquisition of investments accounted for using equity method	(51,414)	(15,000)
Acquisition of property, plant and equipment	(85,220)	(49,116)
Disposal of property, plant and equipment	1,586	1,902
Increase in refundable deposits	(613,770)	(410,971)
Decrease in refundable deposits	515,784	407,934
Acquisition of intangible assets	(42,108)	(22,978)
Disposal of intangible assets	9	3
Increase in prepayments for equipment	(92,256)	(37,069)
Decrease in prepayments for equipment	103,405	15,149
Net cash inflow (outflow) provided by investing activities	(356,863)	(116,146)
Cash flows from financing activities		
Increase in short-term borrowings	968,637	1,545,876
Decrease in short-term borrowings	(1,062,959)	(1,633,593)
Increase in short-term notes payables	-	100,000
Decrease in short-term notes payables	-	(100,000)
Repayment of corporate bonds	(400)	-
Repayments of long-term borrowings	(5,175)	(5,161)
Increase in guaranteed deposits received	1,295	1,532
Decrease in guaranteed deposits received	(3,648)	(3,061)
Repayments of lease principal	(30,672)	(29,522)
Decrease in other non-current liabilities	-	-
Distribution of cash dividends	(41,818)	(40,108)
Treasury shares purchased by employees	-	42,626
Net cash inflow (outflow) provided by financing activities	(174,740)	(121,411)
Net increase (decrease) in cash and cash equivalents	352,165	(220,745)
Cash and cash equivalents at the beginning of period	725,438	946,183
Cash and cash equivalents at the end of period	\$1,077,603	\$725,438

The accompanying notes are an integral part of the financial statement.

## **DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES**

The companies required to be included in the consolidated financial statements of affiliates in accordance with the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” for the year ended December 31, 2023 are all the same as the companies required to be included in the consolidated financial statements of parent and subsidiary companies as provided in International Financial Reporting Standards No. 10 “Consolidated Financial Statements”. Relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies. Hence, we did not prepare a separate set of consolidated financial statements of affiliates.

Very truly yours,

HWACOM SYSTEMS INC.

By

---

CHEN, KUO-CHANG  
Chairman

March 7, 2024



# **INDEPENDENT AUDITORS' REPORT**

The Board of Directors and Shareholders  
HwaCom Systems Inc.

## **Opinion**

We have audited the accompanying financial statements of HwaCom Systems Inc. and subsidiaries (the “Company”), 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 a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as of December 31, 2023 and 2022, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the 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 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 Company in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis 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 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 for the Company's consolidated financial statements for the year ended December 31, 2023 are stated as follows:

### **Revenue recognition**

#### **Explanations**

Please refer to Note 4 to the consolidated financial statements for the accounting policies of revenue recognition; please refer to Note 5 for the accounting judgment, estimates and assumptions of revenue recognition.

The Company is engaged in the services, including telecommunication integration system services, IP broadband network service, media industry service, smart city control business, and service for business customers, etc. As the inherent risk of revenue is high, and significant to the financial statements, revenue recognition is identified as one of the key audit matters.

#### Audit procedures in response

The main audit procedures in response to the aforementioned key audit matter implemented on specific level are summarized below:

1. Obtain an understanding of and test the internal control and the operating effectiveness relevant to revenue transactions.
2. Obtain an understanding the primary types of revenue, contract terms and transaction terms, to evaluate the rationality of the accounting policies of revenue recognition.
3. Perform sample testing to sales contracts or purchase orders, and evaluate the contract terms and transaction terms, etc., to confirm revenue is recognized in the appropriate period in accordance with company policies.
4. Perform cut-off testing as of year-end, to confirm the correctness of the periods that revenue is attributable to.
5. Check the reasons for significant returns or allowances in the current period and in the subsequent period, and evaluate the rationality of the estimates of returns and allowances.

#### **Inventory valuation**

##### Explanations

Please refer to Note 4 to the consolidated financial statements for the accounting policies of inventory valuation; please refer to Note 5 for the accounting judgment, estimates and assumptions of inventory valuation.

The Company is a system integration supplier of telecommunication media and internet information. The products distributed and the business developed provides the upstream, midstream, and downstream of industry chain with value-added integration and distribution functions. Based on the classification of communication network frameworks, the Company provided customized product mixes depending on different sales counterparties and projects, from the underlying infrastructure of communication network, layer by layer to broadband utilization. As inventory valuation involves management's judgment, is with highly estimate uncertainty, and significant to the financial statements, inventory valuation is identified as one of the key audit matters.

#### Audit procedures in response

The main audit procedures in response to the aforementioned key audit matter implemented on specific level are summarized below:

1. Obtain an understanding of and evaluate the estimates and policies adopted by inventory valuation.
2. Acquire the data used for the Company to evaluate the net realizable value of inventories, and select samples to verify the relevant information on sales prices and estimated costs to completion.

3. Perform sample testing to the correctness of inventory age data, and obtain an understanding of the condition of inventories with long age and the possibility of destock in the future.

### **Other Matter**

We have also audited the parent company only financial statements of HwaCom Systems Inc. as of and for the years ended December 31, 2023 and 2022 on which we have issued an unqualified opinion.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and the IFRS, IAS, IFRIC, and SIC endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of the 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 Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 Company's internal control.

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements 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 Su-Chen Chang and Winner Hsu.

BOD Taiwan  
Taipei, Taiwan  
Republic of China

March 7, 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.*

## HwaCom Systems Inc. and Subsidiaries

Consolidated Balance Sheets  
As of December 31, 2023 and 2022

							Expressed in thousands of New Taiwan Dollars						
Code	Assets	Note	December 31, 2023	%	December 31, 2022	%	Code	Liabilities and equity	Note	December 31, 2023	%	December 31, 2022	%
11XX	Current assets						21XX	Current liabilities					
1100	Cash and cash equivalents	6.1	\$1,171,807	22.58	\$766,328	14.38	2100	Short-term borrowings	6.12	\$326,996	6.30	\$421,318	7.91
1110	Financial assets at fair value through profit or loss - current	6.7	8,175	0.16	5,019	0.09	2130	Contract liabilities - current	6.23	741,156	14.28	902,641	16.94
1136	Financial assets at amortized cost - current	6.2	110,040	2.12	-	-	2170	Accounts payables	6.13	1,152,612	22.21	1,080,582	20.28
1140	Contract assets - current	6.23	47,481	0.92	30,414	0.57	2200	Other payables	6.14	281,223	5.42	291,708	5.47
1150	Notes receivables, net		442	0.01	425	0.01	2230	Current income tax liabilities		17,260	0.33	18,547	0.35
1170	Accounts receivables, net	6.3	1,245,969	24.01	2,077,173	38.98	2250	Provisions - current	6.16	14,667	0.28	-	-
1200	Other receivables		25,506	0.49	1,022	0.02	2280	Lease liabilities - current	6.10	26,691	0.52	24,998	0.47
130X	Inventories	6.4	1,093,014	21.06	1,164,059	21.85	2300	Other current liabilities	6.15	38,878	0.76	22,548	0.42
1410	Prepayments	6.5	183,020	3.53	256,761	4.82	21XX	Subtotal		2,599,483	50.10	2,762,342	51.84
1470	Other current assets	6.6	338,368	6.52	213,233	4.00	25XX	Non-current liabilities					
11XX	Sub-total		4,223,822	81.40	4,514,434	84.72	2500	Financial liabilities at fair value through profit or loss – non-current	6.7	-	-	368	0.01
							2530	Bonds payables	6.17	-	-	115,450	2.17
							2540	Long-term borrowings	6.18	21,300	0.41	26,513	0.50
							2550	Provisions – non-current	6.16	12,283	0.24	12,283	0.23
							2570	Deferred tax liabilities	6.29	19,645	0.38	17,782	0.33
							2580	Lease liabilities – non-current	6.10	24,817	0.47	23,879	0.45
							2600	Other non-current liabilities		98,525	1.89	104,926	1.96
15XX	Non-current assets						25XX	Sub-total		176,570	3.39	301,201	5.65
	Financial assets at fair value through other comprehensive income – non-current	6.8	140,798	2.71	133,295	2.50	2XXX	Total liabilities		2,776,053	53.49	3,063,543	57.49
1600	Property, plant and equipment	6.9	266,903	5.14	230,620	4.33	31XX	Equity					
1755	Right-of-use assets	6.10	50,876	0.98	48,315	0.91		Equity attributable to owners of the parent					
1780	Intangible assets		41,811	0.81	23,142	0.43	3100	Capital stock	6.20				
1840	Deferred tax assets	6.29	36,558	0.70	36,930	0.69	3110	Common stock		1,410,502	27.18	1,337,776	25.11
1900	Other non-current assets	6.11	428,233	8.26	341,688	6.42	3200	Capital surplus	6.21	402,974	7.77	359,937	6.76
15XX	Sub-total		965,179	18.60	813,990	15.28	3300	Retained earnings	6.22				
							3310	Legal reserve		123,877	2.39	109,359	2.05
								Unappropriated earnings (accumulated deficit)		418,000	8.06	406,213	7.62
							3400	Other equity		70,842	1.37	64,843	1.22
							3500	Treasury stock	6.20	(13,247)	(0.26)	(13,247)	(0.25)
								Total equity attributable to owners of the parent		2,412,948	46.51	2,264,881	42.51
							31XX			2,412,948	46.51	2,264,881	42.51
							3XXX	Total equity		2,412,948	46.51	2,264,881	42.51
1XXX	Total assets		\$5,189,001	100.00	\$5,328,424	100.00	3X2X	Total liabilities and equity		\$5,189,001	100.00	\$5,328,424	100.00

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

HwaCom Systems Inc. and Subsidiaries  
Consolidated Statements of Comprehensive Income  
For the Years Ended December 31, 2023 and 2022

Expressed in thousands  
of New Taiwan Dollars

Code	Item	Note	2023	%	2022	%
4000	Net revenue	6.22	\$5,252,732	100.00	\$6,094,449	100.00
5000	Costs of revenue	6.4	(4,182,705)	(79.63)	(4,870,347)	(79.91)
5900	Gross profit		1,070,027	20.37	1,224,102	20.09
5950	Gross profit, Net		1,070,027	20.37	1,224,102	20.09
6000	Operating expenses	6.26				
6100	Selling expenses		(784,684)	(14.94)	(852,280)	(13.98)
6200	Administrative expenses		(227,242)	(4.33)	(195,324)	(3.20)
6300	Research and development expenses		(53,284)	(1.01)	(58,958)	(0.98)
6450	Expected credit (losses) reversal		8,871	0.17	-	-
6000	Sub-total		(1,056,339)	(20.11)	(1,106,562)	(18.16)
6900	Net operating income (loss)		13,688	0.26	117,540	1.93
7000	Non-operating income and expenses					
7100	Interest income		9,782	0.19	2,922	0.05
7010	Other income	6.24	74,523	1.42	57,042	0.94
7020	Other gains and losses	6.25	(14,497)	(0.28)	180	-
7050	Financial costs	6.28	(12,356)	(0.24)	(14,064)	(0.24)
7000	Total non-operating income and expenses		57,452	1.09	46,080	0.75
7900	Net income (loss) before income tax		71,140	1.35	163,620	2.68
7950	Income tax benefits (expenses)	6.29	(13,520)	(0.25)	(25,523)	(0.41)
8000	Net income (loss) from continuing operations		\$57,620	1.10	\$138,097	2.27
8200	Net income (loss)		\$57,620	1.10	\$138,097	2.27
8300	Other comprehensive income					
8310	Items not to be reclassified into profit or loss					
8311	Remeasurements of defined benefit plans		\$4,755	0.09	\$8,863	0.15
8316	Unrealized gains (losses) from investments in equity instruments at fair value through other comprehensive income		14,624	0.28	(68,178)	(1.12)
8349	Income tax related to items of other comprehensive income that will not be reclassified to profit or loss		(2,710)	(0.05)	13,969	0.23
8360	Items that may be subsequently reclassified into profit or loss					
8361	Exchange differences on translation of foreign financial statements		(166)	(0.01)	121	-
8300	Other comprehensive income, net of tax		\$16,503	0.31	\$(45,225)	(0.74)
8500	Total comprehensive income		\$74,123	1.41	\$92,872	1.53
8600	Profit (loss) attributable to :					
8610	Owner of the parent		57,620	1.10	138,097	2.27
	Total		57,620	1.10	138,097	2.27
8700	Total comprehensive income attributable to :					
8710	Owner of the parent		74,123	1.41	92,872	1.53
	Total		\$74,123	1.41	\$92,872	1.53
	Earnings per share (NT\$) :	6.30				
9750	Basic earnings per share (NT\$)		\$0.42		\$1.06	
9850	Diluted earnings per share (NT\$)		\$0.41		\$1.01	

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

HwaCom Systems Inc. and Subsidiaries  
Consolidated Statements of Changes in Equity  
For the Years Ended December 31, 2023 and 2022

Expressed in thousands of New Taiwan Dollars

Summary	Equity attributable to owners of the parent									
	Capital stock	Capital surplus	Retained earnings		Other equity		Treasury stock	Total equity attributable to owners of the parent	Non-controlling interests	Total equity
			Legal reserve	Unappropriated earnings (or accumulated deficit)	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) from investments in equity instruments at fair value through other comprehensive income				
Balance at January 1, 2022	\$1,336,934	\$356,799	\$92,192	\$318,301	\$(802)	\$117,960	\$(59,797)	\$2,161,587	\$0	\$2,161,587
Appropriation and distribution of 2021 earnings										
Appropriate of legal reserve	-	-	17,167	(17,167)	-	-	-	-	-	-
Cash dividend of ordinary shares	-	-	-	(40,108)	-	-	-	(40,108)	-	(40,108)
Stock option recognized by issuance of convertible bonds	-	(60)	-	-	-	-	-	(60)	-	(60)
Profit of 2022	-	-	-	138,097	-	-	-	138,097	-	138,097
Other comprehensive income	-	-	-	7,090	122	(52,437)	-	(45,225)	-	(45,225)
Transfer of corporate bonds payables to ordinary shares	842	572	-	-	-	-	-	1,414	-	1,414
Treasury shares transferred to employees	-	2,626	-	-	-	-	46,550	49,176	-	49,176
Balance at January 1, 2023	\$1,337,776	\$359,937	\$109,359	\$406,213	\$(680)	\$65,523	\$(13,247)	\$2,264,881	\$0	\$2,264,881
Appropriation and distribution of 2022 earnings										
Appropriate of legal reserve	-	-	14,519	(14,519)	-	-	-	-	-	-
Cash dividend of ordinary shares	-	-	-	(41,818)	-	-	-	(41,818)	-	(41,818)
Stock option recognized by issuance of convertible bonds	-	(5,058)	-	-	-	-	-	(5,058)	-	(5,058)
Profit of 2023	-	-	-	57,620	-	-	-	57,620	-	57,620
Other comprehensive income	-	-	-	3,804	(166)	12,865	-	16,503	-	16,503
Transfer of corporate bonds payables to ordinary shares	72,726	48,095	-	-	-	-	-	120,821	-	120,821
Disposal of investments in equity instruments at fair value through other comprehensive income	-	-	-	6,700	-	(6,700)	-	-	-	-
Rounding to thousands	-	-	(1)	-	-	-	-	(1)	-	(1)
Balance at December 31, 2023	<u>\$1,410,502</u>	<u>\$402,974</u>	<u>\$123,877</u>	<u>\$418,000</u>	<u>\$(846)</u>	<u>\$71,688</u>	<u>\$(13,247)</u>	<u>\$2,412,948</u>	<u>\$0</u>	<u>\$2,412,948</u>

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



HwaCom Systems Inc. and Subsidiaries  
Consolidated Statements of Cash Flows  
For the Years Ended December 31, 2023 and 2022

Item	Expressed in thousands of New Taiwan Dollars	
	2023	2022
Cash flows from operating activities		
Profit (loss) before tax from continuing operations	\$71,140	\$163,620
Consolidated total profit (loss)	71,140	163,620
Adjustments:		
Items of income and expenses		
Depreciation expenses	80,369	72,139
Amortization expenses	24,687	20,545
Expected credit losses (reversal)	(8,870)	-
Net gains or losses from financial assets (liabilities) at fair value through profit or loss	(3,634)	1,035
Interest expenses	12,356	14,065
Interest income	(9,782)	(2,922)
Dividends	(1,283)	(830)
Share-based payments	-	6,551
Losses (gains) from disposal and scrap of property, plant and equipment	(215)	(219)
Losses (gains) from disposal of investments	-	-
Losses (gains) on lease improvements	-	(23)
Changes in operating assets and liabilities		
Decrease (increase) in contract assets	(17,066)	2,055
Decrease (increase) in notes receivables	(17)	300
Decrease (increase) in accounts receivables	840,074	(756,000)
Decrease (increase) in other receivables	(24,078)	14,324
Decrease (increase) in inventories	71,045	704,215
Decrease (increase) in prepaid expenses	(728)	2,420
Decrease (increase) in prepayments	74,469	(20,513)
Decrease (increase) in other current assets	(125,135)	22,236
Increase (decrease) in contract liabilities	(161,485)	(508,973)
Increase (decrease) in accounts payables	72,030	314,396
Increase (decrease) in other payables	(10,489)	8,451
Increase (decrease) in provisions	14,667	(2,536)
Increase (decrease) in advance receipts	17,405	-
Increase (decrease) in other current liabilities	(1,114)	4,728
Increase (decrease) in net defined benefit liabilities	707	286
Interests received	9,388	2,786
Dividends received	1,283	830
Interest paid	(11,528)	(11,504)
Income taxes returned (paid)	(15,296)	(48,358)
Net cash inflow (outflow) provided by operating activities	898,900	3,104
Cash flows from investing activities		
Acquisition of financial assets at fair value through other comprehensive income	-	(6,000)
Disposal of financial assets at fair value through other comprehensive income	7,121	-
Acquisition of financial assets at amortized cost	(110,040)	-
Acquisition of property, plant and equipment	(86,205)	(50,045)
Disposal of property, plant and equipment	1,844	1,915
Increase in refundable deposits	(616,287)	(415,201)
Decrease in refundable deposits	519,095	410,819
Acquisition of intangible assets	(43,377)	(23,083)
Disposal of intangible assets	21	3
Increase in prepayments for equipment	(92,756)	(37,069)
Decrease in prepayments for equipment	103,402	15,149
Net cash inflow (outflow) provided by investing activities	(317,182)	(103,512)
Cash flows from financing activities		
Increase in short-term borrowings	968,637	1,545,876
Decrease in short-term borrowings	(1,062,959)	(1,633,593)
Increase in short-term notes payables	-	100,000
Decrease in short-term notes payables	-	(100,000)
Repayment of corporate bonds	(400)	-
Repayments of long-term borrowings	(5,175)	(5,161)
Increase in guaranteed deposits received	1,295	1,532
Decrease in guaranteed deposits received	(3,648)	(3,061)
Repayments of lease principal	(32,005)	(29,839)
Decrease in other non-current liabilities	-	-
Distribution of cash dividends	(41,818)	(40,108)
Treasury shares purchased by employees	-	42,625
Net cash inflow (outflow) provided by financing activities	(176,073)	(121,729)
Effect of movements in exchange on cash and cash equivalents	(166)	122
Net increase (decrease) in cash and cash equivalents	405,479	(222,015)
Cash and cash equivalents at the beginning of period	766,328	988,343
Cash and cash equivalents at the end of period	\$1,171,807	\$766,328

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

## **HWACOM SYSTEMS INC. (the “Company”) The Draft Issuance Rules of 2024 Employee Restricted Stock Awards Plan**

### **Article 1 Purpose**

To attract and retain talents, to motivate employees, and to foster the best interests of the Hwacom Inc. and its shareholders, and further ensure the alignment of shareholders’ interests with those of the Company’s employees,

The following first issuance rules (the “Rules”) of the Hwacom Y2024 Restricted Stock Awards Plan (the “Plan”) are stipulated in accordance with Article 267 of the Company Act and the Regulations Governing the Offering and Issuance of Securities by Securities Issuers (the “Regulations”) released by the Financial Supervisory Commission R.O.C.

### **Article 2 Term**

The Restricted Stock Awards (the “Awards”) under this Plan may be granted in one or multiple tranches within the period of 2 year following the receipt of the approval notice from competent authorities. The Board of Directors (the “Board”) hereby authorizes its Chairman (the “Chairman”) to determine the issue date, as well as other pertinent matters.

### **Article 3 Qualification requirements for eligibility under the Plan**

3.1 Only the Company's and its subsidiaries' full-time employees with more than 1 year (include) and a grade of 8 (include) or above are eligible for this incentive plan.

(A) Highly relevant to the company's future strategic connection and development.

(B) Have a significant influence on the Company's operational decisions,

(C) Be the Company's key talents.

3.2 The number of granted Shares in any award under the Plan shall be determined by the Company with regard to seniority, position, performance, overall contribution, special contribution and any other management-related factors. Proposed distributions of awards under the Plan shall be reviewed by the Chairman and shall be subject to approval by the Board of Directors, with the exception of awards under the Plan to employees who are managerial officers or Board members, which awards are subject to approval by the Compensation Committee of the Company.

Employees who aren't managerial officers or Board members, which awards are subject to approval by the Audit Committee respectively.

3.3 Employees who possess 10% or more of the Company's issued and outstanding common shares, all the members of the Compensation Committee, and non-employee members of the Board are not eligible to receive awards under the Plan.

3.4 The sum of the aggregate number of Shares granted to each employee by (i) share subscription warrants (issued outside of the Plan) in accordance with paragraph 1, Article 56-1 of the Regulations, plus (2) restricted stock awards (whether issued under or outside of the Plan) shall not exceed 0.3% of the total outstanding common shares of the Company. The aforesaid sum plus the share subscription warrants the Company grants to each employee in accordance with paragraph 1, Article 56 of the Regulations shall not exceed 1% of the total outstanding common shares of the Company. However, with special approval from the applicable R.O.C. authorities, the total number of share subscription warrants and restricted stock awards obtained by any single employee may be exempted from the abovementioned restriction. If applicable laws and regulations are revised in the future, the Company shall apply the revised laws and regulations.

#### **Article 4 Total amount of issuance**

The number of shares to be issued will not exceed 1,000,000 common shares, with a par value of NT\$10 per share, for a total amount of NT\$10,000,000.

#### **Article 5 The terms and conditions for issuance of awards under the Plan**

5.1 Issue price: Awards under the Plan shall be gratuitous.

5.2 Class of issued shares: The Company's newly issued common shares.

5.3 Vesting conditions

(1) If an employee, after receiving shares with restricted employee rights (the base date for capital increase), is determined by the Company as having not violated the employment contract, employee code of conduct, trust agreement, corporate governance best practice principles, ethical corporate management best practice principles, work handbook or non-compete and non-disclosure agreement of the Company or any agreement with the Company, and has fulfilled the personal performance indicators set by the Company,; The number of vested shares will be vested in four years, with vesting dates being May 1st and November 1st of each year. The vested proportions are as follows:

Vested time	2024		2025		2026		2027		2028	
	May 1st	Nov 1st	May 1st	Nov 1st	May 1st	Nov 1st	May 1st	Nov 1st	May 1st	Nov 1st
Expiry date	--	issu- ance	--	1 year	1.5 year	2 year	2.5 year	3 year	3.5 year	4 year
<b>Vested percentage</b>	--		--	<b>25%</b>	<b>12.5%</b>	<b>12.5%</b>	<b>12.5%</b>	<b>12.5%</b>	<b>12.5%</b>	<b>12.5%</b>

(2) Employee's year-end performance rating shall be excellent and above.

5.4 Measures to be taken where employees fail to meet the vesting conditions or in the event of inheritance:

(1) Voluntary Separation, separation with a severance, or involuntary discharge:

Any unvested RSAs will be forfeited on the effective date of separation due to a voluntary separation, separation with a severance, or involuntary discharge of such employees. The Company will reclaim the RSAs granted to them and cancel the same at no extra cost to the Company.

(2) Leave without pay

The rights and obligations of the restricted stock award shares that have yet to vest will not be affected and shall still be subject to the provisions of these Regulations.

The actual number of vested shares for each year shall, in addition to being subject to the conditions set by these Regulations, be calculated based on the percentage of the actual number of months when an employee is on the job during each operational goal year. Where an employee is on leave without pay on the vesting date, he/she will be deemed as having failed to fulfill the vesting conditions, and the restricted stock award shares granted will be recovered and canceled by the Company without compensation.

(3) Death due to occupational injury or others:

Regarding the unvested Shares granted to an dead employee, after the employee's estate, heirs, or other representative(s), as the case may be, complete the required procedure in accordance with applicable laws and provide the Company with relevant document for evidencing the completion, he/she/they may apply for transfer of the Shares or the interest arising from disposal of the Shares.

For the applicable vesting year, the unvested Shares shall vest in accordance with the vesting conditions set forth in the Rules.

All of the unvested Shares shall immediately and automatically vest.

- (4) Termination of employment due to permanent and total disability arising from occupational injury:

If an employee's employment terminates by reason of permanent and total disability arising from occupational injury, the unvested Shares in the employee's restricted stock award(s) shall immediately vest upon such termination date.

For the applicable vesting year, the unvested Shares shall vest in accordance with the vesting conditions set forth in the Rules.

All of the unvested Shares shall immediately and automatically vest.

- (5) Transfer to another entity within the Hwacom:

If the transfer is made at the Company's request, the terms and conditions with respect to the unvested Shares under the Rules and the applicable Restricted Stock Award Agreement. In the event that the employee is not employed by the Company or the entity in the Hwacom Group that the Company requests the employee to transfer to on the vesting date, the Company shall revoke and cancel any and all portions of the unvested shares of restricted stock awards.

- (6) Where any employees declare to voluntarily relinquish the granted RSAs with a written statement, the Company will reclaim the RSAs granted to them and cancel the same at no extra cost to the Company.
- (7) If employee terminates or cancels the company's agency authorization, about the unvested Shares the Company will reclaim the RSAs granted to them and cancel the same at no extra cost to the Company.
- (8) In case of any reorganization transaction pursuant to the Business Mergers and Acquisitions Act to which the Company is a participant, the Board shall determine the portion of the unvested Shares that shall vest prior to or otherwise in connection with the closing of such transaction.
- (9) Additional Considerations. Notwithstanding the foregoing, the Chairman is authorized to determine that unvested Shares in the restricted stock award(s) of an employee should vest in a number in excess of what the vesting rules set forth above would provide on a case by case basis when the employee's employment is terminated with the Company; provided that, for employees who are managerial officers, any such determination is subject to approval by the Compensation Committee.

5.5 Restrictions before employees meet the vesting conditions once the RSA are received or subscribed for:

- (1) During the vesting period, employees may not sell, pledge, transfer, give to another person, create any encumbrance on, or otherwise dispose of, RSAs Awards except for inheritance.
- (2) Rights to dividends, interest, capital reserve, and share subscription warrants attributed to ownership of stock with respect to any unvested Shares will be the same as those of the common shares of the Company and shall be subject to and performed in accordance with the trust agreement.
- (3) Rights to attend the Company's shareholder's meeting, submit proposals, or speak and vote at the meeting attributed to ownership of stock with respect to any unvested Shares will be the same as those of the common shares of the Company but shall be subject to and performed in accordance with the trust agreement.
- (4) During each vesting period, if the Company conducts a capital reduction for cash return, capital reduction for loss offset, or other non-statutory capital reduction, the unvested RSAs shall be cancelled proportionally by the ratio of such capital reduction. If the Company conducts a capital reduction for cash return, the returned cash shall be deposited in a trust/custody account and shall not be delivered to the employees until the vesting conditions are fulfilled; otherwise, the cash will be returned to the Company.

#### 5.6 Others

- (1) All Shares under each restricted stock award under the Plan shall be deposited in a security trust account governed by the trust agreement immediately after the granting of the award and execution of Company-required documentation. The employee shall have no right to request and shall not request that the trustee(s) release unvested Shares held in the trust account for any reason or in any method.
- (2) During the period that the Shares under a restricted stock award are deposited in the security account, management of the security trust account and the assets therein shall be pursuant to the trust agreement, and the negotiation, execution, amendment, renewal, or termination of the trust agreement for such account and the instructions to deliver, use or disposal of the trust property in such account shall be performed by the Company or the person appointed by the Company on behalf of the employees, in any case, in accordance with the trust agreement.

### **Article 6 Execution and confidentiality of the agreement**

6.1 An employee is deemed to have been granted a restricted stock award only upon

the employee's receipt of notification of the award by the responsible unit of the Company and after the employee has executed the Restricted Stock Award Agreement evidencing such award and any other documentation required by the Company in connection therewith and completed all other required processes for trust custody of the Shares. If the employee fails to take all such required steps within the timeframe specified by the Company, all rights to the restricted stock award shall immediately and automatically be deemed to have been forfeited.

6.2 The employee and any person receiving restricted stock awards in accordance with the Rules shall comply with the Rules and the Restricted Stock Award Agreement executed by employee as required hereunder, the violation of the above shall be deemed as nonfulfillment of the vesting condition. Subject to applicable law and as provided in the rules set by the Company regarding the confidentiality of compensation, the employee shall keep confidential the contents of the Plan, the number of shares granted to him/her under the Plan and his/her rights under the Plan and shall not inquiry Shares granted to others. The Company shall have the right to revoke and cancel the unvested restricted stock awards awarded to such employee if the employee violates the above.

## **Article 7 Tax Liability**

Any tax matters incurred in connection with the Awards under this Plan shall be governed by the applicable laws and regulations of Taiwan as then in force.

## **Article 8 Other important covenants**

8.1 The issuance rules are approved by more than one-half of the board member and more than two-thirds of the board member present. Once approved, it will be implemented after reporting to the competent authority and taking effect. If there are subsequent changes in laws and regulations or revision is necessary due to the review requirements of the competent authority, the chairman of the board shall be authorized to amend the issuance rules, which will then be submitted to the board of directors for ratification before issuance.

8.2 With respect to the issuance of RSAs, the relevant restrictions, important agreements, and any other matters not set forth here shall be dealt with in accordance with the applicable laws and regulations and the issuance rules set by the Company.

## **HWACOM SYSTEMS INC.**

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

Article 1 To establish a strong governance system and sound supervisory capabilities for the Company'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.

Article 2 The rules of procedures for this Company's shareholders' meetings, except as otherwise provided by law, regulation, or the Articles of Incorporation, shall be as provided in these Rules.

Article 3 Unless otherwise provided by law or regulation, the Company's Shareholders' Meetings shall be convened by the Board of Directors.

The Company 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 or supervisors and upload them to the Market Observation Post System (MOPS) 30 days before the date of a General Shareholders' Meeting or 15 days before the date of an Extraordinary Shareholders' Meeting. The Company shall prepare electronic versions of the Shareholders' Meeting agenda and supplemental meeting materials and upload them to the MOPS 21 days before the date of the General Shareholders' Meeting or 15 days before the date of the Extraordinary Shareholders' Meeting. In addition, 15 days before the date of the Shareholders' Meeting, the Company 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 the Company and the professional shareholder services agent designated thereby as well as being distributed on-site at the meeting place.

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

Election or dismissal of directors or supervisors, 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 company, or any matter under



Article 185, paragraph 1 of the Company Act, Articles 26-1 and 43-6 of the Securities Exchange Act, Articles 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. The essential contents may be posted on the website designated by the competent authority in charge of securities affairs or on a designated website, and such website shall be indicated in the above notice.

Where re-election of all directors or supervisors 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 the Company a written proposal for discussion at a general 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, provided a shareholder proposal for urging the Company to promote public interests or fulfill its social responsibilities may still be included in the agenda by the Board of Directors. 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 General Shareholders' Meeting is held, the Company 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 General Shareholders' Meeting and take part in discussion of the proposal.

Prior to the date for issuance of notice of a Shareholders' Meeting, the Company 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.

**Article 4** For each Shareholders' Meeting, a shareholder may appoint a proxy to attend the meeting by providing the proxy form issued by the Company 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 the Company 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 the Company, 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 the Company 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.

Article 5 The venue for a Shareholders' Meeting shall be the premises of the Company, or a place easily accessible to shareholders and suitable for a Shareholders' Meeting. The meeting may begin no earlier than 9 a.m. and no later than 3 p.m. Full consideration shall be given to the opinions of the independent directors with respect to the place and time of the meeting.

Article 6 The Company shall specify in its Shareholders' Meeting notices the time during which attendance registrations for shareholders, solicitors and proxies (collectively "shareholders") will be accepted, the place to register for attendance, and other matters for attention.

The Company 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 or supervisors, pre-printed ballots shall also be furnished.

Shareholders and their proxies (collectively, "shareholders") shall attend Shareholders' Meetings based on attendance cards, sign-in cards, or other certificates of attendance. the Company 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.

When the government or a juristic person is a shareholder, it may be represented by more than one representative at a shareholders' meeting. When a juristic person is appointed to attend as proxy, it may designate only one person to represent it in the meeting.

Article 7 If a Shareholders' Meeting is convened by the Board of Directors, the meeting shall be chaired by the chairperson of the board. When the chairperson of the board is on

leave or for any reason unable to exercise the powers of the chairperson, the vice chairperson shall act in place of the chairperson; if there is no vice chairperson or the vice chairperson also is on leave or for any reason unable to exercise the powers of the vice chairperson, the chairperson shall appoint one of the managing directors to act as chair; or, if there are no managing directors, one of the directors shall be appointed to act as chair. Where the chairperson does not make such a designation, the managing directors or the directors shall select from among themselves one person to serve as chair.

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.

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.

The Company may appoint its attorneys, certified public accountants, or related persons retained by it to attend a Shareholders' Meeting in a non-voting capacity.

**Article 8** The Company shall record with an audio or video tape the whole proceedings of the Shareholders' Meeting, and said video tape or audio tape shall be kept for at least one year. However, if a lawsuit has been instituted by any shareholder in accordance with the provisions of Article 189 hereof, the recording shall be kept by the Company until the legal proceedings of the foregoing lawsuit have been concluded.

**Article 9** 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, plus the number of shares whose voting rights are exercised by correspondence or electronically.

The chair shall call the meeting to order at the appointed meeting time. However, when the attending shareholders do not represent a majority of the total number of issued shares, the chair may announce a postponement, provided that no more than two such postponements, for a combined total of no more than one hour, may be made. 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.

If the quorum is not met after two postponements as referred to in the preceding

paragraph, but the attending shareholders represent one third or more of the total number of issued shares, a tentative resolution may be adopted pursuant to Article 175, paragraph 1 of the Company Act; all shareholders shall be notified of the tentative resolution and another Shareholders' Meeting shall be convened within one month.

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

**Article 10** 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.

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 11** 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.

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 five minutes. If the shareholder's speech violates the rules or exceeds the scope of the agenda item, the chair may terminate the speech.

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; the chair shall stop any violation.

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.

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

**Article 12** Voting at a Shareholders' Meeting shall be calculated based the number of shares.

With respect to resolutions of Shareholders' Meetings, the number of shares held by a shareholder with no voting rights shall not be calculated as part of the total number of issued shares.

When a shareholder is an interested party in relation to an agenda item, and there is the likelihood that such a relationship would prejudice the interests of the Company, that shareholder may not vote on that item, and may not exercise voting rights as proxy for any other shareholder.

The number of shares for which voting rights may not be exercised under the preceding paragraph shall not be calculated as part of the voting rights represented by attending shareholders.

With the exception of a trust enterprise or a shareholder services agent approved by the competent securities authority, when one person is concurrently appointed as proxy by two or more shareholders, the voting rights represented by that proxy may not exceed three percent of the voting rights represented by the total number of issued shares. If that percentage is exceeded, the voting rights in excess of that percentage shall not be included in the calculation.

**Article 13** A shareholder shall be entitled to one vote for each share held, except when the shares are restricted shares or are deemed non-voting shares under Article 179, paragraph 2 of the Company Act.

When the Company 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 the Company 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 the Company before two days before the date of the Shareholders' Meeting. When duplicate declarations of intent are delivered, the one received earliest shall prevail, except when a declaration is made to cancel the earlier declaration of intent.

After a shareholder has exercised voting rights by correspondence or electronic means, in the event the shareholder intends to attend the Shareholders' Meeting in person, a written declaration of intent to retract the voting rights already exercised under the preceding paragraph shall be made known to the Company, by the same means by which the voting rights were exercised, 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.

Except as otherwise provided in the Company Act and in the Company'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.

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.

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 the Company.

Vote counting shall be conducted in public at the place of the shareholders' meeting. The results of the voting shall be announced on-site at the meeting, and made into a record.

Article 14 The election of directors or supervisors at a shareholders' meeting shall be held in accordance with the relevant election and appointment rules adopted by this company, and the voting results shall be announced on-site immediately.

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. However, if a lawsuit has been instituted by any shareholder in accordance with the provisions of Article 189 hereof, the recording shall be kept by the Company until the legal proceedings of the foregoing lawsuit have been concluded.

Article 15 Matters relating to the resolutions of a Shareholders' Meeting shall be recorded in the meeting minutes. The meeting minutes shall be signed or sealed by the chair of the meeting and a copy distributed to each shareholder within 20 days after the conclusion of the meeting. The meeting minutes may be produced and distributed in electronic form.

The Company 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. The minutes shall be retained for the duration of the existence of the Company.

Article 16 On the day of a Shareholders' Meeting, the Company shall compile in the prescribed format a statistical statement of the number of shares obtained by solicitors through solicitation and the number of shares represented by proxies, and shall make an express disclosure of the same at the place of the Shareholders' Meeting.

If matters put to a resolution at a Shareholders' Meeting constitute material information under applicable laws or regulations or under Taiwan Stock Exchange Corporation (or GreTai Securities Market) regulations, the Company shall upload the content of such resolution to the MOPS within the prescribed time period.

Article 17 Staff handling administrative affairs of a Shareholders' Meeting shall wear identification cards or arm bands.

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."

At the place of a Shareholders' Meeting, if a shareholder attempts to speak through any device other than the public address equipment set up by the Company, the chair may prevent the shareholder from so doing.

When a shareholder violates the rules of procedure and defies the chair's correction, obstructing the proceedings and refusing to heed calls to stop, the chair may direct the proctors or security personnel to escort the shareholder from the meeting.

Article 18 When a meeting is in progress, the chair may announce a break based on time considerations. If a force majeure event occurs, the chair may rule the meeting temporarily suspended and announce a time when, in view of the circumstances, the meeting will be resumed.

If the meeting venue is no longer available for continued use and not all of the items (including extraordinary motions) on the meeting agenda have been addressed, the Shareholders' Meeting may adopt a resolution to resume the meeting at another venue.

A resolution may be adopted at a Shareholders' Meeting to defer or resume the meeting within five days in accordance with Article 182 of the Company Act.

Article 19 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.



## Articles of Incorporation of HwaCom Systems Inc.

### Chapter I General Provisions

Article 1: The Company shall be incorporated under the Company Act of the Republic of China, and its name shall be HwaCom Systems Inc.

Article 2: The Company engages in the following businesses:

1. CA02010 Manufacture of Metal Structure and Architectural Components.
2. CB01010 Mechanical Equipment Manufacturing.
3. CB01030 Pollution Controlling Equipment Manufacturing.
4. CB01990 Other Machinery Manufacturing.
5. CC01010 Manufacture of Power Generation, Transmission and Distribution Machinery.
6. CC01020 Electric Wires and Cables Manufacturing.
7. CC01030 Electrical Appliances and Audiovisual Electronic Products Manufacturing.
8. CC01040 Lighting Equipment Manufacturing.
9. CC01060 Wired Communication Mechanical Equipment Manufacturing.
10. CC01070 Wireless Communication Mechanical Equipment Manufacturing.
11. CC01080 Electronics Components Manufacturing.
12. CC01101 Controlled Telecommunications Radio-Frequency Devices and Materials Manufacturing
13. CC01110 Computer and Peripheral Equipment Manufacturing.
14. CC01120 Data Storage Media Manufacturing and Duplicating.
15. CC01990 Other Electrical Engineering and Electronic Machinery Equipment Manufacturing.
16. CD01020 Rail Vehicle and Parts Manufacturing.
17. CD01060 Aircraft and Parts Manufacturing.
18. CD01990 Other Transport Equipment and Parts Manufacturing.
19. E502010 Fuel Catheter Installation Engineering.
20. E599010 Piping Engineering.
21. E601010 Electric Appliance Construction.
22. E601020 Electric Appliance Installation.
23. E603010 Cable Installation Engineering.
24. E603040 Fire Safety Equipment Installation Engineering.
25. E603050 Automatic Control Equipment Engineering.
26. E603080 Traffic Signs Installation Engineering.
27. E603090 Lighting Equipments Construction.
28. E603100 Electric Welding Engineering.
29. E604010 Machinery Installation.
30. E605010 Computer Equipment Installation.
31. E701010 Telecommunications Engineering.
32. E701020 Satellite Television KU Channels and Channel C Equipment Installation.
33. E701030 Controlled Telecommunications Radio-Frequency Devices Installation Engineering.
34. E701040 Simple Telecommunications Equipment Installation.
35. E801010 Indoor Decoration.
36. E901010 Painting Engineering.
37. EZ05010 Instrument and Meters Installation Engineering.
38. EZ06010 Traffic Marking Engineering.
39. EZ15010 Warming and Cooling Maintainance Construction.
40. EZ99990 Other Engineering.
41. F108031 Wholesale of Medical Devices.

42. F113010 Wholesale of Machinery.
43. F113020 Wholesale of Electrical Appliances.
44. F113030 Wholesale of Precision Instruments.
45. F113050 Wholesale of Computers and Clerical Machinery Equipment.
46. F113060 Wholesale of Measuring Instruments.
47. F113070 Wholesale of Telecommunication Apparatus.
48. F113090 Wholesale of Traffic Sign Equipments and Materials.
49. F113100 Wholesale of Pollution Controlling Equipments.
50. F113110 Wholesale of Batteries.
51. F114010 Wholesale of Motor Vehicles.
52. F114030 Wholesale of Motor Vehicle Parts and Motorcycle Parts, Accessories.
53. F114070 Wholesale of Aircraft and Component Parts Thereof.
54. F114080 Wholesale of Track Vehicle and Component Parts Thereof.
55. F114990 Wholesale of Other Traffic Means of Transport and Component Parts Thereof.
56. F118010 Wholesale of Computer Software.
57. F119010 Wholesale of Electronic Materials.
58. F208031 Retail Sale of Medical Apparatus.
59. F209060 Retail Sale of Culture, Education, Musical Instruments and Educational Entertainment Supplies.
60. F213010 Retail Sale of Electrical Appliances.
61. F213030 Retail Sale of Computers and Clerical Machinery Equipment.
62. F213040 Retail Sale of Precision Instruments.
63. F213050 Retail Sale of Measuring Instruments.
64. F213060 Retail Sale of Telecommunication Apparatus.
65. F213080 Retail Sale of Machinery and Tools.
66. F213090 Retail Sale of Traffic Sign Equipments and Materials.
67. F213100 Retail Sale of Pollution Controlling Equipments.
68. F214010 Retail Sale of Motor Vehicles.
69. F214030 Retail Sale of Motor Vehicle Parts and Motorcycle Parts, Accessories.
70. F214070 Retail Sale of Aircraft and Component Parts Thereof.
71. F214080 Retail Sale of Track Vehicle and Component Parts Thereof.
72. F214090 Retail Sale of Other Traffic Means of Transport and Component Parts Thereof.
73. F218010 Retail Sale of Computer Software.
74. F219010 Retail Sale of Electronic Materials.
75. F401010 International Trade.
76. F401021 Controlled Telecommunications Radio-Frequency Devices and Materials Import.
77. F601010 Intellectual Property Rights.
78. G202010 Parking area Operators.
79. I103060 Management Consulting.
80. I301010 Information Software Services.
81. I301020 Data Processing Services.
82. I301030 Electronic Information Supply Services.
83. I401010 General Advertisement Service.
84. I501010 Product Designing.
85. IE01010 Telecommunications Service Number Agencies.
86. IG02010 Research and Development Service.
87. IG03010 Energy Technical Services.
88. IZ03010 Clipping.
89. IZ12010 Manpower Dispatched.
90. IZ13010 Internet Certificates Service.
91. IZ15010 Market Research and Public Opinion Polling.
92. JA02010 Electric Appliance and Electronic Products Repair.
93. JE01010 Rental and Leasing.

94. ZZ99999 All business activities that are not prohibited or restricted by law, except those that are subject to special approval.

Article 3: The Company shall have its head office in New Taipei City, the Republic of China, and may, pursuant to a resolution adopted at the meeting of the Board of Directors, set up branch offices within or outside the territory of the Republic of China when deemed necessary.

Article 4: Public announcements of the Company shall be made according to Article 28 of the Company Act.

Article 4-1: In making reinvestments to meet business needs, the Company shall be exempt from the restrictions on total investment amount for not exceeding forty percent of the Company's paid-in capital.

Article 4-2: The Company may provide external endorsements and guarantees.

## Chapter II. Shares

Article 5: The total capital of the Company shall be in the amount of NT\$ 2 billion, divided into 200 million shares, with a par value of NT\$10 each, and may be issued in installments.. For unissued shares, the Board of Directors is authorized to determine the issuance of which based on actual needs. NT\$50 million of the preceding total capital is reserved for the issuance of employee stock option certificates, totaling 5 million shares, with a par value of NT\$10 each. The issuance may be conducted in multiple installments based on the resolution of the Board of Directors.

Article 5-1: The Company may issue employee stock option certificates at a price not restricted by relevant regulations. However, such issuance requires the attendance of shareholders representing over half of the total issued shares, and approval by a two-thirds majority of the voting rights present at the Shareholders' Meeting. The Company may submit multiple applications for issuance within one year from the date of the Shareholders' Meeting resolution. The recipients of the employee stock option certificates issued by the Company may include employees of the controlling or subsidiary companies, and the specific conditions and recipients shall be deliberated by the Board of Directors in accordance with the Company Act.

Article 5-2: Treasury stocks repurchased by the Company may be transferred to employees at a price lower than the average repurchase price. However, this is subject to the provision of relevant laws and regulations and the approval from a Shareholders' Meeting by resolution, in which the attendance of shareholders represent over half of the total issued shares, and with a majority vote of two-thirds of the voting rights present at the Shareholders' Meeting. The transfer of treasury stocks by the Company to employees may include employees of the controlling or subsidiary companies, and the specific conditions and recipients shall be deliberated by the Board of Directors in accordance with the Company Act.

- Article 5-3: In issuance of new shares, employees who subscribe for shares may include employees of the controlling or subsidiary companies, and the specific conditions and recipients shall be deliberated by the Board of Directors in accordance with the Company Act.
- Article 5-4: The recipients of the restricted stock awards issued by the Company may include employees of the controlling or subsidiary companies, and the specific conditions and recipients shall be deliberated by the Board of Directors in accordance with the Company Act.
- Article 6: Deleted.
- Article 7: Share certificates of the Company are all registered in form, which shall be signed or affixed with seal by more than three directors as well as duly attested before they can be issued. After the public issuance of the Company's shares, the issued shares may be exempted from the printing of physical stock certificates. When issuing new shares, the Company may combine the printing of the total number of shares for that particular issuance, but it should be registered or stored at the TDCC.
- Article 8: The transfer of stock ownership shall be suspended within sixty days prior to the General Shareholders' Meeting, within thirty days prior to the Extraordinary Shareholders' Meeting, or within five days prior to the record date for the distribution of dividends, bonuses, or other benefits, as determined by the Company.

### Chapter III. Shareholders

- Article 9: Shareholders' Meetings of the Company are of two kinds: general meetings and extraordinary meetings. General meetings shall be convened once within six months after the end of every fiscal year, by the Board of Directors and in accordance with applicable laws and regulations. Extraordinary meetings shall be convened whenever necessary according to the laws and regulations.
- Article 10: For each Shareholders' Meeting, a shareholder may appoint a proxy to attend the Meeting in his/her/its behalf by executing a power of attorney by providing the proxy form issued by the Company and stating the scope of the proxy's authorization. The Shareholders' Meeting may be held using video conferencing or other methods announced by the central competent authority.
- Article 11: Each shareholder of the Company shall be entitled to one vote for each share held, except when the shares are restricted shares or are deemed non-voting shares under Article 179 of the Company Act.
- Article 12: Resolutions at a Shareholders' Meeting shall, unless otherwise provided for in the Company Act, be adopted by a majority vote of the shareholders present, who represent more than one-half of the total number of voting shares.

## Chapter IV. Directors and the Audit Committee

Article 13: The Company shall have seven to nine directors, and at least two of whom shall be independent directors. The election of directors adopts a candidate nomination system, with a term of office of three years. Directors are elected at the Shareholders' Meeting from among persons of legal capacity. Directors are eligible for re-election.

The election of directors of the Company is executed pursuant to Article 198 of the Company Act, and the election of independent directors and directors is also executed pursuant to Article 198 of the Company Act. The elections of independent directors and non-independent directors shall be held together, and the number of votes for positions to be elected shall be separately counted. Candidates with the highest voting rights represented by the number of votes shall be elected as independent directors and non-independent directors. Article 14: The Directors shall constitute the Board of Directors. The Chairman of the Board shall be elected by the directors from among themselves by a majority at a meeting attended by at least two-thirds of all Directors. The Vice Chairman is also elected using the preceding method. The Chairman shall externally represent the Company.

Article 13-1: An Audit Committee is established by the Company in accordance with Article 14-4 of the Securities and Exchange Act, and is composed of all independent directors.

Article 14-1: All directors shall attend Board meetings in person. If attendance in person is not possible, they may appoint another director to attend as their proxy. A proxy may accept a proxy from one person only.

The reasons for calling a Board of Directors meeting shall be notified to each director at least seven days in advance. In emergency circumstances, however, a meeting may be called on shorter notice. The notice set forth in the preceding paragraph may be effected by correspondence, means of electronic transmission (E-mail), or fax.

Article 15: When the Chairman of the Board is on leave or for any reason is unable to exercise the powers of the Chairman, its proxy procedure shall be conducted in accordance with the provisions in Article 208 of the Company Act.

Article 16: The Board of Directors is authorized to determine the remunerations of directors (including independent directors) according to the level of their participation in business operations of the Company and the value of their contribution, and also by referencing the industry standards.

## Chapter V. Managers

Article 17: The Company may appoint managers whose appointment, dismissal and remuneration shall be processed in accordance with Article 29 of the Company Act.

## Chapter VI Accounting

Article 18: After the end of each fiscal year, (1) a business report, (2) financial statements, and (3) a compilation of statements concerning the appropriation of net profits or making up losses shall be prepared by the Board of Directors, and shall be submitted to the general Shareholders' Meeting for ratification in accordance with the law.

Article 19: Deleted.

Article 20: If the Company generates profits during a year, it should allocate 10% to 20% for employee remuneration, while the remuneration for directors and supervisors should not exceed 1%. However, an amount shall be set aside in advance to compensate for cumulative losses, if any.

The recipient of the employee remuneration by the Company includes employees of controlling or subsidiary companies, and the specific conditions and recipients are determined by the resolution of the Board of Directors in accordance with Article 202 of the Company Act.

If the Company generates profits during a fiscal year, the Company should pay tax and offset accumulated losses first. Then, the Company should allocate 10% of the remaining earnings as legal reserves and allocate special reserve in accordance with the law, reserve retained earnings while necessary, and the remaining amount shall be shareholders' dividends.

Considering the growing nature of the industry in which the Company operates, and in order to meet the future funding needs of the Company and satisfy shareholders' demands for cash inflow, if there is dividends to be distributed to shareholders, no less than 10% should be in the form of cash dividends, while the remaining portion may be distributed in the form of stock dividends. If the distribution shall be carried out through the issuance of new shares, it shall be distributed after the resolution of the Shareholders' Meeting.

In accordance with Article 240, Paragraph 5 of the Company Act, the Board of Directors is authorized to distribute all or a portion of the distributable dividends and bonuses, in part or in whole, in cash after a resolution by a majority in a meeting attended by at least two thirds of the directors, and to report such distribution to the Shareholders' Meeting.

Article 20-1: The Company shall distribute all or a portion of the legal reserves and capital reserves to shareholders in the form of new shares or cash, in proportion to their original shareholdings. When distributing in cash, the Board of Directors is authorized to adopt the resolution with the attendance of at least two-thirds of the directors and a majority vote of the attending directors, in accordance with the provisions of the Company Act, and report to the Shareholders' Meeting.

## Chapter VII. Appendices

Article 21: Any matters not covered in this Article of Incorporation shall be handled in accordance with the provisions of the Company Act.

Article 22: The Articles of Incorporation was established on April 25, 1994.

The 1st amendment was on August 4, 1997.  
The 2nd amendment was on September 8, 1997.  
The 3rd amendment was on June 4, 1998.  
The 4th amendment was on November 11, 1999.  
The 5th amendment was on February 29, 2000.  
The 6th amendment was on April 6, 2000.  
The 7th amendment was on May 30, 2000.  
The 8th amendment was on June 13, 2001.  
The 9th amendment was on June 18, 2002.  
The 10th amendment was on June 10, 2003.  
The 11th amendment was on June 24, 2004.  
The 12th amendment was on June 16, 2005.  
The 13th amendment was on June 23, 2006.  
The 14th amendment was on June 27, 2008.  
The 15th amendment was on June 10, 2009.  
The 16th amendment was on June 18, 2010.  
The 17th amendment was on June 22, 2011.  
The 18th amendment was on June 18, 2012.  
The 19th amendment was on June 25, 2013.  
The 20th amendment was on June 27, 2014.  
The 21st amendment was on June 12, 2015.  
The 22nd amendment was on June 21, 2016.  
The 23rd amendment was on June 28, 2017.  
The 24th amendment was on June 28, 2019.  
The 25th amendment was on June 24, 2020.  
The 26th amendment was on August 2, 2021.  
The 27th amendment was on June 23, 2022.  
The 28th amendment was on June 30, 2023.

<Appendix 3>

**Effects of the Stock Dividends Proposed by the Shareholders' Meeting on the Company's Business Performance and Earnings Per Share:**

The proposal of the current profit distribution plan submitted to the Shareholders' Meeting for ratification, does not involve stock dividend distribution.



<Appendix 4>

## HWACOM SYSTEMS INC.

The individual and over all shareholding by directors and supervisors as entered in the Register (Roster) of Shareholders is as follows:

- I. In accordance with Article 26 of the Securities and Exchange Act, the Company's directors shall at least hold a total of 8,463,014 shares. As of March 26, 2024, the entire directors of the Company held 30,954,760 shares.
- II. The Company has established an Audit Committee; the requirements for shareholding by supervisors are not applicable.
- III. Shares held by Independent Directors are not counted towards the shares held by all directors.
- IV. Shareholding facts by all Directors: The record (base) date is the date on which transfer is suspended, i.e., March 26, 2024.

Book closure date: March 26, 2024

Title	Name or name of corporate shareholder	Date when elected	Term in office	Number of shares held on the book closure date	
				Number of shares	Percentage (%)
Chairman	Gary Chen	111.6.23	3 years	6,063,097	4.30%
Director	Advantech Investment Co., Ltd. Representative: Michael Huang	111.6.23	3 years	24,575,000	17.42%
Director	Lutain Investment Co., Ltd. Representative: Alex Yang	111.6.23	3 years	3,008,427	2.13%
Director	Alex Huang	111.6.23	3 years	169,975	0.12%
Director	Ellen Weng	111.6.23	3 years	34,688	0.02%
Independent Director	Jason Lee	111.6.23	3 years	0	0.00%
Independent Director	Li Ming-juinn	111.6.23	3 years	0	0.00%
Independent Director	Chorng-Shyong Ong	111.6.23	3 years	0	0.00%
Independent Director	Cllin Lin	112.6.30	1 year	0	0.00%
Total				30,954,760	21.95%