

Stock Code:6163



HWACOM SYSTEMS INC.

2024 Annual Report

Annual Report Website: <http://mops.twse.com.tw>

Company Website: [Http://hwacom.com](http://hwacom.com)

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Table of Contents

	Page
Chapter 1 Letter to Shareholders -----	1
Chapter 2 Corporate Governance Report -----	4
I. Information on Directors, President, Vice Presidents, Senior VPs, head of each department, and branch officers-----	4
II. Diversity and independence of the Board of Directors-----	8
III. Remunerations to Directors, President, and Vice Presidents in the most recent year -----	14
IV. Implementation of Corporate Governance-----	21
V. Information on CPA Fees-----	54
VI. Information on Replacement of CPAs -----	54
VII. Where the Company's Chairman, President, or any manager in charge of finance or accounting matters has, during the past year, held a position at the accounting firm of its CPA or at an affiliated company of such accounting firm-----	55
VIII. Share transfers and share pledging by Directors, Supervisors, managers and shareholders holding more than 10% equity in the past year and up to the printing date of this Annual Report -----	55
IX. Information on the relationship between the top ten shareholders based on their shareholding ratio as specified in Financial Accounting Standards Bulletin No. 6 -----	58
X. Shareholding of the Company, Directors, Supervisors, managers, and companies that are directly or indirectly controlled by the Company in the same re-invested company:-----	58
Chapter 3 Fundraising -----	60
I. Capital and Shareholding-----	60
II. Issuance of Corporate Bonds-----	63
III. Issuance of Preferred Shares-----	63
IV. Issuance of Global Depositary Receipts (GDR) -----	64
V. Issuance of Employee Stock Options-----	64
VI. Implementation of Restricted Stock Units (RSU)-----	64
VII. Issuance of new shares for merger or acquisition of shares of other companies -----	65
VIII. Implementation of Capital Allocation Plans -----	65
Chapter 4 Business Overview -----	66
I. Business Activities -----	66
II. Market, Production, and Sales Overview-----	118

III.	Employees -----	124
IV.	Information on Environmental Protection Expenditure -----	124
V.	Cyber Security Management -----	124
VI.	Employer-employee Relations -----	131
VII.	Important Contracts -----	135
Chapter 5	Discussion and analysis of the Company's financial status, financial performance, and risks-----	136
I.	Financial Status-----	136
II.	Financial Performance-----	137
III.	Cash flows -----	138
IV.	The effects that major capital expenditures have on the Company's financial operations in the recent year -----	138
V.	Investment policy in the past year and its profit/loss analysis, improvement plan, and investment plan for the coming year-----	138
VI.	Risk analysis and evaluation during the most recent fiscal year and as of the date of publication of this Annual Report-----	139
VII.	Other Important Matters -----	143
Chapter 6	Special Disclosures -----	144
I.	Information on Affiliates -----	144
II.	Private placement of securities in the last year up to the date of this Annual Report -----	148
III.	Other Supplemental Information-----	148
IV.	Corporate events with material impact on shareholders' equity or share prices set forth in Article 36, Paragraph 2, Subparagraph 2 of Securities and Exchange Act in the past year and up to the date of publication of this Annual Report -----	148

1. Company Spokesperson and Acting Spokesperson:

Spokesperson

Name: Alex Huang
Title: Vice President
Telephone: (02) 2696-7155
Fax: (02) 2696-7199
Email: alex.huang@hwacom.com

Acting Spokesperson

Name: Minyeh Hsieh
Title: Vice President
Telephone: (02) 2696-7155
Fax: (02) 2696-7199
Email: minyeh.hsieh@hwacom.com

2. Company Headquarters and Branch Offices:

Head Office

Address: 11F, No. 108, Section 1, New Taipei Blvd., Xinzhuang Dist., New Taipei City
Phone: (02) 2696-7155

Kaohsiung Branch

Address: 14F, No. 55, Minsheng 2nd Road, Qianjin Dist., Kaohsiung City
Phone: (07) 336-8926

Taichung Branch

Address: 5B, 5F, No. 121, Zhongmei Rd., West District, Taichung City
Phone: (04) 301-6755

Taipei Service Center

Address: 3F, No. 3, Lane 658, Section 2, Guangfu South Road, Da'an Dist., Taipei City
Phone: (04) 2258-1066

Hsinchu Service Center

Address: Room 10-2, 5F, No. 148, Gongdao 5th Road, East District, Hsinchu City
Phone: (03) 528-7699

Tainan Service Center

Address: 3F, No. 191, Chongming Road, East District, Tainan City
Phone: (06) 205-6238

3. Stock Transfer Agent:

Agent Name: CTBC Bank Co., Ltd., Stock Affairs Agent
Address: 5F, No. 83, Section 1, Chengde Road, Datong Dist., Taipei City
Phone: (02) 6636-5566
Website: <https://ecorp.ctbcbank.com/cts/index.jsp>

4. CPA Firm Auditing the Most Recent Financial Report:

Firm Name: KPMG Taiwan, Certified Public Accountants

Address: 68F, Taipei Nan Shan Plaza, No. 100, Songren Rd., Xinyi Dist., Taipei City
Phone: (02) 8101-6666
Website: <https://www.kpmg.com>

5. Overseas Stock Exchange Listings:

The Company has not listed or traded its shares on any overseas stock exchange.

6. Company Website:

<http://www.hwacom.com>

Chapter 1. Letter to Shareholders

Business Report

I. 2024 Operating Performance:

(I) Business Plan Implementation Results:

The Company's net operating revenue of 2024 was NT\$5,503,771 thousand, an increase of 4.78% over the NT\$5,252,732 thousand in 2023. Net profit after tax was NT\$130,580 thousand and EPS was NT\$0.93.

(II) Budget Implementation: The Company did not disclose financial forecast in 2024.

(III) Financial Structure and Profitability Analysis

Unit: NT\$ thousand

Year		2024	2023	Increase (decrease) (%)
Item				
Financial revenues and expenses	Operating revenue	5,503,771	5,252,732	4.78
	Operating profit - gross	1,222,802	1,070,027	14.28
	Operating profit	164,864	13,688	1,104.44
	Non-operating income and expenses	4,907	57,452	-91.46
Profitability	Return on assets (ROA)	2.56%	1.28%	100.00
	Return on equity (ROE)	5.27%	2.46%	114.23
	Pre-tax income to paid- in capital	12.04%	5.04%	138.89
	Net profit margin	2.37%	1.10%	115.45
	Earnings per share (NT\$)	0.93	0.42	121.43
	Net profit after tax	130,580	57,620	126.62

(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.
- 2.Developed cyber security application services by utilizing big data.
- 3.Developed integrated monitoring platform for smart cities and smart buildings by utilizing artificial intelligence (AI) and big data technologies.
- 4.Researched and developed connected network application services by integrating 5G private network and AI technologies.

II. Overview of Business Plan for 2025:

(I) Operating Policy:

1. Continue to focus on operating as a "service integrator" in the fields of information security, information communication, intelligence, and media industries. Achieve enhanced R&D competencies by integrating AI with cloud and big data technology, and application system integrations.
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 integrator 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, implementing applications of business and artificial intelligent, software development competencies, promoting for digitization of service platforms and project management, we will be 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 from customers and to build their trust.
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, smart buildings, IoT, AIoT, 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 AIoT, 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 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

Chapter 2. Corporate Governance Report

I. Information on Directors, President, Vice Presidents, Senior VPs, head of each department, and branch officers

(I) Directors:

1. Director Information

April 22, 2025

Title	Nationality or place of registration	Name	Gender Age	Date elected/appointed	Term	Date of first election	Shares held when elected		No. of shares currently held		Current shares held by spouse and underage children		Shareholding by nominee arrangement		Education/work experience	Other positions currently held within the Company	Spouse or relatives within second degree of kinship acting as Directors, Supervisors, or other department heads			Note
							Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio			Title	Name	Relationship	
Chairman	Republic of China	Gary Chen	Male Above 60	2022.6.23	3	1997.9.8	6,063,097	4.54%	6,063,097	4.48%	0	0%	0	0%	NKUST President of Hand Information Co., Ltd.	President of HWACOM Systems Inc. Representative of Hwakuan Systems Integration Technology (Shanghai) Co., Ltd. Director of Lutain Investment Co., Ltd. Representative of HwaCom Charity Foundation Chairman of S-Link Systems Inc. Director of Tarantula Networks Ltd. Chairman of Family plus technology Inc. Chairman of Open Information Security INC. Chairman of I Resource Management, Ltd Chairman of HWACOM SYSTEMS H.K., Ltd	None	None	None	Note 1
Director	Republic of China	Advantech Investment Co., Ltd. Representative: MichaelHuang	Male 30-40	2022.6.23 2022.6.23	3	2020.6.24	24,575,000 0	18.38% 0.00%	24,575,000 0	17.30% 0.00%	0 0	0% 0%	0 0	0% 0%	University of Colorado Denver, MS Finance	Director of International Integrated Systems, Inc. Director of Huan Yan IoT Co., Ltd. Project Manager of Strategic Investment Dept., Advantech Co., Ltd.	None	None	None	
Director	Republic of China	Lutain Investment Co., Ltd. Representative: Alex Yang	Male 50-60	2022.6.23 2022.6.23	3	2022.6.23	3,364,427 30,000	2.52% 0.02%	3,008,427 112,000	2.12% 0.08%	0 0	0% 0%	0 0	0% 0%	Master in Electrical Engineering, NTU IP Network Management, Eastern Media Technology (EMT)	Vice President of HwaCom Systems Inc. Supervisor of S-Link Systems Inc. Director of Family plus technology Inc. Director of I Resource Management, Ltd Director of Open Information Security INC.	None	None	None	
Director	Republic of China	Alex Huang	Male 40-50	2022.6.23	3	2009.6.10	145,975	0.11%	169,975	0.12%	0	0%	0	0%	Master in International Business, NCCU Sales Director of Stream Technologies Inc.	Vice President of HwaCom Systems Inc. Director of Family plus technology Inc.	None	None	None	
Director	Republic of China	Ellen Weng	Female 50-60	2022.6.23	3	2019.6.28	10,688	0.01%	34,688	0.02%	0	0%	0	0%	EMBA in Information Management, NTU Sales Manager of Hand Information Co., Ltd.	Vice President of HwaCom Systems Inc.	None	None	None	

Title	Nationality or place of registration	Name	Gender Age	Date elected/appointed	Term	Date of first election	Shares held when elected		No. of shares currently held		Current shares held by spouse and underage children		Shareholding by nominee arrangement		Education/work experience	Other positions currently held within the Company	Spouse or relatives within second degree of kinship acting as Directors, Supervisors, or other department heads			Notes
							Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio			Title	Name	Relationship	
Independent Director	Republic of China	Jason Lee	Male 50-60	2022.6.23	3	2016.6.21	0	0.00%	0	0.00%	0	0%	0	0%	Master of Business Administration, NTU President of Da Hwa International Securities Investment Consulting Co., Ltd	Member of Remuneration Committee of HwaCom Systems Inc.	None	None	None	
Independent Director	Republic of China	Li Ming-juinn	Male 50-60	2022.6.23	3	2016.6.21	0	0.00%	0	0.00%	0	0%	0	0%	LL.D. at Kyoto University Assistant Professor of Law School, Okayama University Assistant Research Fellow of Institute of International Relations, NCCU	Member of Remuneration Committee of HwaCom Systems Inc. Vice President for R&D at Taiwan Brain Trust	None	None	None	
Independent Director	Republic of China	Chorng-Shyong Ong	Male 60-70	2022.6.23	3	2022.6.23	0	0.00%	0	0.00%	0	0%	0	0%	Doctor of Business Administration, NTU Deputy Dean of College of Management, NTU Member of Board of Examiners of Civil Service Examinations	Member of Remuneration Committee of HwaCom Systems Inc. Adjunct Professor of Information Management, NTU	None	None	None	
Independent Director	Republic of China	Clilin Lin	Female 60-70	2023.6.30	2	2023.6.30	0	0.00%	0	0.00%	0	0%	0	0%	PhD of Electrical Engineering, NTU Professor of Department of Electronic Engineering and Dean of School of Engineering and Management, Huafan University	None	None	None		

Note 1: To enhance the efficiency of corporate governance and ensure prudent decision-making that aligns with maximizing the Company values, the Chairman concurrently serves as the President. This allows for smoother execution of decisions and reduces the likelihood of making unfavorable choices for the Company.

In order to reduce the concentration of power in the Chairman-cum-President role, we are taking steps this year to amend the articles of Incorporation. These amendments include increasing the number of directors and planning for a certain proportion of independent Directors. We aim to maintain the normal functioning of the Board of Directors and mitigate any potential interference.

Table I: Major shareholders of corporate shareholders

March 31, 2025

Name of corporate shareholders	Major shareholders of corporate shareholders
Advantech Investment Co., Ltd.	Advantech Co., Ltd.

Table II: Major shareholders in the above table who are institutional investors and their major shareholders

March 31, 2025

Name of corporate shareholders	Major shareholders of corporate shareholders
Advantech Co., Ltd.	ASUSTEK COMPUTER Inc. (13.13%), K and M Investment Co., Ltd. (11.63%), AIDC Investment Corp. (11.49%), KC Liu (3.24%), Advantech Foundation (2.84%), Tran-Fei Development Co., Ltd. (2.32%), Yong-Shun Zhuang (2.24%), The Overlook Partners Fund L.P. (2.00%), First Sentier Investors ICVC -Stewart Investors Asia Pacific Leaders Sustainability Fund (1.47%), New Labor Pension Fund (1.27%)

(II) Director Information

Disclosure of Professional Qualifications of Directors and Supervisors and Independence of Independent Directors:

Name	Professional Qualifications	Professional qualifications and experience	Independence status	Number of other public companies concurrently serving as an independent director
Chairman Gary Chen		NKUST President of Hand Information Co., Ltd.	—	None
Advantech Investment Co., Ltd. Representative: Michael Huang		University of Colorado Denver, MS Finance		None
Lutain Investment Co., Ltd. Representative: Alex Yang		Master in Electrical Engineering, NTU IP Network Management, Eastern Media Technology (EMT)		None
Director Alex Huang		Master in International Business, NCCU Sales Director of Stream Technologies Inc.		None
Director Ellen Weng		Bachelor in ECS, Feng Chia University Sales Manager of Hand Information Co., Ltd.		None
Independent Director Jason Lee		Master of Business Administration, NTU President of Da Hwa International Securities Investment Consulting Co., Ltd	None of the conditions set forth in Items 1 to 9, Paragraph 1, Article 3 of the "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies" have been found, and conditions of independence have been met.	None
Independent Director Li Ming-juinn		LL.D. at Kyoto University Assistant Professor of Law School, Okayama University Assistant Research Fellow of Institute of International Relations, NCCU		1
Independent Director Chorng-Shyong Ong		Doctor of Business Administration, NTU Deputy Dean of College of Management, NTU Member of Board of Examiners of Civil Service Examinations		1
Independent Director Cllin Lin		PhD of Electrical Engineering, NTU Professor of Department of Electronic Engineering and Dean of School of Engineering and Management, Huaan University		None

II. Diversity and independence of the Board of Directors:

- (I) Board Diversity: The members of the Company's Board of Directors are nominated and elected according to the Articles of Incorporation. All directors are elected using the candidate nomination system, which assesses the candidates' education and work experiences while following “Regulations Governing the Election of Directors” and “Corporate Governance Best Practice Principles” to ensure the diversity and independence of the Board members. The current Board is comprised of 9 directors (including 4 independent directors). The members are equipped with various professional capabilities including production and management, decision-making, knowledge of the Industry, global perspective and the ability to perform accounting and financial analysis.

Diversity Items Name	Basic composition									Professional knowledge and skills				
	Gender	Nationality	Title	Age			Independent director office term			Ability to manage a business	Decision-making ability	Knowledge of the industry	Global perspective	Ability to perform accounting and financial analysis
				Under 50	50 to 60	Above 60	Below 3 years	3 to 6 years	Over 6 years					
Gary Chen	Male	Republic of China	Chairman President			v				v	v	v	v	
Advantech Investment Co., Ltd. Representative: MichaelHuang	Male	Corporate director	-	v						v	v	v	v	
Corporate director Lutain Investment Co., Ltd. Representative: Alex Yang	Male	Corporate director	Vice President		v					v	v	v	v	
Alex Huang	Male	Republic of China	Vice President	v						v	v	v	v	v
Ellen Weng	Female	Republic of China	Vice President		v					v	v	v	v	
Jason Lee	Male	Republic of China	-		v				v	v	v	v	v	v
Li Ming-juinn	Male	Republic of China	-		v				v	v	v	v	v	v
Chorng-Shyong Ong	Male	Republic of China	-			v	v			v	v	v	v	v
Cllin Lin	Female	Republic of China				v	v			v	v	v	v	

- (II) Board independence: Currently, the Company has 9 directors (including 4 independent directors) and the ratio of independent directors accounts for 44.44%, and the ratio of female directors accounts for 22.22% among all directors. The two female independent directors have each served for more than 6 years. All independent directors comply with the regulations set by the Financial Supervisory Commission (FSC) regarding independent directors, and there are no relationships among any of the directors as specified in Paragraphs 3 and 4 of Article 26-3 of the Securities and Exchange Act.

(III) Information on President, Vice Presidents, Senior VPs, head of each department, and branch officers

April 22, 2025

Title	Nationality	Name	Gender	Date of election/appointment	Shareholding		Shares held by spouse and underage children		Shareholding by nominee arrangement		Education/work experience	Concurrent job position in other companies	Managerial officer who is a spouse or a relative within second degree of kinship			Note
					Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio			Title	Name	Relationship	
President	Republic of China	Gary Chen	Male	1994.5.4	6,364,097	4.48%	0	0%	0	0%	NKUST President of Hand Information Co., Ltd.	Chairman of Hwacom Systems Inc. Representative of Hwakuan Systems Integration Technology (Shanghai) Co., Ltd. Director of Lutain Investment Co., Ltd. Representative of HwaCom Charity Foundation Chairman of S-Link Systems Inc. Director of Tarantula Networks Ltd. Chairman of Family plus technology Inc. Chairman of Open Information Security INC. Chairman of I Resource Management Co., Ltd. Chairman of Hwacom System H.K.,Ltd	None	None	None	Note 1
COO	Republic of China	Simon Wang	Male	2022.2.9	220,000	0.15%	0	0%	0	0%	Masters degree from Industrial Engineering and Management Department, National Tsing Hua University San Jose State University VP, Business Development & Operations/Supermicro Computer Inc. Assistant Professor, Department of Business Management, Ming Chi University of Technology.	Director of Hwacom System H.K.,Ltd Director of I Resource Management Co., Ltd.	None	None	None	
Service Contract Sales Div. Vice President	Republic of China	Jademon d Kuan	Male	1994.5.4	257	0.00%	0	0%	0	0%	Bachelor in ECS, Feng Chia University Senior VP of Hand Information Co., Ltd.	Director of S-Link Systems Inc.	None	None	None	
President's Office Vice President	Republic of China	Albert Ko	Male	2000.11.2	39,000	0.03%	0	0%	0	0%	Department of Accounting, NCCU Holds CPA qualification Finance Director of APEX Science & Engineering Co.	None	None	None	None	
Marketing & Information Div. Vice President	Republic of China	MingYeh Hsieh	Male	2006.10.2	77,789	0.05%	0	0%	0	0%	Department of Computer Science and Information Engineering, Tamkang University Computer Science, Calinforia State University Vice President of Chunghwa Mobile Entertainment Corporation	Director of S-Link Systems Inc. Supervisor of Open Information Security INC.	None	None	None	
Smart Integration Service Div. Vice President	Republic of China	Ellen Weng	Female	1994.7.26	34,688	0.02%	0	0%	0	0%	EMBA in Information Management, NTU	Director of HwaCom Systems Inc.	None	None	None	
Multimedia Integration Div. Vice President	Republic of China	Alex Huang	Male	2004.11.1	169,975	0.13%	0	0%	0	0%	Master in International Business, NCCU Sales Director of Stream Technologies Inc.	Director of HwaCom Systems Inc. Director of Family plus technology Inc.	None	None	None	

Title	Nationality	Name	Gender	Date of election/appointment	Shareholding		Shares held by spouse and underage children		Shareholding by nominee arrangement		Education/work experience	Concurrent job position in other companies	Managerial officer who is a spouse or a relative within second degree of kinship			Note
					Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio			Title	Name	Relationship	
Cybersecurity Center Vice President	Republic of China	Joe Cheng	Male	2011.4.1	15,000	0.01%	0	0%	0	0%	Ph.D., Institute of Management of Technology, National Chiao Tung University President of Telcordia Technologies Taiwan	Director of Open Information Security INC. President, Open Information Security Inc	None	None	None	
Mobile Sales Div. Vice President	Republic of China	Tony Wang	Male	2009.6.1	45,390	0.03%	0	0%	0	0%	Westcoast University MMIS Sales Manager of Avant Telsystem Inc.	Representative of Corporate Director Acom Networks Technology Co., Ltd.	None	None	None	
Information Communication System Integration Div. Vice President	Republic of China	Alex Yang	Male	2017.5.19	112,000	0.08%	0	0%	0	0%	Master in Electrical Engineering, NTU IP Network Management, Eastern Media Technology (EMT)	Representative of Corporate Director Lutain Investment Co., Ltd. Supervisor of S-Link Systems Inc. Director of Family plus technology Inc. Director of Open Information Security INC Director of I Resource Management Co., Ltd.	None	None	None	
Sales Div. II Vice President	Republic of China	MI Tu	Male	2017.5.19	27,000	0.02%	0	0%	0	0%	State University of New York computer science Senior Regional Manager of the Corporate BU, IBM	None	None	None	None	
Software R&D Div. Vice President	Republic of China	YH Leu	Male	2004.9.3	19,179	0.01%	0	0%	0	0%	Master of Computer Systems, Institute of Electrical Engineering, National Chung Cheng University R&D at First International Computer	Director of Family plus technology Inc.	None	None	None	
ICT Service Business Group Chief Technology Officer and Vice President	Republic of China	Henry Lin	Male	2017.3.1	<u>Note 2</u>	-	-	-	-	-	Master of Automation and Control Engineering, NCTU Vice President of Stark Technology Inc. Vice President of Eastern Media International Co., Ltd. Assistant Researcher at Chunghwa Telecom Research Institute	None	None	None	None	
Sales Div. III Vice President	Republic of China	East Wu	Male	1998.9.15	75,353	0.06%	0	0%	0	0%	Department of Electronics, NTUT Assistant Manager at Mercuries Data Systems Ltd.	None	None	None	None	
Smart City Control Solution Integration Div. Vice President	Republic of China	Sky Yang	Male	2010.4.12	60,000	0.04%	0	0%	0	0%	Master of Transportation and Logistics Management, FCU Director of Vsprite Technology Co., Ltd.	None	None	None	None	
Vice President	Republic of China	Steven Chen	Male	2022.2.10	1	0.00%	0	0%	0	0%	Master of Business Administration, NTU Vice President, GIGA-BYTE Technology Co., Ltd. Director, Micro-Star International Co., Ltd.	None	None	None	None	
CFO	Republic of China	Sophia Wang	Female	2022.3.22	5,000	0.00%	0	0%	0	0%	MBA, National Chengchi University. Senior Director, Super Micro Computer, Inc. Chief of Finance, HP Enterprise Taiwan and Hong Kong.	None	None	None	None	
Senior AVP in Audit Office	Republic of China	Caroline Hsiao	Female	2001.2.12	16,950	0.01%	0	0%	0	0%	Accounting, Tamkang University Accounting Officer, APEX Science & Engineering Co.	None	None	None	None	

Title	Nationality	Name	Gender	Date of election/ appointment	Shareholding		Shares held by spouse and underage children		Shareholding by nominee arrangement		Education/work experience	Concurrent job position in other companies	Managerial officer who is a spouse or a relative within second degree of kinship			Note
					Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio			Title	Name	Relationship	
Multimedia Integration Div. Senior AVP	Republic of China	Watson Huang	Male	2008.12.1	139,342	0.10%	0	0%	0	0%	Master of Information Science, NCTU Project Manager, Grandview Video Technology Co., Ltd.	Director of Family plus technology Inc.	None	None	None	
Multimedia Integration Div. Senior AVP	Republic of China	Jerry Huang	Male	2010.11.1	0	0.00%	0	0%	0	0%	Computer Science, SCU Project Manager, Information Flow Technology Co., Ltd.	Supervisor of Family plus technology Inc.	None	None	None	
Products Management and Cybersecurity Div. Senior AVP	Republic of China	Jerry Yang	Male	2011.9.30	23,802	0.02%	0	0%	0	0%	Department of Physics, Tamkang University pAsia Co., Ltd.	None	None	None	None	
Corporate Governance Dept. Senior AVP	Republic of China	Iris Chen	Female	2015.8.3	90,500	0.06%	0	0%	0	0%	Department of Accounting, Fu Jen Catholic University Senior Manager of Lite-on Technology Corporation CPA, BDO Taiwan	None	None	None	None	
Mobile Sales Div. Senior AVP	Republic of China	Tina Wang	Female	2014.5.14	<u>Note 3</u>	-	-	-	-	-	Mechanical Drawing at Yongping Senior High School. Sales Assistant at T-Plus Solutions Limited	None	None	None	None	
Digital Transformation Div. Senior AVP	Republic of China	Warten Pan	Male	2019.5.13	15,643	0.01%	2,000	0%	0	0%	MBA, University of North Alabama NokiaSiemensNetworkIPPlanner	None	None	None	None	
Sales Div. III Senior AVP	Republic of China	James Yang	Male	2019.5.13	18,000	0.01%	0	0%	0	0%	EMBA, National Taiwan University of Science and Technology Director of Ring Line Co., Ltd. Director of Genesis Technology, Inc.	None	None	None	None	
Software R&D Div. AVP	Republic of China	Johnson Hsu	Male	2016.1.6	1	0.00%	0	0%	0	0%	Department of Computer Science and Information Engineering, Dayeh University Technical Lead of Stark Technology Inc. Software Engineer, Giantene Technology Co., Ltd.	None	None	None	None	
Multimedia Integration Div. Senior AVP	Republic of China	Stanley Lin	Male	2011.9.30	<u>Note 4</u>	-	-	-	-	-	Master of Information Management, Aletheia University Project Manager, Twoway Communications, Inc.	None	None	None	None	
Products Management and Cybersecurity Div. AVP	Republic of China	Yuchia Chen	Male	2015.1.4	0	0.00%	0	0%	0	0%	Department of Chemical Engineering, Southern Taiwan University of Science and Technology Network Engineer of Symphox Information Co., Ltd.	None	None	None	None	
Information Communication System Integration Div. AVP	Republic of China	Steven Chen	Male	2015.1.4	18,167	0.01%	0	0%	0	0%	Department of Electronic Engineering, NTUT Broadband Technology Service at Eastern Media International Co., Ltd.	None	None	None	None	
Sales Div. III Senior AVP	Republic of China	Fisher Chung	Female	2018.10.1	45,000	0.03%	0	0%	0	0%	Bachelor of Business Administration, NTUST SYSTEX Corporation Chicony Electronics CO., Ltd. Rohm Semiconductor Taiwan Co., Ltd.	None	None	None	None	

Title	Nationality	Name	Gender	Date of election/ appointment	Shareholding		Shares held by spouse and underage children		Shareholding by nominee arrangement		Education/work experience	Concurrent job position in other companies	Managerial officer who is a spouse or a relative within second degree of kinship			Note
					Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio			Title	Name	Relationship	
Smart Integration Service Div. AVP	Republic of China	Lynn Chung	Female	2019.8.2	<u>Note 5</u>	-	-	-	-	-	EMBA, Shih Chien University	None	None	None	None	
Sales Div. III AVP	Republic of China	Jackie Chang	Male	2019.10.14	0	0.00%	0	0%	0	0%	MBA, University of Southern Queensland Vice President of Dong-Xiang Information Co., Ltd. IP Planner, Nokia Solutions and Networks Taiwan Co., Ltd. Director of DIYIXIAN.COM LIMITED TAIWAN BRANCH (HONG KONG)	None	None	None	None	
Sales Div. III AVP	Republic of China	Victor Kung	Male	2020.2.26	<u>Note 6</u>	-	-	-	-	-	Master of Information Management, National Sun Yat-sen University Senior Business Manager of Omni System Integration, Inc. Project Manager of D-Link Corporation (Taiwan)	None	None	None	None	
Information Communication System Integration Div. Senior AVP	Republic of China	Andy Yu	Male	2020.9.1	36,000	0.03%	0	0%	0	0%	Department of Information Management, NTUB Assistant Manager of LIGHT STAR INFORMATION CO., LTD.	None	None	None	None	
ICT Service Business Group Senior AVP	Republic of China	Chaqe Chu	Male	2020.9.1	31,886	0.02%	0	0%	0	0%	Department of Business Administration, NKUST	None	None	None	None	
Software R&D Div. AVP	Republic of China	Ken Hu	Male	2020.9.1	<u>Note 7</u>	-	-	-	-	-	Department of Marine Environment and Engineering, National Sun Yat-sen University Master of Oceanography, NTU Engineer of Atlas Services Group Energy B.V. R&D Manager of Aboutmedia Technology Co., Ltd. R&D Manager of Monmouth Technologies, Inc.	None	None	None	None	
ICT Service Business Group Senior AVP	Republic of China	Kevin Chen	Male	2020.9.1	<u>Note 8</u>	-	-	-	-	-	Master of Electro-Optical Engineering, National Taipei University of Technology	Director of Engineering Department of S-Link Systems Inc.	None	None	None	
Logistics Div. Senior AVP	Republic of China	Carol Chao	Female	2020.9.1	18,167	0.01%	212	0%	0	0%	Department of Secretarial Science, NTUB	None	None	None	None	
ICT Service Business Group Senior AVP	Republic of China	Athena Tsai	Female	2020.9.1	18,000	0.01%	0	0%	0	0%	Master of Applied Mathematics, NCHU Providence University Mercuries Data Systems Ltd.	None	None	None	None	
Information Communication System Integration Div. Senior AVP	Republic of China	CF Yang	Male	2021.3.2	<u>Note 9</u>	-	-	-	-	-	University of Birmingham MBA Head of New Business Department, Taiwan Fixed Network Co., Ltd. UnaBiz Director	None	None	None	None	
Smart Integration Service Div. AVP	Republic of China	Laurence Jih	Male	2021.10.1	<u>Note 10</u>	-	-	-	-	-	Chinese Culture University Project Manager of MBA TECHNIQUE CO., LTD.	None	None	None	None	

Title	Nationality	Name	Gender	Date of election/appointment	Shareholding		Shares held by spouse and underage children		Shareholding by nominee arrangement		Education/work experience	Concurrent job position in other companies	Managerial officer who is a spouse or a relative within second degree of kinship			Note
					Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio			Title	Name	Relationship	
Smart Integration Service Div. AVP	Republic of China	Rachel Lee	Female	2021.10.1	<u>Note 11</u>	-	-	-	-	-	Master of Tourism Management, NHU	None	None	None	None	
Sales Div. III AVP	Republic of China	Mathew Yu	Male	2021.10.1	6,431	0.00%	0	0%	0	0%	Newport University MBA Assistant Manager of ATEAM Technology CO.	None	None	None	None	
Software R&D Div. AVP	Republic of China	Titan Lee	Male	2022.5.1	<u>Note 12</u>	0.01%	0	0%	0	0%	Department of Information Communications, CCU System Analyst of Altrust Inc.	None	None	None	None	
Sales Div. III AVP	Republic of China	Evan YH Lai	Male	2022.5.1	0	0.00%	0	0%	0	0%	Master of Financial Engineering, King's College, University of London	None	None	None	None	
Senior AVP in Accounting Div.	Republic of China	Stephanie Chang	Male	2024.12.4	<u>Note 13</u>	0.00%	0	0%	0	0%	Department of Accounting, SCU AICPA Senior AVP in Accounting of Ally Logistic Property Co., Ltd. Senior manager of Deloitte Taiwan	None	None	None	None	

Note 1: To enhance the efficiency of corporate governance and ensure prudent decision-making that aligns with maximizing the Company values, the Chairman concurrently serves as the President. This allows for smoother execution of decisions and reduces the likelihood of making unfavorable choices for the Company.

In order to reduce the concentration of power in the Chairman-cum-President role, we are taking steps this year to amend the articles of Incorporation. These amendments include increasing the number of directors and planning for a certain proportion of independent Directors. We aim to maintain the normal functioning of the Board of Directors and mitigate any potential interference.

Note 2: Henry Lin was dismissed of Senior AVP on February 19, 2025.

Note 3: Tina Wang was dismissed of Senior AVP on March 28, 2025.

Note 4: Stanley Lin was dismissed of Senior AVP on January 15, 2025.

Note 5: Lynn Chung was dismissed of Senior AVP on February 19, 2025.

Note 6: Victor Kung was dismissed of Senior AVP on December 30, 2024.

Note 7: Ken Hu was dismissed of Senior AVP on December 30, 2024.

Note 8: Kevin Chen was dismissed of Senior AVP on September 1, 2024.

Note 9: CF Yang was dismissed of Senior AVP on February 20, 2024.

Note 10: Laurence Jih was dismissed of Senior AVP on March 28, 2025.

Note 11: Rachel Lee was dismissed of Senior AVP on February 20, 2024.

Note 12: Titan Lee was dismissed of Senior AVP on March 28, 2025.

Note 13: Stephanie Chang took office of Senior AVP in Accounting on December 4, 2024.

III. Remunerations to Directors, President, and Vice Presidents in the most recent year

(I) Director's remunerations

As of December 31, 2023 (unit: NT\$ thousand; thousand shares)

Title	Name	Director's remuneration								Ratio of total compensation (A+B+C+D) to net income		Remuneration for directors who concurrently serve as employees								Percentage of the total sums of A, B, C, D, E, F, and G on the net profit after tax		Compensation from investments other than subsidiaries or the parent company
		Remuneration (A)		Severance pay and pension (B)		Director's remuneration (C)		Business expenses (D)				Salary, bonuses, and allowances (E)		Severance pay and pension (F)		Employee's remuneration (G)						
		The Company	All companies in the financial statements	The Company	All companies in the financial statements	The Company	All companies in the financial statements	The Company	All companies in the financial statements	The Company	All companies in the financial statements	The Company	All companies in the financial statements	The Company	All companies in the financial statements	The Company		All companies in the financial statements		The Company	All companies in the financial statements	
Chairman	Gary Chen	300	300	0	0	1,941	1,941	19	19	2,260 1.73%	2,260 1.73%	27,735	27,735	20,070	20,070	0	0	0	0	50,065 38.34%	50,065 38.34%	None
Director	Advantech Investment Co., Ltd.																					
Director	Lutain Investment Co., Ltd.																					
Director	Ellen Weng																					
Director	Alex Huang																					
Independent Director	Jason Lee	2,100	2,100	0	0	0	0	64	64	2,164 1.66%	2,164 1.66%	0	0	0	0	0	0	0	0	2,164 1.66%	2,164 1.66%	None
Independent Director	Li Ming-juinn																					
Independent Director	Chorng-Shyong Ong																					
Independent Director	Cllin Lin																					
<div>1. Please describe the policy, system, standards and structure of the compensation of the Independent Directors and explain the relevance of the amount of remuneration paid to them based on factors such as responsibility, risk and time commitment: In accordance with the Company's Remuneration Committee Charter, the Remuneration Committee, is responsible for establishing and periodically reviewing policies, systems, standards, and structures related to the evaluation of directors and managers' performance and compensation. Recommendations regarding director's remunerations are submitted to the Board of Directors for discussion, and are limited to those specified in the Company's Articles of Incorporation or authorized by the Shareholders' Meeting for the Board to execute through a resolution. According to the Company's Articles of Incorporation, the remuneration of the Chairman and directors is determined by the Board of Directors, taking into account their level of involvement and contribution in the Company's operations while also in reference to domestic and international industry standards. In the event of annual profits, the Board of Directors may allocate no more than one percent of the profit as remuneration to directors in a resolution from the Board meeting, while proposals for employee remuneration and director remuneration should also be reported to the Shareholders' Meeting. However, an amount shall be set aside in advance to compensate for cumulative losses, if any, before employee and director remuneration could be allocated according to the aforementioned ratio.</div> <div>2. Except as disclosed above, remuneration received by directors in the most recent year for services rendered to all companies in the financial statement (e.g. acting as a non-employee consultant to parent company/all companies in the financial statements/investees): None.</div>																						

Range of Remuneration

Range of remuneration paid to Directors	Name of Directors	
	Ratio of total compensation (A+B+C+D)	Ratio of total compensation (A+B+C+D+E+F+G)
	The Company	All companies in the financial statements
Under NT\$1,000,000	Jason Lee, Li Ming-juinn, Chorng-Shyong Ong, Cllin Lin, Advantech Investment Co., Ltd.	Jason Lee, Li Ming-juinn, Chorng-Shyong Ong, Cllin Lin, Advantech Investment Co., Ltd.
NT\$1,000,000 (inclusive) to NT\$2,000,000 (exclusive)		
NT\$2,000,000 (inclusive) to NT\$3,500,000 (exclusive)		
NT\$3,500,000 (inclusive) to NT\$5,000,000 (exclusive)		
NT\$5,000,000 (inclusive) to NT\$10,000,000 (exclusive)	Lutain Investment Co., Ltd., Alex Huang	Lutain Investment Co., Ltd., Alex Huang
NT\$10,000,000 (inclusive) to NT\$15,000,000 (exclusive)	Gary Chen 、Ellen Weng	Gary Chen 、Ellen Weng
NT\$15,000,000 (inclusive) to NT\$30,000,000 (exclusive)		
NT\$30,000,000 (inclusive) to NT\$50,000,000 (exclusive)		
NT\$50,000,000 (inclusive) to NT\$100,000,000 (exclusive)		
Greater than NT\$100,000,000		
Total	9	9

- (II) Remunerations paid to Supervisors in the most recent year (2024): The Company has established an Audit Committee, so there is no remuneration for Supervisors.

(III) Remunerations to President and Vice President

As of December 31, 2023 (unit: NT\$ thousand; thousand shares)

As of December 31, 2023 (Unit: NT\$ thousand, thousand shares)														
Title	Name	Salary (A)		Severance pay and pension (B)		Bonus and special allowance, etc. (C)		Employee remuneration (D)				Ratio of total compensation (A+B+C+D) and to net profit after tax (%)		Compensation from investments other than subsidiaries or the parent company
		The Company	All companies in the financial statements	The Company	All companies in the financial statements	The Company	All companies in the financial statements	The Company		All companies in the financial statements		The Company	All companies in the financial statements	
								Cash dividend	Stock bonus	Cash dividend	Stock bonus			
President	Gary Chen	74,954	74,954	20,070	20,070	32,427	32,427	763	0	763	0	128,214 98.18%	128,214 98.18%	0
COO	Simon Wang													
CTO	Henry Lin													
CFO	Sophia Wang													
Service Contract Sales Div. Vice President	Jademon Kuan													
Smart Integration Service Div. Vice President	Ellen Weng													
Information Communication System Integration Div. Vice President	Alex Yang													
Sales Div. II Vice President	MI Tu													
President's Office Vice President	Albert Ko													
Marketing & Information Div. Vice President	MingYeh Hsieh													
Multimedia Integration Div. Vice President	Alex Huang													
Mobile Sales Div. Vice President	Tony Wang													
Software R&D Div. Vice President	YH Leu													
Sales Div. III Vice President	East Wu													
Cybersecurity Center Vice President	Joe Cheng													
Smart City Control Solution Integration Div. Vice President	Sky Yang													
Vice President	Steven Chen													
Smart City Control Solution Integration Div. Vice President	Sky Yang													

Range of Remuneration

Range of remuneration paid to President and Vice Presidents	Name of President and Vice Presidents	
	The Company	All companies in the financial statements
Under NT\$1,000,000	Henry Lin	Henry Lin
NT\$1,000,000 (inclusive) to NT\$2,000,000 (exclusive)		
NT\$2,000,000 (inclusive) to NT\$3,500,000 (exclusive)		
NT\$3,500,000 (inclusive) to NT\$5,000,000 (exclusive)	Jademon Kuan, Albert Ko, MingYeh Hsieh, Tony Wang, YH Leu, Steven Chen	Jademon Kuan, Albert Ko, MingYeh Hsieh, Tony Wang, YH Leu, Steven Chen
NT\$5,000,000 (inclusive) to NT\$10,000,000 (exclusive)	Alex Huang, Joe Cheng, Alex Yang, Sky Yang, Simon Wang, Sophia Wang, ML Tu	Alex Huang, Joe Cheng, Alex Yang, Sky Yang, Simon Wang, Sophia Wang, ML Tu
NT\$10,000,000 (inclusive) to NT\$15,000,000 (exclusive)	Gary Chen, Ellen Weng, East Wu	Gary Chen, Ellen Weng, East Wu
NT\$15,000,000 (inclusive) to NT\$30,000,000 (exclusive)		
NT\$30,000,000 (inclusive) to NT\$50,000,000 (exclusive)		
NT\$50,000,000 (inclusive) to NT\$100,000,000 (exclusive)		
Greater than NT\$100,000,000		
Total	17	17

Managers' Name and the Distribution of Employee Remuneration

Unit: NT\$ thousand; thousand shares

	Title	Name	Stock bonus	Cash dividend	Total	Percentage of total bonuses to net profit after tax (%)
Managers	President	Gary Chen	0	1,109	1,109	0.85%
	COO	Simon Wang				
	CTO	Hsieh-Heng Lin				
	CFO	Sophia Wang				
	Vice President	Jademon Kuan				
	Vice President	Albert Ko				
	Vice President	MingYeh Hsieh				
	Vice President	Ellen Weng				
	Vice President	Alex Huang				
	Vice President	Joe Cheng				
	Vice President	Tony Wang				
	Vice President	Alex Yang				
	Vice President	MI Tu				
	Vice President	YH Leu				
	Vice President	East Wu				
	Vice President	Sky Yang				
	Vice President	Steven Chen				
	Senior AVP in Accounting	Stephanie Chang				
	Senior AVP in	Caroline Hsiao				
	Senior AVP	Watson Huang				
	Senior AVP	Jerry Huang				
	Senior AVP	Jerry Yang				
	Senior AVP	Iris Chen				
	Senior AVP	Tina Wang				
	Senior AVP	Warten Pan				
	Senior AVP	James Yang				
	Senior AVP	Fisher Chung				
	Senior AVP	Andy Yu				
	Senior AVP	Stanley Lin				
	Senior AVP	Chage Chu				
	Senior AVP	Kevin Chen				
	Senior AVP	Carol Chao				
	Senior AVP	Athena Tsai				
	Senior AVP	CF Yang				
	AVP	Yuchia Chen				
	AVP	Steven Chen				
	AVP	Johnson Hsu				
	AVP	Lynn Chung				
	AVP	Jackie Chang				
	AVP	Victor Kung				
	AVP	Ken Hu				
	AVP	Laurence Jih				
	AVP	Rachel Lee				
	AVP	Mathew Yu				
	AVP	Titan Lee				
	AVP	Evan YH Lai				

(IV) Comparison and analysis of remunerations to directors, supervisors, President, and Vice Presidents as a percentage of net profit after tax in the last two years and description of the policy, standards and packages of remunerations, procedure for making such decision and relation to business performance and future risks:

1. Analysis of total remuneration of Directors, Supervisors, President and Vice Presidents as a percentage of net income during the past two fiscal years:

Percentage of total bonuses to net profit after tax (%)	2024			2023		
Title	Total remuneration	Net profit after tax	Percentage of total remuneration to net profit after tax	Total remuneration	Net profit after tax	Percentage of total remuneration to net profit after tax
Director	52,229	130,580	39.99%	27,530	57,620	47.78%
President and Vice Presidents	128,214		98.18%	99,351		172.42%

There have been no changes in the method of paying remunerations to Directors, President, and Senior AVP in the most recent two years.

2. The policies and standards of paying remunerations, and packages of remuneration; the procedure for making such decisions; and relation to business performance and future risks

(1) The policies and standards of paying remunerations, and packages of remuneration

The remuneration for directors and supervisors of the Company is paid in accordance with the provisions of the Company's Articles of Incorporation:

Article 16: "The Board of Directors is authorized to determine remunerations for the Chairman, directors, and supervisors based on their level of participation and contribution to the Company's operations, taking into account industry standards."

The salary structure for the President and Vice Presidents of the Company is executed in accordance with the "Salary and Bonus Management Regulations," with recommendations submitted to the Board of Directors by the Remuneration Committee.

The remuneration for directors and supervisors includes allowances for transportation expenses, remuneration for performing their duties, and for dividend distributions. If directors also hold concurrent positions as employees of the Company, they may also receive employee remuneration. In addition to the base salary, the President and Vice Presidents may also receive additional allowances for managers and employee remuneration based on their positions, duties, and performance.

(2) The procedures for setting remuneration

According to the Article 20 of the Company's Articles of Incorporation:

"If the Company makes profits in a year, 10% to 20% shall be allocated as employee remuneration, and the remuneration for directors and supervisors shall not exceed 1%. However, an amount shall be set aside in advance to compensate for cumulative losses, if any."

"If the Company has earnings to be distributed, taxes shall be reserved and paid first, followed by offsetting accumulated losses. Then, 10% shall be allocated as the legal reserve, and special reserves shall be set up in accordance with the law. If necessary, a portion of the earnings may be retained, and the remainder shall be distributed as dividends to shareholders. Among the dividends distributed in the current year, the proportion of cash dividends shall be no less than 10%, and the rest may be distributed in the form of stock dividends."

(3) Correlation with business performance and future risks

In line with the Company's Articles of Incorporation, remuneration of directors and supervisors is determined according to the dividend distribution proposal

approved by the Shareholders' Meeting, and it is closely related to the Company's operational performance. The Remuneration Committee regularly reviews the remuneration system based on the contributions of individual directors to the Board and the Company's operations.

The remuneration of the President and Vice Presidents is managed in accordance with the "Salary and Bonus Management Regulations," taking into account their contributions to the Company's operations, including future business risks, environmental considerations, and corporate social responsibility. These factors serve as the basis for calculating their remuneration, and the reasonableness of which is also periodically reviewed by the Remuneration Committee.

Therefore, the Company's operational performance is closely linked with the remuneration of directors and supervisors, as well as the remuneration of the President and Vice Presidents.

IV. Implementation of Corporate Governance

- (I) Operating Status of the Board of Directors: A total of 9 (A) meetings of the Board of Directors were held in the past year. The attendance of Directors was as follows:

Title	Name	Actual attendance (B)	Attendance by proxy	Actual attendance rate (%) (B/A)	Note
Chairman	Gary Chen	9	0	100.00%	-
Director	Advantech Investment Co., Ltd. Representative: MichaelHuang	8	0	88.89%	-
Director	Lutain Investment Co., Ltd. Representative: Alex Yang	9	0	100.00%	-
Director	Ellen Weng	9	0	100.00%	-
Director	Alex Huang	9	0	100.00%	-
Independent Director	Jason Lee	9	1	100.00%	-
Independent Director	Li Ming-juinn	8	0	88.89%	-
Independent Director	Chorng-Shyong Ong	9	2	100.00%	-
Independent Director	Cllin Lin	8	0	88.89%	-

Other matters that require reporting:

- I. Should any of the following take place in a Board meeting, the date and number of the meeting, the content of proposal, independent director's opinions, and the Company's response to such opinions should be recorded:
 - (I) Items specified in Article 14-3 of the Securities and Exchange Act: None.
 - (II) Aside from the above matters, other resolutions adopted by the Board of Directors to which an independent director has expressed objections or qualified opinions on record or in writing: None.
- II. Details, including names of directors, proposals, reasons for conflict of interest, and voting, of circumstances where directors recuse themselves due to conflict of interest: None.
- III. TWSE/TPEX listed companies shall disclose the frequency and period, scope, method and content of evaluation of their Board of Directors' self- (or peer) evaluation, and fill in the attached Table (2) on evaluation of the Board of Directors.

Evaluation cycle	Once every year
Evaluation period	Evaluation of the performance of the Board of Directors between January 1, 2024 and December 31, 2024
Evaluation scope	Performance evaluation of the Board of Directors, individual directors, and functional committees
Evaluation method	Internal evaluation of the Board of Directors, self-evaluation of Board members, internal evaluation of functional committees
Evaluation contents	<p>The evaluation content shall include at least the following items based on their respective scope of evaluation:</p> <p>(1) Board Performance Evaluation: Including at least the degree of participation in the Company's operations, the quality of Board decisions, the composition and structure of the Board, the selection and continuing education of directors, internal control, etc.</p> <p>(2) Performance evaluation of individual directors: Including at least the mastery of Company goals and duties, awareness of director responsibilities, degree of participation in company operations, internal relationship management and communication, profession and continuing education of directors, internal control, etc.</p>

	(3) Performance evaluation of functional committees: Degree of participation in the Company's operations, awareness of duties, decision-making quality, composition and selection of members, internal control, etc.
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IV. An evaluation of the goals set for strengthening the functions of the Board and implementation status during the current and immediately preceding fiscal years:

- Board Meeting Efficiency and Evaluation:
The Company has established the "Rules and Procedures for Board of Directors Meetings" in accordance with the guidelines of the "Regulations Governing Procedure for Board of Directors Meetings of Public Companies". In order to enhance the efficiency of Board meetings, the Board of Directors has developed the "Board of Directors Performance Evaluation Guidelines" for evaluation by the Remuneration Committee, which also provides specific improvement recommendations.
- Directors' continuing education:
To encourage directors to engage in continuing education, the Company arranges periodic training courses for directors and supervisors conducted by designated personnel.
- Directors' liability insurance:
To provide protection for directors, supervisors, and managers against risks arising from their business activities, the Company purchases "Liability Insurance for Directors, Supervisors, and Managers" for them on an annual basis.

(II) Operating Status of the Audit Committee:

In the recent fiscal year, the Audit Committees convened 8 meetings (A), and the attendance of directors was as follows:

Title	Name	Actual attendance (B)	Actual attendance rate (%) (B/A)	Note
Independent Director	Jason Lee	8	100.00%	-
Independent Director	Li Ming-juinn	7	87.50%	-
Independent Director	Chorng-Shyong Ong	8	100.00%	-
Independent Director	Clilin Lin	7	87.50%	-

Other matters that require reporting:

- I. The date of the Audit Committee meeting, the term, contents of the proposals, dissenting or qualified opinions given by independent directors or contents of major proposed items, resolutions of the Audit Committee, and the Company's handling of the resolutions of the Audit Committee shall be recorded under the following circumstances in the operations of the Audit Committee meeting.

(I) Items specified in Article 14-5 of the Securities and Exchange Act:

Date of Audit Committee meeting	The content of proposal that is related to the matters listed in Article 14-5 of the Securities and Exchange Act	Audit Committee Dissenting, qualified Opinions
2024.3.7 (Tenth session of the first term)	1.The Company's completed business report and financial statements for 2023. 2.Consolidated financial statements for 2023 3.The deliberation of the "Statement on Internal Control" for 2023. 4.The distribution proposal of director and employee remuneration for the fiscal year 2023. 5.Report on the repurchase of Company shares. 6.Proposal to convene the Shareholder's Meeting for 2024.	None
	Independent directors' dissenting opinions, qualified opinion, or significant recommendations: None.	
	Resolutions from Audit Committee meeting: The chair passed the matter without objection from any directors in attendance.	
	The Board of Directors' responses to the opinion of the Audit Committee: Passed after the Chairman obtained unanimous consent from all attendees.	

		directors and independent directors.		
	2024.4.11 (Eleventh session of the first term)	1. The 2023 dividend distribution proposal. 2. The Company's issuance of new restricted employee shares in 2024. 3. Proposal to convene the 2024 Shareholders' Meeting.	None	
		Independent directors' dissenting opinions, qualified opinion, or significant recommendations: None.		
		Resolutions from Audit Committee meeting: The chair passed the matter without objection from any directors in attendance.		
		The Board of Directors' responses to the opinion of the Audit Committee: Passed after the Chairman obtained unanimous consent from all attending directors and independent directors.		
	2024.5.10 (Twelfth session of the first term)	1. The Company's consolidated financial report for Q1 2024.	None	
		Independent directors' dissenting opinions, qualified opinion, or significant recommendations: None.		
		Resolutions from Audit Committee meeting: The chair passed the matter without objection from any directors in attendance.		
		The Board of Directors' responses to the opinion of the Audit Committee: Passed after the Chairman obtained unanimous consent from all attending directors and independent directors.		
	2024.8.9 (Thirteenth session of the first term)	1. The Company's consolidated financial report for Q2 2024. 2. Ratification for the establishment of Hua-Ai HR Services Co., Ltd.	None	
		Independent directors' dissenting opinions, qualified opinion, or significant recommendations: None.		
		Resolutions from Audit Committee meeting: The chair passed the matter without objection from any directors in attendance.		
		The Board of Directors' responses to the opinion of the Audit Committee: Passed after the Chairman obtained unanimous consent from all attending directors and independent directors.		
	2024.9.4 (Fourteenth session of the first term)	1. Proposal to transfer treasury stocks to employees in accordance with the provisions of the Company's "Procedures for 5th Repurchase of Treasury Stock and Transfer to Employees". 2. Issuance of new shares with restricted employee rights in 2024, and approval of the number of shares to be allocated to managers, directors with concurrent employee status, and non-managerial persons. 3. Proposal to replace the Company's stock transfer agency from December 1, 2024. 4. Submission of 2024 Sustainability Report for review.	None	
		Independent directors' dissenting opinions, qualified opinion, or significant recommendations: None.		
		Resolutions from Audit Committee meeting: The chair passed the matter without objection from any directors in attendance.		
		The Board of Directors' responses to the opinion of the Audit Committee: Passed after the Chairman obtained unanimous consent from all attending directors and independent directors.		
	2024.11.12 (Fifteenth session of the first term)	1. The Company's consolidated financial report for Q3 2024. 2. Drafted the audit plan for the fiscal year 2025.	None	
		Independent directors' dissenting opinions, qualified opinion, or significant recommendations: None.		
		Resolutions from Audit Committee meeting: The chair passed the matter without objection from any directors in attendance.		
		The Board of Directors' responses to the opinion of the Audit Committee: Passed after the Chairman obtained unanimous consent from all attending directors and independent directors.		
	2024.12.4 (Sixteenth session of the first term)	1. Proposal to replace attesting accounting firm and CPAs starting in Q4 2024, and the independence and competency assessment of CPAs.	None	

first term)	2.The change of the Company's Chief Accounting Officer. 3.The change of the Company's Chief Auditor.		
	Independent directors' dissenting opinions, qualified opinion, or significant recommendations: None.		
	Resolutions from Audit Committee meeting: The chair passed the matter without objection from any directors in attendance.		
	The Board of Directors' responses to the opinion of the Audit Committee: Passed after the Chairman obtained unanimous consent from all attending directors and independent directors.		
2024.12.24 (Seventeenth session of the first term)	1.Proposal to amend the Company's "Articles of Incorporation". 2.Proposal to amend certain articles in the Company's internal control system and Revised some of the company's internal control systems and Enforcement Rules of Internal Audit. 3.Proposal to add new operating procedures for the preparation and verification of the Company's Sustainability Report. 4.Proposal to formulate general principles for the Company's policy on pre-approval of non-assurance services.	None	
	Independent directors' dissenting opinions, qualified opinion, or significant recommendations: None.		
	Resolutions from Audit Committee meeting: The chair passed the matter without objection from any directors in attendance.		
	The Board of Directors' responses to the opinion of the Audit Committee: Passed after the Chairman obtained unanimous consent from all attending directors and independent directors.		
<p>(II) In addition to matters above, other resolutions that have not been approved by the Audit Committee but have been passed by a vote of two-thirds or more of the entire Board of Directors: In the past fiscal year, the Company convened 5 Audit Committee meetings, and all of which were attended by all members of the Audit Committee, and all resolutions were passed unanimously.</p> <p>II. When there are recusals of independent directors due to conflicts of interests, names of the independent directors, contents of resolutions, reasons of recusal, and voting participation should be stated: None.</p> <p>III. Independent directors' communication with internal auditors and CPAs (shall include major matters, methods, and results of communication regarding the Company's financial position and business operations):</p> <p>(I) The Company's internal audit supervisor regularly communicates results of the audit report to the Audit Committee and presents internal audit reports during quarterly Audit Committee meetings. In case of any special circumstances, immediate reporting is also made to the Audit Committee members. There were no such special circumstances during 2024. The communication between the Audit Committee and the internal audit supervisor of the Company has been good.</p> <p>(II) The Company's CPAs report the results of their audit or review of the financial statements for each quarter during the Audit Committee meetings. They also communicate any other matters related to legal requirements. In case of any special circumstances, immediate reporting is made to the Audit Committee members. There were no such special circumstances during 2024. The communication between the Audit Committee and the CPAs has been good.</p>			

(III) Functions and powers and continuing education for Corporate Governance Officer:

The Company has appointed Senior VP Iris Chen as the dedicated Corporate Governance Officer by the resolution of the Board of Directors on June 12, 2023 to protect the interests of shareholders and strengthen the functions of the Board of Directors. Senior VP Iris Chen has obtained the qualification to practice as a certified public accountant (CPA). The main responsibilities of a Corporate Governance Officer are handling matters related to the Board of Directors and the shareholders' meeting in accordance with the law, prepare Board of Directors meeting and the shareholders' meeting minutes, assist the directors in their appointment and continuing education, facilitating the directors with the information needed to perform their business, and assist

the directors in compliance with laws and regulations.

Continuing education in 2023 and 2024 was as follows:

Date of Training		Organizer	Course name	Hours of training	The total number of training hours in 2024
Starting on	Ending on				
2023/10/11	2023/10/11	Accounting Research and Development Foundation	Auditing Legal Compliance of Competent Authority Requirement for the Establishment of "Corporate Governance Personnel"	6	6
2024/4/24	2024/4/24	Institute of Internal Auditors-Chinese	1. Practical evolution of the materiality criteria for false financial statements and the determination of directors' and supervisors' responsibilities. 2. Legal liability and practical procedures for the investigation and trial of corporate fraud.	6	21
2024/6/3	2024/6/3	Institute of Internal Auditors-Chinese	The latest context of corporate governance from the perspective of corporate governance evaluation indicators	6	21
2024/9/10	2024/9/10	Taipei Exchange	1st Taipei Session of the Insider Equity Promotion Seminar for Emerging Companies on Taipei Exchange	3	21
2024/11/18	2024/11/18	Institute of Internal Auditors-Chinese	Analysis of financial reports and improvement of operational efficiency from the perspective of operational audit	6	21

(III) Corporate governance practices and discrepancies with Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies and reasons thereof

Evaluation item	Implementation status			Discrepancies from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons
	Y	N	Summary	
I. Has the company defined and disclosed its corporate governance best practice principles in accordance with the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies?	V		The Company has established its corporate governance principles pursuant to the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and disclosed such principles on the Company website.	No significant difference.
II. Shareholding structure & shareholders' equity				
(I) Has the company set internal operations procedures for dealing with shareholder proposals, doubts, disputes, and litigation as well as implemented those procedures through the proper procedures?	V		(I) The Company has appointed a spokesperson and deputy spokesperson to handle shareholder proposals or disputes.	No significant difference.
(II) Does the company have a list of major shareholders of companies over which the company has actual control and the list of ultimate owners of those major shareholders?	V		(II) The Company has entrusted a professional share handling agency for related matters. A dedicated person is responsible for handling these matters and reporting the shareholding from directors, managers, and major shareholders holding 10% or more of the Company's shares on a monthly basis. This ensures that we can stay on top of major shareholders with actual control over the Company.	No significant difference.
(III) Has the company established and implemented risk control/management and firewall mechanisms between it and affiliated corporations?	V		(III) The Company has established the "Transaction Procedures with Related Parties, Specific Companies, and Companies of the Group" as a set of guidelines governing financial transactions with related entities. Additionally, the "Subsidiary Monitoring Regulations" have been put in place to establish appropriate risk management mechanisms and prevent irregular transactions with related entities.	No significant difference.
(IV) Does the company have internal regulations in place to prevent its internal staff from trading securities based on information yet to be public on the market?	V		(IV) The Company has implemented the "Operating Procedures for Handling Material Insider Information and Preventing Insider Trading" to prohibit insiders from trading securities based on undisclosed material information in the market.	No significant difference.
III. Composition and responsibilities of the Board of Directors				
(I) Has the Board of Directors devised and implemented a plan for a more diverse composition of the Board with concrete management goals?	V		(I) The Company has formulated a "Corporate Governance Best Practice Principles", which stipulates that the composition of the Board of Directors should take into account diversity as well as basic conditions (gender, age, nationality and culture) and professional background, skills and industry experiences into consideration based on its operations, business model, and development needs. Board members shall be equipped with knowledge, skills, and attainments generally required for performing their tasks. In order to accomplish the preferred governance goals of the Company, the Board of Directors shall generally be equipped with the following capabilities: 1. Ability to make operational judgments. 2. Ability to perform accounting and financial analysis. 3. Ability to manage the business. 4. Ability to handle crisis management. 5. Knowledge of the industry. 6. An international market perspective. 7. Leadership ability. 8. Decision-making ability. The Company's directors all have different expertise in various fields and are of great help to the Company's development and operations. Of the Company's 9 directors in the 11th term of the Company is listed, including 2 female members, those equipped with leadership, operational judgment, business management,	No significant difference.

Evaluation item	Implementation status			Discrepancies from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons										
	Y	N	Summary											
(II) In addition to establishing a Remuneration Committee and an Audit Committee, which are required by law, is the company willing to voluntarily establish other types of functional committees?	V		crisis management and professional knowledge and international market observers are: Gary Chen, Ellen Weng, Alex Huang, Alex Yang, Michael Huang; while the independent directors are respectively good at financial affairs, industry knowledge and the ability to perform accounting and financial analysis. Jason Lee, Limingjuinn, Chorng-Shy Ong, Cllin Lin The proportion of directors who concurrently serve as employees of the Company is: 33%, independent directors account for 44%, female directors account for 22%, two independent directors have a term of less than 3 years, two have had a term of less than 6 years. In addition, three independent directors are over 60 years old, four are between 50 and 60 years old, and two are under 50 years of age. The Company places a great emphasis on gender equality within the composition of the Board, and the target female representation is 30% or more. The diversity policy formulated by the Board of Directors regarding its composition is disclosed on the Company's website.	No significant difference.										
(III) Has the company established and implemented methods for assessing the performance of the Board of Directors and conducted performance evaluation annually? Does the Company submit results of assessments to the Board of directors and use results as the basis for the salary, remuneration, nomination and reappointment of individual Directors?	V	(II) The Company's Board of Directors have approved the establishment of the "Remuneration Committee", "Audit Committee" and "Sustainable Development Management Committee". (III) The Board of Directors and Remuneration Committee are in charge of determining director remuneration based on the Company's operational performance through referencing industry standards. The Company also continues to improve the level of corporate governance in each year. Starting from the year 2020, we have formulated the Board of Directors Performance Evaluation Guidelines and conduct regular assessments in each year accordingly. The results of these performance evaluations are also reported to the Board.	No significant difference.											
(IV) Does the company periodically evaluate the level of independence of the CPA?	V	(IV) The Company's Audit Committee evaluates the independence and competence of its certified public accountants (CPAs) every year. In addition to requiring the CPAs to provide a "Statement of Independence" and "Audit Quality Indicators (AQIs)", the evaluation is conducted in accordance with the standards in Note 1. It has been confirmed that the CPAs and the Company have no other financial interests or business relationships except for the audit and financial tax-related fees. The results of the evaluation from the most recent year have been discussed and approved by the Audit Committee on December 4, 2024, and submitted to the Board of Directors on December 4, 2024, which has approved the evaluation on the independence and competence of the CPAs.	No significant difference.											
			<table><tr><th>Evaluation item</th><th>Evaluation results</th></tr><tr><td>1. The certifying CPA has no direct or material indirect financial interest relationship with the Company.</td><td>■Y □N</td></tr><tr><td>2. The certifying CPA has no significant close business relationship with the Company.</td><td>■Y □N</td></tr><tr><td>3. There is no potential employment relationship between the certifying CPA and the Company when auditing the Company.</td><td>■Y □N</td></tr><tr><td>4. The family members within the second degree of kinship of the certifying CPA do not serve as directors, supervisors, managers of the Company or in any position that has a direct and material impact on the audit work.</td><td>■Y □N</td></tr></table>		Evaluation item	Evaluation results	1. The certifying CPA has no direct or material indirect financial interest relationship with the Company.	■Y □N	2. The certifying CPA has no significant close business relationship with the Company.	■Y □N	3. There is no potential employment relationship between the certifying CPA and the Company when auditing the Company.	■Y □N	4. The family members within the second degree of kinship of the certifying CPA do not serve as directors, supervisors, managers of the Company or in any position that has a direct and material impact on the audit work.	■Y □N
Evaluation item	Evaluation results													
1. The certifying CPA has no direct or material indirect financial interest relationship with the Company.	■Y □N													
2. The certifying CPA has no significant close business relationship with the Company.	■Y □N													
3. There is no potential employment relationship between the certifying CPA and the Company when auditing the Company.	■Y □N													
4. The family members within the second degree of kinship of the certifying CPA do not serve as directors, supervisors, managers of the Company or in any position that has a direct and material impact on the audit work.	■Y □N													

Evaluation item	Implementation status			Discrepancies from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons
	Y	N	Summary	
			<div>5. The certifying CPA has no familial relationship within the second degree of kinship a director, supervisor or manager of the Company.</div> <div>■ Y □ N</div> <div>6. The certifying CPA does not perform management consulting or other non-audit business for the Company that may affect its independence.</div> <div>■ Y □ N</div> <div>7. The certifying CPA has complied with the regulations of the competent authority for its business undertaking regarding the rotation of CPAs, handling of accounting matters on behalf of others, or other matters that may affect its independence.</div> <div>■ Y □ N</div>	
IV. Does the TWSE/TPEX listed company have a corporate governance unit and sufficient staff as well as a corporate governance officer responsible for corporate governance practices (including but not limited to providing information necessary for directors and supervisors to perform their duties, assisting the board and supervisors in legal compliance, organizing board meetings and annual general meetings as required by law, and compiling minutes of board meetings and annual general meetings) on a full-time or part-time basis?	V		<p>To ensure shareholders' equity and to strengthen the functions of the Board, pursuant to resolution from the Board of Directors meeting on June 12, 2023, Senior VP Iris Chen has been appointed to serve as the Corporate Governance Officer. The main responsibilities of this role are handling matters related to the Board of Directors meetings and the Shareholders' Meetings in accordance with the law, prepare minutes to Board meetings and Shareholders' Meetings, assist the directors in their appointment and continuing education, provide the directors with the information needed to perform their business, and assist the directors in compliance with laws and regulations.</p> <p>Implementation status of relevant tasks in 2024 include the following:</p> <ol style="list-style-type: none"> 1. Handle matters related to Board meetings and prepare minutes of Board meetings in accordance with the law. 2. Review whether the Board resolution constitutes a major announcement. 3. Assist directors with matters related to their continuing education (all directors' continuing education has been reported to the Market Observation Post System (MOPS)). 4. Assist in meeting procedures of the Shareholders' Meeting and compliance matters related to resolutions. 5. Pre-registration of Shareholders' Meeting dates is carried out in accordance with the law, meeting notices, meeting handbook and minutes are prepared within the legal period, and registration changes are handled after the amendment of the Articles of Incorporation and election of directors. 6. Promote the achievement of corporate governance goals and review the scoring requirements for each year's Corporate Governance Evaluation. 7. Arrange for communications between independent directors and internal auditors and CPAs. 8. Purchase liability insurance for directors, supervisors, and key staff members. 	No significant difference.
V. Does the company establish a communication channel and build a designated section on its website for stakeholders (including without limitation shareholders, employees, customers, suppliers, etc.), and properly respond to corporate social responsibility issues that stakeholders are concerned about?	V		The Company has set up a designated section for stakeholders on our website, providing timely and sufficient information for stakeholders to make informed judgments. Additionally, stakeholders can also communicate with us through channels such as telephone or email.	No significant difference.
VI. Has the company designated a professional shareholder	V		Matters related to Shareholders' Meeting, including the scheduling of the Shareholders' Meeting	No significant

Evaluation item	Implementation status			Discrepancies from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons
	Y	N	Summary	
service agency to deal with matters of the shareholders' meeting?			agenda and the completion of relevant reporting procedures is arranged and planned by the agency department of CTBC Bank Co., Ltd.	difference.
VII. Information disclosure				
(I) Has the company established a corporate website to disclose information regarding the company's financial, business, and corporate governance status?	V		(I) The Company has dedicated personnel to maintain and update our corporate website, ensuring timely disclosure of financial and business-related information for shareholders and the general public. Company website: http://www.hwacom.com .	No significant difference.
(II) Has the company established other information disclosure channels (e.g., maintaining an English-language website, appointing responsible people to handle information collection and disclosure, appointing spokespersons, or webcasting investor conferences on the company website)?	V		(II) The Company has appointed dedicated personnel to collect and disclose company information, and a spokesperson and deputy spokesperson system has been established to ensure the timely and proper disclosure of information that may affect the decision-making of shareholders and stakeholders.	No significant difference.
(III) Does the company announce and file the annual financial report within two months after the end of the fiscal year, and announce and declare the Q1, Q2 and Q3 financial reports and operating status of each month within the prescribed deadline?		V	(III) The Company completes the announcement and filing of annual and quarterly financial reports within the statutory deadlines, and submits monthly reports on the operational performance of each month.	Not specified.
VIII. Is there any other important information to facilitate a better understanding of the company's corporate governance practices (including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, continuing education of directors and supervisors, the implementation of risk management policies and risk evaluation standards, the implementation of customer relations policies, and purchasing liability insurance for directors and supervisors)?	V		(I) Employee rights and interests: The Company has always treated employees with honesty and integrity, and safeguards their legal rights in accordance with the Labor Standards Act and the Company's personnel regulations. (II) Employee relations: The Company provides diverse channels for employees to express their opinions, fostering a sense of engagement. It establishes a positive, mutually-trusting relationship with employees through enriching and stabilizing employee welfare systems, providing excellent education and training programs. For instance, We provide allowances for employee club activities, employee travel allowances, group insurance coverage, health check-up services, parking subsidies, and transportation allowances. (III) Investor relations: The Company aims to maximize shareholders' interests and treats all shareholders fairly. It promptly discloses material information, such as financial and business updates, and insider shareholding changes, through the "Market Observation Post System (MOPS)". The company's spokesperson and shareholder services personnel are responsible for addressing shareholder suggestions. (IV) Supplier relations: The Company has always maintained a good relationship with suppliers and handles procurement related matters in accordance with the relevant procurement management procedures. (V) Stakeholder interests: The Company and our transacting banks fulfill rights and obligations based on contracts and relevant operational rules, ensuring the protection of both parties' legal interests. The Company provides sufficient information for stakeholders to understand its operations and financial conditions. Stakeholders may protect their lawful interests through communicating with the Company and making suggestions.	No significant difference. No significant difference. No significant difference. No significant difference. No significant difference.
6. Continuing education of directors and supervisors:				

Evaluation item				Implementation status				Discrepancies from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons
				Y	N	Summary		
	Title	Name	Require d hours of training	Training unit	Training time	Course name	Hours	Note
	Chairman	Gary Chen	6	International Project Management Association (IPMA)	2024/12/17 2024/12/24	Application of Generative AI and ChatGPT Building a succession team and talent development	6	Completed
	Director	Ellen Weng	6	International Project Management Association (IPMA) Securities & Futures Institute	2024/5/28 2024/6/28	Application of Generative AI and ChatGPT Analysis and Practice of Nature-related Financial Disclosure (TNFD)	6	Completed
	Director	Alex Huang	6	International Project Management Association (IPMA)	2024/12/4 2024/12/17	ESG Investment and Corporate Social Responsibility Application of Generative AI and ChatGPT	6	Completed
	Representati ve of corporate director	MichaelHuang g	6	Securities & Futures Institute	2024/7/11 2024/8/1	Chatbot "ChatGPT" revolutionizes new industry trends Economic Conditions and Market Opportunities of New Southbound Countries	6	Completed
	Representati ve of corporate director	Alex Yang	6	Taiwan Corporate Governance Association	2024/8/9 2024/8/16	Green electricity, certificates and sustainable development - the path to net zero for enterprises Data Center Evolution: Development Trends of Siph and Artificial Intelligence Servers	6	Completed
	Independent Director	Li Ming-juinn	6	Securities & Futures Institute	2024/8/1 2024/8/7	Economic Conditions and Market Opportunities of New Southbound Countries Practices of the Audit Committee	6	Completed
	Independent Director	Jason Lee	6	Taiwan Academy of Banking and Finance Securities & Futures Institute	2024/9/27 2024/11/29	Corporate Governance Forum SiPh Defines the Network: Development Trends of Silicon Photonics (SiPh) and Co-Packaged Optics (CPO)	6	Completed
	Independent Director	Chorng-Shyong Ong	6	Securities & Futures Institute	2024/8/12 2024/11/11	Enhancing the sustainable value of the enterprise and improving the risk management system Legal liability of insider trading and intellectual property management responsibilities of supervisors of listed companies - patent rights and trade secrets	6	Completed
	Independent Director	Cllin Lin	6	Securities & Futures Institute Taiwan Corporate Governance Association	2024/7/11 2024/8/16	Chatbot "ChatGPT" revolutionizes new industry trends Development Trends of Siph and Artificial Intelligence Servers	6	Completed
7. Implementation of risk management policies and risk assessment standards: The Company has established internal regulations in accordance with applicable laws to conduct various risk management and assessments.								
(1) Risk management policies								
■Promoting a risk management-oriented business model.								
■Establishing mechanisms for early identification, accurate measurement, effective monitoring, and strict control over risks.								
■Constructing a comprehensive risk management system across the entire company to keep risks within tolerable or controllable limits.								
■Deploying best practices in risk management and achieving continuous improvement.								
(2) Risks and management framework								

Evaluation item		Implementation status			Discrepancies from Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and reasons	
		Y	N	Summary		
	Major risks	Level 1 Control Mechanisms Responsible risk management units		Level 2 Control Mechanisms Risk Assessment Mechanism	Highest Decision-making and Supervisory Mechanisms	
	Operational Risk	Business Units, Technical Support Units		Business Development Management Committee	Highest Decision-making Mechanism: Board of Directors Supervisory Mechanism: Audit Dept.	
	Technological and Industry Changes	Marketing Units, Technical Support Units				
	Cybersecurity Risk	Information Unit				
	Market risk ■ Competitors' Actions ■ New Service Development	Marketing Units, Technical Support Units				
	Policies and Compliance	President's Office				
	Maintaining Corporate Image	Marketing Units				
	Investment and Reinvestment	Finance Unit				
	Employee Safety, Employee Conduct, Ethics, and Integrity	Administrative Unit				
	Interest Rate, Exchange Rate, and Financial Risks	Finance Unit				
	Fund Loans to Others, Endorsements and Guarantees, Derivative Financial Instruments, and Capital Management	Finance Unit				
	Expression of Financial Statements	Unit:				
	Litigation and Non-Litigation Matters	Legal Units				
	Changes in Shareholding of Directors, Supervisors, and Major Shareholders	Shareholders Services Unit				
	Board Meeting Management	Shareholders Services Unit				
8. The execution of customer relations policies: The Company maintains a strong and stable relationship with customers, providing them with exceptional services to generate profits for the Company and creates synergistic growth for both parties.						
9. Status of purchase of liability insurance by the company for directors and supervisors: The Company has purchased liability insurance for directors and supervisors.						
10. Licenses and certificates held by personnel involved in transparency of financial information: (1) President's Office: 1 CPA. (2) Accounting Department: 1 CPA, 2 Bookkeepers who have passed the general professional examination.						
11. Participation of managers in training and continuing education related to corporate governance:						
Title	Name	Organizer	Training time	Course name	Hours of training	Note
President	Gary Chen	International Project Management Association (IPMA)	2024/12/17 2024/12/24	Application of Generative AI and ChatGPT Building a succession team and talent	6	

Evaluation item			Implementation status			Discrepancies from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons
			Y	N	Summary	
					development	
Vice President	Ellen Weng	International Project Management Association (IPMA) Securities & Futures Institute	2024/5/28 2024/6/28		Application of Generative AI and ChatGPT Analysis and Practice of Nature-related Financial Disclosure (TNFD)	6
Vice President	Alex Huang	International Project Management Association (IPMA)	2024/12/4 2024/12/17		ESG Investment and Corporate Social Responsibility Application of Generative AI and ChatGPT	6
Vice President	Alex Yang	Taiwan Corporate Governance Association	2024/8/9 2024/8/16		Green electricity, certificates and sustainable development - the path to net zero for enterprises Data Center Evolution: Development Trends of Siph and Artificial Intelligence Servers	6
COO (Information Security Officer)	Simon Wang	Taiwan Academy of Banking and Finance	2024/12/1~ 2025/3/31		Guidelines for Information Security Control of Listed Companies - online course Information Security Incident Description and Preventive Measures - online course Information Security Awareness, Essential Knowledge and Responsibilities - online course	6
Senior VP (Information security personnel)	Jerry Yang	Taiwan Academy of Banking and Finance	2024/12/1~ 2025/3/31		Guidelines for Information Security Control of Listed Companies - online course Information Security Incident Description and Preventive Measures - online course Information Security Awareness, Essential Knowledge and Responsibilities - online course	6
Corporate Governance Officer	Iris Chen	Accounting Research and Development Foundation Institute of Internal Auditors-Chinese Taipei Exchange	2023/10/11 2024/4/24 2024/6/3 2024/9/10 2024/11/18		Auditing Legal Compliance of Competent Authority Requirement for the Establishment of "Corporate Governance Personnel" 1. Practical evolution of the materiality criteria for false financial statements and the determination of directors' and supervisors' responsibilities. 2. Legal liability and practical procedures for the investigation and trial of corporate fraud. The latest context of corporate governance from the perspective of corporate governance evaluation indicators 1st Taipei Session of the Insider Equity Promotion Seminar for Emerging Companies on Taipei Exchange Analysis of financial reports and improvement of operational efficiency from the perspective of operational audit	21

Evaluation item	Implementation status			Discrepancies from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons
	Y	N	Summary	
IX. Explain improvements made according to Corporate Governance Evaluation results released in the most recent year by the Corporate Governance Center of Taiwan Stock Exchange and provide priorities to be reinforced and measures among those pending improvement. The Company makes improvements in areas that did not meet the benchmarks in accordance with the Corporate Governance Evaluation results in each year: The Company, having scored in the top 66 to 80 percentile in the tenth Corporate Governance Evaluation, has chosen to prioritize the strengthening of "enhancement of Board structure and operations" aspect. In 2024, the Company's Remuneration Committee has held at least two meetings, with over half of the committee members being independent directors, and all committee members have attended at least two meetings.				

(IV) If the company has set up a Remuneration Committee, disclose its composition, duties, and operations:

1. Information on members of the Remuneration Committee

Type of identity	Criteria Nam	Professional qualifications and experience	Independence status	Number of other public companies in which the member also serves as a member of their Remuneration Committee
Independent Director (Convener)	Jason Lee	Master of Business Administration, NTU. President of Da Hwa International Securities Investment Consulting Co., Ltd	None of the conditions set forth in Items 1 to 9, Paragraph 1, Article 3 of the "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies" have been found, and conditions of independence have been met.	0
Independent Director	Li Ming-juinn	LL.D. at Kyoto University. Assistant Professor of Law School, Okayama University. Assistant Research Fellow of Institute of International Relations, NCCU	None of the conditions set forth in Items 1 to 9, Paragraph 1, Article 3 of the "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies" have been found, and conditions of independence have been met.	0
Independent Director	Chorng-Shyong Ong	Doctor of Business Administration, NTU. Deputy Dean of College of Management, NTU. Member of Board of Examiners of Civil Service Examinations.	None of the conditions set forth in Items 1 to 9, Paragraph 1, Article 3 of the "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies" have been found, and conditions of independence have been met.	1

2. Operations of the Remuneration Committee

- (1) The current Remuneration Committee consists of three members.
- (2) Current term: From June 23, 2022 to June 22, 2025. The Remuneration Committee held 3 meetings (A) in the most recent fiscal year, and the qualifications and attendance of its members are as follows:

Title	Name	Number of actual attendance (B)	Attendance by proxy	Actual attendance rate (%) (B/A) (Note 1)	Note
Convener	Jason Lee	4	1	100%	None
Committee member	Li Ming-juinn	4	0	100%	None
Committee member	Chorng-Shyong Ong	4	1	100%	None
Other matters that require reporting:					
I. If the Board of Directors did not adopt or revise the recommendations of the Remuneration Committee, it should describe the date of the Board meeting, term of the Board, agenda item, resolutions adopted by the Board, and actions taken by the Company in response to the opinion of the Remuneration Committee: None.					
II. If a member opposes a resolution the Remuneration Committee has adopted or has qualified opinions for which there is a written record or a statement, the date and session of the Remuneration Committee meeting, the resolution, opinions of all the members, and the handling of their opinions shall be indicated: None.					

- (3) Operations of the Nomination Committee : The company has no Nomination Committee established

(V) Company's implementation status of sustainable development and deviations from Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies and reasons.

Implementation item	Implementation status			Deviations from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies and reasons
	Y	N	Summary	
I. Has the company established a governance framework to promote sustainable development and a dedicated department (or have another department be responsible for related efforts) for fulfilling sustainable development, with the board of directors authorizing high-level managers to handle such efforts, and having relevant progress be supervised by the board of directors?	V		<p>(I) In response to the rapidly evolving global landscape and industry trends, the Company recognizes that information security and sustainability have become essential pillars for long-term business success. Aligned with our ESG vision and mission, the Board of Directors serves as the highest decision-making body for sustainability-related matters. In 2023 (ROC Year 112), the Company established the Sustainability Development Committee, reporting directly to the Board. Members of the Committee include the Chairman, President, and Vice President. department supervisors.</p> <p>(II) Under the Sustainability Development Committee, the Company has established the ESG Promotion Center, led by the Chief Operating Officer (COO) as Executive Secretary. The Center comprises the following working groups: Corporate Governance, Environmental Protection, Employee Care, Social Engagement, Information Security Center, and the Finance Department (IFRS). Each group is chaired by the respective head of its department. The ESG Promotion Center serves as a cross-functional communication platform that ensures both vertical integration and horizontal coordination. Through monthly routine meetings, the Center identifies key sustainability issues that impact the Company and its stakeholders, formulates corresponding strategies and action guidelines, plans and executes annual initiatives, and continuously monitors implementation outcomes to ensure sustainability strategies are effectively embedded in daily operations..</p> <p>(III) The Sustainability Development Committee formulates the Company's ESG strategy on an</p>	No difference.

Implementation item	Implementation status			Deviations from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies and reasons
	Y	N	Summary	
			<p>annual basis. The Board of Directors evaluates the feasibility and effectiveness of the proposed strategy and makes final decisions based on professional judgment.</p> <p>The Audit Committee reviews the implementation progress semi-annually and advises on adjustments when necessary.</p> <p>The Sustainability Development Committee holds quarterly meetings to review ESG progress, and the COO presents an annual execution report to the Board on behalf of the Committee.</p> <p>(IV) On September 4, 2024, the Sustainability Development Committee submitted its annual performance report for the year 2024 (ROC Year 113) to the Board of Directors.</p>	
II. Does the company perform assessments of risks in environmental, social, and corporate governance issues relevant to its business activities and devise risk management policies and strategies accordingly?	V		<p>(I) This disclosure covers the Company's sustainability performance from January 1 to December 31, 2024.</p> <p>(II) The Sustainability Development Committee, following the materiality principles of the sustainability report, conducted an analysis through communication with internal and external stakeholders and integration of assessments from various departments. Based on this, the Committee identified material ESG topics and developed risk management policies and action plans to ensure effective identification, evaluation, oversight, and mitigation of associated risks.</p> <p>In accordance with the risk assessment results, the Company has formulated the following risk management strategies and measures:</p> <p>1.Environmental - Environmental Impact and Management: The Company has adopted the TCFD (Task Force on Climate-related Financial Disclosures) framework to establish its climate risk identification process. Cross-functional discussions are conducted to evaluate climate-related risks and opportunities.</p>	No difference.

Implementation item	Implementation status			Deviations from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies and reasons
	Y	N	Summary	
			<p>2.Social - Occupational Safety and Health:The Company conducts regular annual fire drills and safety training programs to equip employees with emergency response skills and self-management capabilities, reducing their exposure to situations that may cause injury or illness.</p> <p>3.Corporate Governance:</p> <p>a. Socioeconomic and Legal Compliance:A governance structure and internal control mechanisms have been established to ensure all operations and personnel comply with relevant laws and regulations.</p> <p>b. Strengthening Board Functionality:</p> <p>-Regular training programs are designed for Board members to provide updates on the latest legal, regulatory, and policy developments</p> <p>-Directors' and Officers' Liability Insurance (D&O Insurance) is procured to protect directors in case of legal actions or claims.</p> <p>c. Stakeholder Communication:Various communication channels have been established to foster active engagement and reduce misunderstandings or conflicts. An investor relations email is maintained, with responses handled by the designated spokesperson.</p> <p>(III) The Company holds monthly operational meetings and quarterly Board of Directors meetings. Corporate social responsibility (CSR) issues are regularly included in these meetings to evaluate potential risk factors. The risk assessments cover operational risks not only of the Company but also of its subsidiaries. Based on the level of identified risk, corresponding response measures are developed to ensure business continuity.</p>	
III. Environmental issues				

Implementation item	Implementation status			Deviations from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies and reasons
	Y	N	Summary	
<p>(I) Has the company developed an appropriate environmental management system, given its distinctive characteristics?</p> <p>(II) Is the company committed to achieving efficient use of resources, and using renewable materials that produce less impact on the environment?</p> <p>(III) Does the company evaluate the potential risks and opportunities in climate change with regard to the present and future of its business, and take appropriate countermeasures accordingly?</p> <p>(IV) Does the company take inventory of its greenhouse gas emissions, water consumption, and total weight of waste in the last two years, and implement policies on GHG reduction, water use reduction, or waste management?</p>		V	<p>(I) Environmental management requirements are not applicable given the nature of our industry, and therefore, relevant systems have not been established.</p> <p>(II) The Company promotes an office supplies recycling and reuse program to enhance resource utilization efficiency, aiming to effectively utilize and recycle resources.</p> <p>(III) Since 2016, the Company has been participating annually in the surveys conducted by international organizations CDP (known as Carbon Disclosure Project) and EcoVadis, and has disclosed information regarding greenhouse gas emissions, water consumption, waste, and more. We have also implemented policies to promote energy efficiency, carbon reduction, and water conservation. The Company publishes a TCFD Report every year to disclose how the Company's operations respond to the impacts and risks caused by climate change.</p> <p>(IV) The Company calculates carbon emissions and water consumptions as a part of the CDP and EcoVadis questionnaire survey process. Furthermore, we have implemented energy conservation and carbon reduction measures throughout the office, such as temperature control for air conditioning, the use of high-efficiency and low-power lighting equipment, while preventing simultaneous use of high-power appliances in the same outlet, turning off lights in unoccupied spaces, and encouraging employees to use stairs instead of elevators. We actively promote energy conservation and environmental awareness among our staff, regularly evaluate energy-saving effectiveness, and strive to meet international and domestic environmental standards as part of our ongoing efforts.</p>	<p>Unspecified</p> <p>No difference.</p> <p>No difference.</p> <p>Unspecified</p>
IV. Social topics				
(I) Has the company developed its policies and	V		(I) To fulfill corporate social responsibility and protect	The Company has not developed

Implementation item	Implementation status			Deviations from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies and reasons
	Y	N	Summary	
procedures in accordance with laws and the International Bill of Human Rights?			the basic human rights of employees and stakeholders, the Company respects, supports and voluntarily abides by internationally recognized human rights norms and principles, including the Universal Declaration of Human Rights, the United Nations Global Compact, and the International Labor Organization's Declaration of Fundamental Principles and Rights at Work. We prohibit human rights violations, and have established Procedures on Human Rights Management.	management policies and procedures that directly follow the International Bill of Human Rights.
(II) Does the company establish and implement reasonable employee benefits (including remuneration, leave, and other benefits), and ensure business performance or results are reflected adequately in employee remuneration?	V		In 2024, the Company held human rights protection-related training to a total of 1,619 participants, and cumulatively reaching a total training time of 893 hours. We also regularly publish relevant human rights information to our employees.	No difference.
(III) Does the company provide employees with a safe and healthy work environment? Are employees trained regularly on safety and health issues?	V		<p>(II) Employee salaries are determined based on rankings, functions, and work experience, with periodic salary adjustments and promotions based on performance. Bonuses are also provided to employees based on their performance, and employee remuneration is allocated according to the Company's Articles of Incorporation.</p> <p>(III) Ensuring workplace safety</p> <ol style="list-style-type: none"> 1. The Company has established contingency handling procedures that clearly define response and contingency measures so as to ensure the safety of personnel and assets, mitigate disasters, facilitate rapid recovery, and prevent or minimize accidents. 2. We purchase group insurance for employees, including life insurance, accident insurance, general hospitalization medical insurance and accident medical insurance, etc., and have filed for higher accident insurance coverage for employees working at heights or engaging in higher-risk work. 3. We regularly conduct employee health check- 	No difference.

Implementation item	Implementation status			Deviations from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies and reasons
	Y	N	Summary	
			<p>ups, strengthen accident and medical insurance coverage for employees in high-risk roles, and plan training courses related to labor safety. We also encourage employees to obtain relevant professional licenses and enhance workplace safety inspections.</p> <p>4. To prevent sexual harassment and promote gender equality in the workplace, the Company has established regulations for the prevention of sexual harassment and formed a Sexual Harassment Grievance Committee. Relevant policies and complaint procedures are published on the Company's internal website to provide clear behavioral guidelines for employees in the workplace.</p> <p>Committed to employee safety and health The Company aims to provide a safe, healthy, and comfortable working environment by promoting health and safety management to instill proper awareness and maintaining physical and mental well-being among employees. The following measures are implemented:</p> <p>1. Compliance with environmental protection, safety, and health-related laws and regulations in addition to other requirements.</p> <p>2. To reduce potential hazards in the work environment, new employees must complete general safety and health education training for new workers upon arrival. In addition, we also conduct quarterly fire safety protection training courses, regular building fire safety inspections every six months, and purchase commercial fire insurance for workplaces and equipment.</p> <p>3. Enhancing health education and implementing health check-up to ensure effective health management.</p> <p>4. Encouraging energy conservation and reducing resource wastage.</p>	
(IV) Does the company have in place effective tools to help employees with career planning and development?	V			No difference.
(V) Do the company's products and services comply with relevant laws and international standards in relation to customer health and safety, customer privacy, and marketing and labeling of products and services, and	V			

Implementation item	Implementation status			Deviations from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies and reasons
	Y	N	Summary	
<p>are relevant consumer protection or customer rights protection and grievance procedure policies implemented?</p> <p>(VI) Does the company implement supplier management policies, requiring suppliers to observe relevant regulations on environmental protection, occupational health and safety, or labor and human rights? If so, describe the results.</p>			<p>5. Implementing access control systems in major equipment rooms and office areas to ensure security of personnel and property.</p> <p>6. Implementing energy conservation and carbon reduction initiatives to address global warming.</p> <p>(IV) Regular employer-employee meetings are held, and through the joint participation of employees and the management as well as sufficient communications between the two parties, we have established a very harmonious employer-employee relationship. The Company regularly conducts employee education and training programs, and encourages employees to obtain relevant professional licenses.</p> <p>(V) The Company has a dedicated customer service unit to handle consumer-related services. Our products and services comply with national regulations, and a dedicated customer service email has been set up: service@hwacom.com.</p> <p>(VI) 1. Supplier selection is based on relevant operational evaluations. Prior to engaging with suppliers, the Company requires them to comply with laws and regulations to avoid causing environmental pollution. We select suppliers through a fair, just, and rigorous procurement tender process based on the principles of transparency.</p> <p>2. While our contracts do not explicitly state the termination or rescission of contracts for suppliers in violation of their corporate social responsibility policies, we periodically assess the qualifications of suppliers as a basis for continuing transactions.</p> <p>3. The Company collaborates with suppliers on social care initiatives to enhance corporate social responsibility on an ongoing basis.</p> <p>4. The Company has established an "Ethical Corporate Management Operating Procedures</p>	<p>No difference.</p> <p>Unspecified</p> <p>No difference.</p>

Implementation item	Implementation status			Deviations from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies and reasons
	Y	N	Summary	
			<p>and Code of Conduct", and Article 14 of which is a statement on protecting consumer rights. We have a customer service hotline available on our official website, which serves as a provision for protecting consumer rights.</p> <p>(VII) The Company's involvement in community development and charitable activities is as follows:</p> <p>2024/03/14 Donated NT\$5,160 of rice to Child Welfare League Foundation</p> <p>2024/03/14 Donated NT\$17,850 to replace the radio host of Beigang Elementary School, New Taipei City.</p> <p>2024/08/09 Donated NT\$15,960 to purchase moon cakes for Mid-Autumn Festival for students from Badou Elementary School and Shenmei Primary School in Keelung.</p> <p>2024/08/16 Donated NT\$3,990 to purchase children's Autumn Festival gift box for Chung Yi Social Welfare Foundation</p> <p>2024/06/06 Donate NT\$11,574 to the 'Food Bank for Senior Citizens Residing Alone' fund of Shuangxi District Office</p> <p>2024/08/16 Donated NT\$11,400 to purchase Autumn Festival gift box for the elderly for the Xizhi branch of Huashan Social Welfare Foundation</p> <p>2024/12/19 Donate NT\$15,000 to Huashan Social Welfare Foundation's 2025 Love the Elderly and Reunion Event</p> <p>2024/04/15 Donated NT\$10,000 for Mother's Day cakes to New Sunshine Nursing Home and Keelung Municipal Dung Xin Elementary School</p> <p>2024/05/16 Donated NT\$12,360 for Dragon Boat festival rice dumplings to Eden Social Welfare Foundation</p> <p>2024/07/12 Donated NT\$19,170 for nutritional</p>	

Implementation item	Implementation status			Deviations from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies and reasons
	Y	N	Summary	
			supplements for Bali Aiwei Home for Disabled 2024/07/18 Donated NT\$2,180 for Father's Day cakes to Xizhi New Sunshine Nursing Home 2024/08/09 Donate NT\$1,400 for Mid-Autumn Festival moon cakes at New Sunny Senior's Home 2024/08/30 Donated NT\$18,750 for nutritional supplements including Abbott Ensure nutritional drinks for Bali Aiwei Home for Disabled 2024/12/27 Donated NT\$24,000 to purchase sets of bedding for Aiwei Nursing Home 2024/02/01 Donated NT\$10,000 to Lin at Tucheng Community Welfare Center 2024/09/26 Donated NT\$70,000 to Huang for cancer medical assistance 2024/02/05 Donated NT\$9,330 to Ruifang Social Welfare Food Bank 2024/05/23 Donated NT\$13,576 of canned food to Shulin & Yingge Social Welfare Food Bank 2024/04/18 Donated NT\$300,000 to Hualien Earthquake Relief 2024/11/15 Donated and raised NT\$8,970 for New Year's Eve dinner to Badou Senior High School, Keelung 2024/11/22 Donated NT\$20,000 to Charity Meal Voucher Program at Taipei TKU Alumni Association	
V. Does the company prepare sustainability reports and other reports that disclose non-financial information by following international reporting standards or guidelines? Does the company obtain third-party assurance or guarantees for the preceding reports?		V	(I) The Company discloses relevant and reliable corporate social responsibility information in our Annual Reports prepared for the Shareholders' Meeting. The Company has not yet prepared a Corporate Social Responsibility Report, but will do so in accordance with regulatory requirements going forward.	Since 2022, the Company has been referring to international sustainability reporting guidelines to prepare our Annual Report. The report will include matters that the Company is required to disclose according to GRI, SASB, and SDGs standards.

Implementation item	Implementation status			Deviations from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies and reasons
	Y	N	Summary	
VI. Describe the deviations, if any, between actual practice and the sustainable development regulations, if the company has formulated such principles based on the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies: No difference.				
VII. Other important information to facilitate a better understanding of the Company's implementation of sustainable development:				
<div>(I) Environmental Protection: The Company handles waste generated from production in accordance with environmental regulations, and have centralized management and classification for household waste. We also comply with environmental laws and regulations to ensure environmental protection and resource conservation.</div> <div>(II) Community Involvement, Social Contribution, Community Service, and Social Welfare: The Company actively participates in various activities organized by social welfare organizations to assist the underprivileged in society, promoting community engagement and fostering social solidarity.</div> <div>(III) Consumer Rights: We are committed to product quality and safety, address customer complaints on a timely basis, and provide comprehensive product information to safeguard consumer rights.</div> <div>(IV) Human Rights:<div>1. The contents of the Company's personnel regulations all adhere to the provisions of the Labor Standards Act, and employee-related matters are all handled by dedicated personnel to safeguard employees' rights.</div><div>2. The Company prohibits gender-based discrimination in the recruitment, selection, promotion, performance evaluation, or advancement of job applicants or employees. We also have established relevant measures and regulations to ensure equal treatment.</div></div> <div>(V) Safety and Health:<div>The Company is committed to providing a safe, healthy, and comfortable working environment. To promote occupational health and safety, we implement a range of initiatives to foster proper awareness and support employees' physical and mental well-being. The key measures are as follows:</div><div>1. Ensure full compliance with environmental protection, occupational safety and health laws, and all relevant regulatory requirements.</div><div>2. Identify and reduce potential hazards in the workplace. All new employees receive general occupational safety and health training upon onboarding. Fire safety and protection training is conducted quarterly. Comprehensive fire safety inspections of buildings are performed every six months. Commercial fire insurance is maintained for workplaces and equipment.</div><div>3. Enhance health education campaigns, conduct regular health check-ups, and implement follow-up health management programs.</div><div>4. Promote energy-saving practices and reduce resource consumption to foster environmental responsibility.</div><div>5. Install access card systems in key server rooms and office areas to ensure the safety of personnel and property.</div><div>6. In response to global warming, the Company has implemented energy-saving and carbon reduction initiatives.</div></div>				

(VI) Implementation of ethical corporate management and measures and departure from Ethical Corporate Management Best Practice Principles

for TWSE/GTSM Listed Companies and reasons:

Evaluation item	Implementation status (Note 1)			Deviation from Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and reasons
	Y	N	Summary	
<p>I. Establishment of ethical corporate management policy and approaches</p> <p>(I) Has the company established the ethical corporate management policies approved by the board of directors and stated the policies and practices in its bylaws or external correspondence to maintain business integrity? Are the board of directors and the managerial officers committed in fulfilling this commitment?</p> <p>(II) Has the company established a risk assessment mechanism against unethical conduct, analyzed and assessed operating activities with higher risk of unethical conducts on a regular basis, and established prevention programs accordingly, which shall at least include the preventive measures specified in Paragraph 2, Article 7 of the "Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies"?</p> <p>(III) Does the company clearly provide operating procedures, code of conduct, disciplinary actions, and appeal procedures in its programs against unethical conduct? Does the company enforce the programs above effectively and perform regular reviews and amendments?</p>	<p>V</p> <p>V</p> <p>V</p>		<p>(I) To implement corporate governance, establish an ethical corporate culture and to achieve sound development, the Board has established the "Ethical Corporate Management Best Practice Principles" as a reference framework to achieve good business practices. For more information, please refer to our company's website at http://www.hwacom.com.</p> <p>(II) The Company strengthens our transaction review mechanisms to prevent bribery, corruption, and illegal political contributions, particularly in business activities with a higher risk of unethical behavior within its scope of operations.</p> <p>(III) The Company strictly adheres to the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies" and implements an operation policy of integrity. The management regularly reviews these practices to prevent unethical conduct and ensures the implementation of the Company's business philosophy. For business activities with a higher risk of unethical conduct, on top of enhancing the awareness of ethical conduct among relevant personnel to prevent unethical conduct including inappropriate gifting; the Company has also establishes the "Employee Code of Ethics" to regulate the ethical standards of all employees in the Company and its subsidiaries, aiming to gain public trust, enhance corporate image, and ensure sustainable operation and development of the Company.</p>	No difference.

Evaluation item		Implementation status (Note 1)			Deviation from Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and reasons
		Y	N	Summary	
II.	Implementation of ethical corporate management	V	V	(I) The Company avoids conducting transactions with individuals or entities with a history of dishonest behavior in business activities, and specifies clauses related to ethical business conduct in contracts.	No difference.
(I)	Does the company evaluate the integrity of all counterparties it has business relationships with? Are there any integrity clauses specified in the agreements it signs with business partners?			(II) The Company has formed a "Ethical Corporate Management Promotions Work Group" under the President's Office. The team is responsible for assisting the Board of Directors and management in formulating and supervising the implementation of ethical corporate management policies and prevention plans based on the respective work responsibilities and scope of each unit so as to ensure the implementation of the Ethical Corporate Management Best Practice Principles. This dedicated team will report its implementation status to the Board of Directors at least once a year, and has reported the implementation status for year 2024 to the Board of Directors on December 24, 2024. The Company implements the Ethical Corporate Management Policy, and the expected implementation is as follows: A. Education and training: In each training course, courses on regulations, auditing, risk management, anti-money laundering (AML), etc. will be planned and given so that employees will learn the necessary legal knowledge, service codes and codes of practice. B. Legal compliance advocacy We regularly promote education for all employees with the theme of "implementing ethical values and corporate sustainable development". The training includes summaries of the Ethical Corporate Management Best Practice Principles and Operating Procedures for Material Insider Information, and educate employees on matters they should pay attention to when performing their functions. C. Whistleblower system and the protection of	
(II)	Does the company have a dedicated unit responsible for business integrity under the Board of Directors which reports the ethical management policy and programs against unethical conduct regularly (at least once a year) to the board of directors while overseeing such operations?				

Evaluation item	Implementation status (Note 1)			Deviation from Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and reasons
	Y	N	Summary	
<p>(III) Has the company established policies to prevent conflicts of interests, implemented such policies, and provided adequate channels of communications?</p> <p>(IV) Has the company established effective accounting systems and internal control systems for enforcing ethical corporate management? Has the company designated its internal audit unit to devise relevant audit plans and audit the compliance with the prevention programs accordingly based on the results of assessment of the risk of involvement in unethical conduct or commissioned a CPA to conduct the audit?</p> <p>(V) Does the company provide regular internal and external training on ethical corporate management?</p>	V	V	<p>whistleblowers</p> <p>In the "Corporate Governance Best Practice Principles" and "Ethical Corporate Management Best Practice Principles" A specific reporting system is in place to proactively prevent unethical behavior. Internal and external personnel are encouraged to report unethical or improper behavior. The President's Office is designated as the responsible unit for accepting reports of unethical behavior by employees. The Stakeholder section of the Company website provides effective communication methods for employees, shareholders, stakeholders and external parties. If the report involves a director or senior manager, the matter will be reported to the independent directors. A whistleblower protection system is also established to keep the identity of the whistleblower and content of the report confidential, and the whistleblower is promised to be protected from being improperly dealt with due to the report.</p> <p>No whistleblowing report was received in 2024.</p> <p>(III) Currently, the Company has not established a policy to prevent conflicts of interest. However, employees are encouraged to discuss any concerns they have about their own behavior or work with the Company at any time.</p> <p>(IV) Internal audit personnel develop annual audit plans and conduct audits based on the Company's effective accounting systems and internal control system.</p> <p>(V) The Company provides internal and external training programs on ethical corporate management from time to time. The Company also encourages employees to enroll and participate in training related to ethical corporate</p>	

Evaluation item	Implementation status (Note 1)			Deviation from Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and reasons
	Y	N	Summary	
			management conducted by external institutions.	
III. Implementation of the Company's whistleblowing system (I) Does the company provide incentives and means for employees to report malpractices? Does the company assign dedicated personnel to investigate the reported malpractices? (II) Has the company established standard operating procedures for investigating reported issues, follow-up measures to be adopted after the investigation, and related confidentiality mechanisms? (III) Has the company adopted measures for protecting the whistleblower against improper treatment or retaliation?	V		The Company has established a complaint mailbox to receive complaints and grievances regarding violations of integrity in business operations. . All reports are handled with strict confidentiality, we ensure that whistleblowers are not subjected to improper treatment as a result of their reports.	No difference.
IV. Enhancing information disclosure (I) Has the company disclosed the contents or its ethical corporate management principles as well as relevant implementation results on its website and on the Market Observation Post System?	V		(I) To implement corporate governance, establish an ethical corporate culture and to achieve sound development, the Board has established the "Ethical Corporate Management Best Practice Principles" as a reference framework to achieve good business practices. For more information, please refer to our company's website at http://www.hwacom.com . We have dedicated information disclosure personnel responsible for collecting and disclosing company information on our corporate website.	No difference.
V. Describe the difference, if any, between actual practice and the ethical corporate management principles, if the Company has implemented such principles based on the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies: The Company has formulated and adheres to the "Ethical Corporate Management Best Practice Principles", and the actual operations align closely with the provisions of the principles.				
VI. Other important information to facilitate a better understanding of the company's implementation of ethical corporate management: To implement corporate governance, establish an ethical corporate culture and to achieve sound development, the Board has established the "Ethical Corporate Management Best Practice Principles" as a reference framework to achieve good business practices. For more information, please refer to our company's website at http://www.hwacom.com .				

(VII) Other significant information which may improve the understanding of corporate governance and operation:

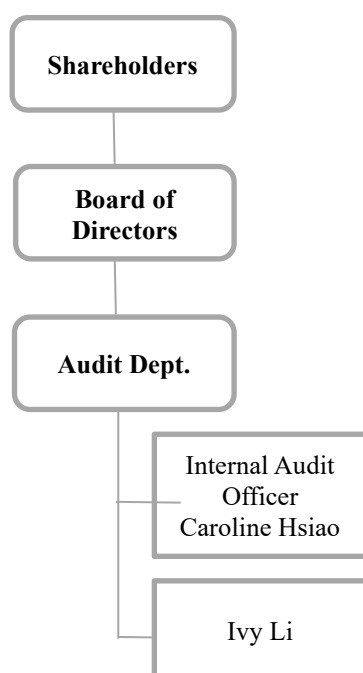
The Company has been continuously reviewing and, as necessary, revising or establishing relevant rules, procedures, and internal operating guidelines to enhance operational efficiency and strengthen risk management mechanisms, thereby improving the implementation of

corporate governance. In recent years, we have aligned with regulatory requirements set forth by supervisory authorities and considered the operational needs of the company. As a result, we have completed the following policies and procedures: "Rules and Procedures for Board of Directors Meetings," "Procedures for the Acquisition or Disposal of Assets", "Procedures for Engaging in Financial Derivative Transactions," "Rules of Procedure for Shareholders Meetings," "Transaction Procedures with Related Parties, Specific Companies, and Companies of the Group," "Operating Procedures for Monitoring Subsidiaries," "Code of Ethics for Directors, Supervisors, and Managers," "Employees Code of Conduct," and "Operating Procedures for Handling Material Insider Information and Preventing Insider Trading." These policies and procedures serve as the basis for our operations. The latest versions of these documents are available on the Company's website and internal portal for reference. For more information, please visit our website at <http://www.hwacom.com>.

(VIII) Status of implementing the internal control system

1. Internal audit organization and operation

(1) Internal audit organization



Responsibilities of internal auditors:

- Urge all departments to establish internal control systems and operating procedures to ensure compliance.
- Implement audit tasks, report audit results, and follow-up on any deficiencies.
- Review the self-assessment results of each department and subsidiaries.
- Handle employee complaints and vendor grievances.
- Other tasks to be executed in accordance with regulations.

(2) The Company's Audit Department directly reports to the Board of Directors, and the scope of its audit includes the Company and its subsidiaries, covering all operational and managerial functions such as finance and business operations. The audits are categorized into eight major cycles, and conducted in accordance with laws and regulations. The primary audit approach is the routine audit conducted in accordance with the annual audit plan. Additionally, special project-based audits are conducted as needed to timely identify potential deficiencies in the internal control system and to offer suggestions for improvement.

(3) After the completion of an audit, the Audit Department prepares audit reports, which are submitted to the Chairman. The internal audit officers regularly report on the execution and results of audits during Board meetings to ensure that corporate governance practices are being fulfilled. Furthermore, the Audit Department encourages self-assessment within each of the Company's departments and helps establish a self-supervision mechanism. The results of these self-assessments serve as a basis for providing recommendations to the Board of Directors and the President for preparing the Statement on Internal Control.

2. If the company engages an accountant to examine its internal control system, disclose the CPA audit report: None.
3. Please refer to the internal control statement published on the Market Observation Post System (MOPS):

<https://mops.twse.com.tw/mops/#/web/t06sg20>

(IX) Important resolutions made during Shareholders' meetings and Board of Directors' meetings in the past year and up to the publication date of this Annual Report:

1. Major resolutions at the Shareholders' Meeting

Date	Contents of the meeting minutes			Special Disclosures
	Summary of proposals	Discussion and resolution	Implementation status of resolution	
2024.5.20 (2024 Shareholders' Meeting)	Reporting Items:			None
	(I) The Company's business report for 2023.	Noted	(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 CPA Office., who has issued an audit report. The financial statements, along with the business report, have also been audited by the Audit Committee.	
	(II) The 2023 due diligence report prepared by the Audit Committee for the financial statements prepared by the Board of Directors for the Shareholders' Meeting.	Noted	(II) The Company had undistributed earnings of NT\$349,876,416 (currency denoted in NTD, same as below) at the beginning of 2023. The net profit of the term was NT\$57,619,580, and it amounted to NT\$68,124,048 after adjustments. After appropriating the legal reserve (NT\$6,812,405), the distributable earnings for the current period was NT\$411,188,059.	
	(III) The report on the distribution of remuneration to directors, supervisors, and employees for 2023.	Noted	(III) To attract and retain the professional talents needed by the Company, motivate employees and enhance employee cohesion, so as to jointly create higher interests for the Company and shareholders, the Company intends to issue new shares with restricted employee rights.	
	(IV) Report on the buyback of treasury shares.			
	Matters for Ratification:			
	(I) The Company's 2023 business report and financial statements.	Noted		
	(II) The dividend distribution proposal for 2023.	Acknowledged		
	Matters for Discussion:			
	(I) The Company's issuance of new restricted employee shares in 2024.	Acknowledged		
		Passed as proposed.		

2. Major resolutions of the Board of Directors meetings

Date/No.	Contents of the meeting minutes	Special Disclosures
2024.3.7 (Eighteenth session of the eleventh term)	Resolutions passed by Board of Directors: 1. The Company's business report and financial statements for 2023. 2. The consolidated and individual financial statements of the Company for 2023. 3. The deliberation of the "Statement on Internal Control" for 2023. 4. Report on the distribution of remuneration to directors, supervisors, and employees for 2023. 5. Report on the buyback of treasury shares. 6. Proposal to convene the 2023 Shareholders' Meeting.	None
2024.4.11 (Nineteenth session of the eleventh term)	Resolutions passed by Board of Directors: 1. The 2023 dividend distribution proposal. 2. The Company's issuance of new restricted employee shares in 2024. 3. Proposal to convene the 2023 Shareholders' Meeting.	None
2024.5.10 (Twentieth session of the eleventh term)	Resolutions passed by Board of Directors: 1. The Company's consolidated financial report for Q1 2024.	None
2024.8.9 (Twenty-second session of the eleventh term)	Resolutions passed by Board of Directors: 1. The Company's consolidated financial report for Q2 2024. 2. Ratification for the establishment of Hua-Ai HR Services Co., Ltd.	None
2024.9.4 (Twenty-third session of the eleventh term)	Resolutions passed by Board of Directors: 1. Proposal to transfer treasury stocks to employees in accordance with the provisions of the Company's "Procedures for 5th Repurchase of Treasury Stock and Transfer to Employees". 2. Proposal to issue new shares with restricted employee rights in 2024, and approval of the number of shares to be allocated to managers, directors with concurrent employee status, and non-managerial persons. 3. Proposal to replace the Company's stock transfer agency from December 1, 2024. 4. Submission of 2024 Sustainability Report for review.	None
2024.11.12 (Twenty-fourth session of the eleventh term)	Resolutions passed by Board of Directors: 1. The Company's consolidated financial report for Q3 2024. 2. Drafted the audit plan for the fiscal year 2025.	None
2024.12.4 (Twenty-fifth of the eleventh term)	Resolutions passed by Board of Directors: 1. Proposal to replace attesting accounting firm and CPAs starting in Q4 2024, and the independence and competency assessment of CPAs. 2. The change of the Company's Chief Accounting Officer. 3. The change of the Company's Chief Auditor.	None
2024.12.24 (Twenty-sixth of the eleventh term)	Resolutions passed by Board of Directors: 1. Proposal to amend the Company's "Articles of Incorporation". 2. Proposal to amend certain articles in the Company's internal control system and Revised some of the company's internal control systems and Enforcement Rules of Internal Audit. 3. Proposal to add new operating procedures for the preparation and verification of the Company's Sustainability	None

	<p>Report.</p> <p>4. Proposal to formulate general principles for the Company's policy on pre-approval of non-assurance services.</p> <p>5. Proposal to amend the Company's Audit Committee Organizational Rules.</p> <p>6. Proposal to amend the Company's Board of Directors Performance Evaluation Guidelines.</p> <p>7. Proposal to amend the Company's Standard Operating Procedures for Handling the Requests of Directors.</p>	
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(X) Dissenting or qualified opinions of directors and supervisors against an important resolution passed by the board of directors that are on record or stated in a written statement in the past year and up to the printing date of this Annual Report: None.

V. Information on CPA Fees

(I) Information on CPA fees

Unit: NT\$ thousand

Name of accounting firm	Name of CPAs:	Audit period	Audit fee	Non-audit fee	Total	Note
BDO Taiwan	Shu-Cheng Chang	2024.01.01~2024.09.30	1,280	135	1,415	Tax Certificatio, Business Registration and others
	Kun-Hsi Hsu	2024.01.01~2024.09.30				
KPMG Taiwan	Geraltine Huang	2024.01.01~2024.12.31	1,280	732	2,012	Business Registration and others
	Leo Chi	2024.01.01~2024.12.31				

(II) If the company changes accounting firm, and the amount of audit fee paid in the year of change is less than that in the year before: None.

(III) If the audit fee decreases by 15 percent or more compared with the previous years: None.

VI. Information on Replacement of CPAs: None.

(I) Regarding previous CPA

Date of replacement	Upon resolution from the Board of Directors on December 4, 2024.		
Reasons for change and explanation	In line with the Company's business and management needs		
Whether termination was initiated by client or accountant has declined to accept the appointment	Scenario	Contracting parties	Certified public accountant (CPA)
	Termination initiated by client		
	CPA declined to accept (continue) the appointment		V
Audit opinions other than unqualified opinions issued in the past two years and reasons	None		
Opinions different from those of issuer	Yes		Accounting principles or practices
			Disclosure of financial report
			Scope or procedure of audit
			Others
	None	V	

	Description:
Other disclosures (Those who should be disclosed in accordance with Items 1-4 to 1-7, Paragraph 6, Article 10 in these Regulations)	None

(II) Regarding succeeding CPA

Name of firm	KPMG Taiwan
Name of CPAs:	Geraltine Huang, Leo Chi
Date of appointment	2024.12.04
Consultation given on accounting treatment or accounting principle adopted for any specific transactions and on possible opinion issued on financial report prior to appointment and results	None
Succeeding CPAs' written opinions that are different from those of the previous CPAs	None

(III) The former CPA's reply to Item 1 and Item 2-3, Paragraph 6, Article 10 of these Regulations: None

VII. Where the company's Chairman, President, or any manager in charge of finance or accounting matters has, during the past year, held a position at the accounting firm of its CPA or at an affiliated company of such accounting firm: None.

VIII. Share transfers and share pledging by Directors, managers and shareholders holding more than 10% equity in the past year and up to the printing date of this Annual Report: None.

(I) Change in share equity among directors, supervisors, managers, and major shareholders

Number of shares: thousand shares

Title	Name	2024		2025 (up to April 22)	
		Increase (decrease) in number of shares held	Increase (decrease) in number of pledged shares	Increase (decrease) in number of shares held	Increase (decrease) in number of pledged shares
Chairman and President	Gary Chen	301	0	100 (100)	0
Corporate director/ Major shareholders holding more than 10% of the shares	Advantech Investment Co., Ltd.	0	0	0	0
Corporate director	Lutain Investment Co., Ltd.	0	0	0	0
Vice President	Alex Yang	90 (28)	90	40 (20)	0
Board Director and Vice President	Ellen Weng	24	0	12 (12)	0
Board Director and Vice President	Alex Huang	24	0	8 (8)	0
Independent Director	Jason Lee	0	0	0	0
Independent Director	Li Ming-juinn	0	0	0	0
Independent Director	Chorng-Shyong Ong	0	0	0	0
Independent Director	Clvin Lin	0	0	0	0
COO	Simon Wang	50	0	70	0
CTO	Henry Lin	0	0	Note 1	Note 1
Vice President	Jadmond Kuan	24 (24)	0	10 (10)	0
Vice President	MI Tu	27	0	8 (8)	0
Vice President	Albert Ko	39	0	8 (8)	0
Vice President	MingYeh Hsieh	24	0	12 (12)	0
Vice President	Joe Cheng	7.5	0	15.5 (8)	0
Vice President	Tony Wang	21.6	0	33.6 (12)	0
Vice President	YH Leu	9	0	21 (12)	0
Vice President	East Wu	75	0	10 (10)	0
Vice President	Sky Yang	60	0	0	0
Vice President	Steven Chen	0	0	12 (12)	0
Vice President and CFO	Sophia Wang	0	0	13 (8)	0
Senior AVP in Audit Office	Caroline Hsiao	6	0	6	0
Senior AVP	Iris Chen	90.5 (10.5)	0	22.5 (12)	0
Senior AVP	Watson Huang	15	0	30 (8)	0
Senior AVP	Jerry Huang	0	0	0	0
Senior AVP	Jerry Yang	6	0	14 (8)	0
Senior AVP	Tina Wang	3.6	0	Note 2	Note 2

Title	Name	2024		2025 (up to April 22)	
		Increase (decrease) in number of shares held	Increase (decrease) in number of pledged shares	Increase (decrease) in number of shares held	Increase (decrease) in number of pledged shares
Senior AVP	Warten Pan	7.5	0	25.5 (18)	0
Senior AVP	James Yang	9	0	21 (12)	0
Senior AVP	Stanley Lin	0	0	Note 3	Note 3
Senior AVP	Fisher Chung	45	0	16 (16)	0
Senior AVP	Andy Yu	36	0	24 (24)	0
Senior AVP	Chage Chu	6	0	6	0
Senior AVP	Kevin Chen	Note 7	Note 7	Note 7	Note 7
Senior AVP	Carol Chao	9	0	27 (18)	0
Senior AVP	Athena Tsai	9	0	9	0
Senior AVP in Accounting Div.	Stephanie Chang	Note 10	Note 10	0	0
AVP	Steven Chen	0	0	0	0
AVP	Yuchia Chen	0	0	0	0
AVP	Johnson Hsu	0	0	0	0
AVP	Lynn Chung	6	0	Note 4	Note 4
AVP	Jackie Chang	0	0	0	0
AVP	Victor Kung	Note 5	Note 5	Note 5	Note 5
AVP	Ken Hu	Note 6	Note 6	Note 6	Note 6
AVP	Laurence Jih	0	0	Note 8	Note 8
AVP	Mathew Yu	0	0	7.5	0
AVP	Titan Lee	9	0	Note 9	Note 9
AVP	Evanyh Lai	0	0	16 (16)	0

Note 1: Henry Lin was dismissed of Senior AVP on February 19, 2025.

Note 2 : Tina Wang was dismissed of Senior AVP on March 28, 2025.

Note 3 : Stanley Lin was dismissed of Senior AVP on January 15, 2025.

Note 4 : Lynn Chung was dismissed of Senior AVP t on February 19, 2025

Note 5 : Victor Kung was dismissed of Senior AVP on December 30, 2024.

Note 6 : Ken Hu was dismissed of Senior AVP on December 30, 2024.

Note 7 : Kevin Chen was dismissed of Senior AVP on September 1, 2024.

Note 8 : Laurence Jih was dismissed of Senior AVP on March 28, 2025.

Note 9 : Titan Lee was dismissed of Senior AVP on March 28, 2025.

Note 10 : Stephanie Chang took office of Senior AVP in Accounting on December 4, 2024.

(II) Information on share transfer: None.

(III) Information on pledged shares: None.

IX. Information on the relationship between any of the top ten shareholders (related party, spouse, or kinship within the second degree):

April 22, 2025 Unit: Shares; %

Name	Shareholding by the individual in question		Shares held by spouse and underage children		Shareholding by nominee arrangement		Titles, names and relationships between top ten shareholders (related party, spouse, or kinship within the second degree)		Note
	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Name (or title)	Relationship	
Advantech Investment Co., Ltd.	24,575,000	17.30%	0	0	0	0	None	None	None
Gary Chen	6,364,097	4.48%	0	0	0	0	Lutain Investment Co., Ltd. HwaCom Systems Inc.	Same Person in Charge	None
Tseng, Lie-Hsi	4,187,000	2.95%	0	0	0	0	None	None	None
Lutain Investment Co., Ltd.	3,008,427	2.12%	0	0	0	0	Gary Chen HwaCom Systems Inc.	Same Person in Charge	None
Lutain Investment Co., Ltd. Representative: Gary Chen	6,364,097	4.48%	0	0	0	0	Gary Chen HwaCom Systems Inc.	Same Person in Charge	None
Wu-Hsien Heish	1,926,000	1.36%	0	0	0	0	None	None	None
TU, LIANG-JYUN	1,837,000	1.29%	0	0	0	0	None	None	None
Dedicated investment account of Barcalays Capital SBL/PB in the custody of Citibank	1,788,000	1.26%	-	-	-	-	None	None	None
DBS Bank account in the custody of Citibank (Taiwan)	1,410,000	0.99%	-	-	-	-	None	None	None
LIN, CHE-MIN	1,101,000	0.78%	0	0	0	0	None	None	None
CTBC Bank Employee Stock Ownship Trust Account of Hwacom System Inc.	1,049,600	0.74%	-	-	-	-	None	None	None

X. Shareholding of the Company, directors, supervisors, managers, and companies that are directly or indirectly controlled by the Company in the same re-invested company

Investee company	Investment by the Company		Investments by Directors, supervisors, managerial officers and directly or indirectly controlled enterprises		Comprehensive investment	
	Number of shares	Shareholding ratio (%)	Number of shares	Shareholding ratio (%)	Number of shares	Shareholding ratio (%)
Zero One Technology Co., Ltd.	125,000	0.07%	0	0	125,000	0.07%
Genie Networks Ltd.	905,679	3.53%	0	0	905,679	3.53%
VeriSilicon Microelectronics(Shanghai)Co., Ltd.	692,548	0.14%	0	0	692,548	0.14%
ACOM NETWORKS TECHNOLOGY Co., Ltd.	380,000	19.00%	0	0	380,000	19.00%

Investee company	Investment by the Company		Investments by Directors, supervisors, managerial officers and directly or indirectly controlled enterprises		Comprehensive investment	
	Number of shares	Shareholding ratio (%)	Number of shares	Shareholding ratio (%)	Number of shares	Shareholding ratio (%)
TBTSoftware Technology CO., Ltd.	500,000	11.63%	0	0	500,000	11.63%
OMNI MEDIA INTERNATIONAL INCORPORATION	500,000	0.76%	0	0	500,000	0.76%
LEON ENERGY CO., LTD.	100,000	0.43%	0	0	100,000	0.43%
TARANTULA NETWORKS LTD. ZQAM COMMUNICATIONS CORPORATION -Normal Stock	56,250	0.53%	0	0	56,250	0.53%
TARANTULA NETWORKS LTD. ZQAM COMMUNICATIONS CORPORATION -Preferred Stock	24,750	0.24%	0	0	24,750	0.24%
TARANTULA NETWORKS LTD.	Note 1	100.00%	0	0	Note 1	100.00%
Hwakuan Systems Integration Technology (Shanghai) Co., Ltd.	Note 1	100.00%	0	0	Note 1	100.00%
Family plus technology Inc.	1,600,000	100.00%	0	0	1,600,000	100.00%
S-LINK SYSTEMS INC.	4,500,000	100.00%	0	0	4,500,000	100.00%
Open Information Security INC.	5,100,000	100.00%	0	0	5,100,000	100.00%
HWACOM SYSTEMS H.K.,Ltd	100,000	100.00%	0	0	100,000	100.00%
I Resource Management ,Ltd	200,000	100.00%	0	0	200,000	100.00%

Note 1: No shares issued.

Chapter 3 Fundraising

I. Capital and Shareholding

(I) Source of Share Capital

1. Capital formulation process

Unit: Shares; NT\$

Year/ Month	Issua nce price	Authorized capital		Paid-in capital		Note		
		Number of shares	Amount	Number of shares	Number of shares	Amount	Number of shares	Number of shares
2021.10	10	200,000,000	2,000,000,000	125,088,526	1,250,855,260	Corporate bonds converted to shares 2,206,834	None	None 1
2022.02	10	200,000,000	2,000,000,000	133,693,380	1,336,933,800	Corporate bonds converted to shares 8,604,854	None	None 2
2022.10	10	200,000,000	2,000,000,000	133,777,565	1,337,775,650	Corporate bonds converted to shares 84,185	None	None 3
2023.05	10	200,000,000	2,000,000,000	136,231,524	1,362,315,240	Corporate bonds converted to shares 2,453,959	None	None 4
2023.08	10	200,000,000	2,000,000,000	140,354,175	1,403,541,750	Corporate bonds converted to shares 4,122,651	None	None 5
2023.11	10	200,000,000	2,000,000,000	140,813,331	1,408,133,310	Corporate bonds converted to shares 459,156	None	None 6
2024.03	10	200,000,000	2,000,000,000	141,050,234	1,410,502,340	Corporate bonds converted to shares 236,903	None	None 7
2025.03	10	200,000,000	2,000,000,000	142,030,234	1,420,302,340	Restricted Stock Awards 980,000	None	None 8

Note 1. Approval Letter No. No. 11001193130 of MOEA on October 28, 2021.

Note 2. Approval Letter No. No. 11101010490 of MOEA on February 14, 2022.

Note 3. Approval Letter No. No. 11101201850 of MOEA on October 31, 2022.

Note 4. Approval Letter No. No. 11230066240 of MOEA on May 3, 2022.

Note 5. Approval Letter No. No. 11230139530 of MOEA on August 7, 2023.

Note 6. Approval Letter No. No. 11230200100 of MOEA on November 6, 2023.

Note 7. Approval Letter No. No. 11230241810 of MOEA on March 22, 2024.

Note 8. Approval Letter No. No. 11430036580 of MOEA on March 18, 2025.

2、Type of Shares

April 22, 2025/ Unit: shares

Type of Shares	Authorized capital			備註
	Outstanding shares	Unissued shares	Total	
Common shares	142,030,234	57,969,766 股	200,000,000 股	OTC

3、Approved to offer and issue marketable securities by shelf registration: None

(II) List of Major Shareholder

April 22, 2025

主要股東名稱	股份	持有股數	持股比例%
Advantech Investment Co., Ltd.		24,575,000	17.30%
Gary Chen		6,364,097	4.48%
Tseng, Lie-Hsi		4,187,000	2.95%
Lutain Investment Co., Ltd.		3,008,427	2.12%
Wu-Hsien Heish		1,926,000	1.36%
TU, LIANG-JYUN		1,837,000	1.29%
Dedicated investment account of Barcalays Capital SBL/PB in the custody of Citibank		1,788,000	1.26%
DBS Bank account in the custody of Citibank (Taiwan)		1,410,000	0.99%
LIN, CHE-MIN		1,101,000	0.78%
CTBC Bank Employee Stock Ownship Trust Account of Hwacom System Inc.		1,049,600	0.74%

(III) Dividend Policy and Implementation Status

1. Dividend policy stipulated in the Articles of Incorporation:

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. At least thirty percent shall be distributed as 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.

2. Distribution of shareholder dividends proposed in the Shareholders' Meeting:

At the beginning of 2024, the Company had undistributed retained earnings of NT\$369,161,289 (denoted in NTD, the same follows). The net profit for the current period was NT\$130,580,089, and the amount after adjustment was NT\$132,025,887. After appropriating NT\$(13,202,589) to legal reserves, the distributable earnings of the current period were NT\$487,984,587. The earnings distribution plan is as follows:

Earning Distribution Plan
Year of 2024

Unit: NT\$

Item	Amount	Note
Undistributed profits at the beginning of the period	369,161,289	
Net profit of the term	130,580,089	
Actuarial profits (losses) included in the retained earnings	1,445,798	
Net profit after adjustment	132,025,887	
Appropriation of 10% as legal reserve	(13,202,589)	
Distributable profits of the current period	487,984,587	
Distribution items		
Shareholder dividends	(63,913,605)	Cash dividends NT\$0.45
Undistributed earnings at end of year	424,070,982	

Note: 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.

3. Any expected material changes in the dividend policy: None.

(IV) Effects of the Stock Dividends Proposed by the Shareholders' Meeting on the Company's Business Performance and Earnings Per Share: Not applicable.

(V) Employees' and Directors' Remuneration

1. Percentages and ranges of remuneration to employees, directors, and supervisors, as specified in the Company's Articles of Incorporation:

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.

2. Basis for estimating the amount of remuneration of employees, directors and supervisors, basis for calculating the number of shares to be distributed as employee bonus, the actual distributed amount for the current period, and the accounting treatment of the discrepancy, if any, between the actual distributed amount and the estimated amount: None.

3. Remuneration proposals passed by the Board of Directors:

(1) Employee, director, and supervisor remuneration will be distributed in cash or shares. If there is any discrepancy with the recognized costs for the year then the difference, reason, and response should be disclosed:

The remuneration for directors, supervisors, and employees for 2024 has been approved by the Board of Directors in a meeting convened on March 12, 2025.

The approved amount for director and supervisor was NT\$1,941 thousand, and for employee NT\$23,297 thousand. The approved remuneration amounts for employees and directors/supervisors were consistent with the estimated figures in the 2024 financial statements.

- (2) The amount of employee remuneration to be paid in shares as a ratio of the cumulative amount of the current net profit after tax and employee remunerations:

The Company did not distribute employee stock dividends for 2022; hence, it is not applicable.

4. Any discrepancy between actual remuneration distribution of employees, directors, and supervisors (including the number of shares, the amount and share price) and the recognized remuneration of employees, directors, and supervisors, and disclosure of the differences, reasons, and responses: None.

(VI) Buyback of treasury stock:

1. Exercised:

April 22, 2025

Repurchase session	The fifth time (session)
Purpose of repurchase	To transfer shares to employees
Repurchase period	From March 24, 2020 to May 21, 2020
Repurchase price range	NT\$9 to NT\$18 per share
Types and amount of repurchased shares	4,338,000 shares of ordinary shares
Value of repurchased shares	NT\$59,797,365
Average price of shares repurchased	NT\$13.78/share
The ratio of the repurchased amount to the planned total repurchase	86.76%
Amount of shares written off and transferred	4,338,000 shares
Cumulative holding of the Company's shares	None
Ratio of cumulative holding of the Company's shares to total shares issued (%)	-

2. Currently exercising: None.

II. Issuance of corporate bonds:

- (I) Issuance of corporate bonds: None.
 (II) Information on Convertible Bonds: None.
 (III) Information on conversion of corporate bonds: None.
 (IV) Status of engaging in shelf registration to issue corporate bonds: None.
 (V) Information of corporate bonds with warrants: None.

III. Issuance of preferred shares:

- (I) Issuance of preferred shares: None.
 (II) Information of preferred shares with warrants: None.

IV. Issuance of Global Depositary Receipts (GDR): None.

V. Issuance of Employee Stock Options: The Company has not engaged in employee stock subscription plans.

VI. Implementation of Restricted Stock Units (RSU):

April 22, 2025

Type of Restricted Stock Units (RSU)	First batch of RSU
Date of approval by competent authorities and total units of share	July 17, 2024 1,000,000 shares
Issuance date	January 8, 2025
Number of RSU shares outstanding	980,000 shares
Number of RSU available for issuance	20,000 shares
Issuance price	NT\$0 issuance, i.e. free distribution to employees
Ratio of units of RSU available for issue to total shares outstanding	0.69%
Conditions for acquiring Restricted Stock Units (RSU)	<ol style="list-style-type: none"> 1. From the day that employees are allocated with restricted stock units (RUS) (i.e. the baseline date for capital increase), they must continue to be a current employee of the Company at the end of each vesting period, and have not violated the Company's labor contract, Work Rules, non-competition, confidentiality agreement, or contractual agreements with the Company during this period. In addition, they must meet the personal performance evaluation indicators set by the Company. The vested shares will be vested over four years, with the vesting dates being May 1 and November 1 of each year. 2. Personal performance evaluation indicators: An employee must score at least a "B+" (inclusive) from the Company for two consecutive evaluations in the most recent year before the expiration of the vested period (Note: "B+" stands for "Excellent").
Restricted Rights for the Restricted Stock Units (RSU)	<ol style="list-style-type: none"> 1. During the vesting period, except by inheritance, employees shall not sell, pledge, transfer, donate to others, set, or dispose of the RSU shares in any other manner. 2. In addition to the preceding restrictions, before the conditions for acquisition are met, the other rights that employees who are allocated with RSU shares in accordance with this regulation, include but are not limited to the following: The rights to receive dividends, bonuses, and capital reserves, and the warrants for cash capital increases, etc. are the same as the common shares issued by the Company, and the relevant operations are executed in accordance with the trust/custody agreement. 3. Before the employee meets the vesting conditions, the employee's attendance, proposal, speech, voting rights and other matters related to shareholder rights at the Company's shareholders' meeting are exercised on its behalf by an entrusted custodian institution.

	<p>4. If the Company exercises capital reduction by cash, reduces capital to make up for losses, or reduces capital for reasons other than statutory capital reduction during the vesting period, the RSU shares received shall be written off in proportion to the capital reduction. If it is a capital reduction by cash, the cash returned must be placed in trust/custody and can only be delivered to employees after the vested conditions have been. However, if the vested conditions are not met, the Company will recover the cash.</p> <p>5. From the book closure date of the Company's free allocation of shares, the book closure date of transfer of cash dividends, the book closure date of transfer of cash subscriptions for capital increase, the period of book closure date of shareholders' meetings as stipulated in Paragraph 3, Article 165 of the Company Act, or other statutory book closure periods arising from facts to the baseline date for rights distribution, the time and procedure for lifting the restrictions on the vested shares of employees who have met the vested conditions during this period shall be implemented in accordance with the trust custody agreement or relevant laws and regulations.</p>
Custodianship of Restricted Stock Units (RSU)	<p>1. After the issuance of the restricted stock units (RSU), they must be delivered to trust/custody immediately. Furthermore, before the vested conditions are met, employees may not request the trustee to return the RSU shares for any reason or in any manner.</p> <p>2. During the period of trust/custodianship for the RSU, the Company shall be the sole agent for the employees to, including but not limited to the following: negotiate, sign, revise, extend, release and terminate the trust/custodianship agreement, and instruct on the delivery, use and disposal of the entrusted asset or asset under custodianship.</p>
Handling method for dealing with employees who fail to meet vested conditions after being awarded with RSU	During the vesting period, except by inheritance, employees shall not sell, pledge, transfer, donate to others, set, or dispose of the RSU shares in any other manner.
Number of RSU that have been redeemed or bought back	0 shares
Number of vested RSU	0 shares
Number of RSU with vesting rights outstanding	980,000 shares
Ratio of RSU with vesting rights to total outstanding shares (%)	0.69%
Impact on shareholders' equity	It is tentatively estimated that earnings per share (EPS) may decrease by NT\$ 0.04, NT\$ 0.04 and NT\$ 0.03 from 2025 to 2028, which will have limited dilution on the Company's earnings per share.

VII. Issuance of new shares for merger or acquisition of shares of other companies: None.

VIII. Implementation of Capital Allocation Plans: The Company has not issued any ongoing or recently completed capital allocation plans where the anticipated benefits have not yet been realized within the past three years.

Chapter 4 Business Overview

I. Business Activities:

(I) Business Scope:

1. Major business activities:

- (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 Maintenance 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) I103060 Management Consulting.
- (79) I301010 Information Software Services.
- (80) I301020 Data Processing Services.
- (81) I301030 Electronic Information Supply Services.
- (82) I401010 General Advertisement Service.
- (83) I501010 Product Designing.
- (84) IE01010 Telecommunications Service Number Agencies.
- (85) IG02010 Research and Development Service.
- (86) IG03010 Energy Technical Services.
- (87) IZ03010 Clipping.
- (88) IZ12010 Manpower Dispatched.
- (89) IZ13010 Internet Certificates Service.
- (90) IZ15010 Market Research and Public Opinion Polling.

- (91) JA02010 Electric Appliance and Electronic Products Repair.
 (92) JE01010 Rental and Leasing.
 (93) ZZ99999 All business activities that are not prohibited or restricted by law, except those that are subject to special approval.

2. Revenue breakdown:

(1) Product Type

2024

Unit: NT\$ thousand

Product name	Sales	Ratio %
Telecom system integration services	1,060,025	19
IP broadband network service	346,819	6
Media industry service	569,410	10
Enterprise customers and others	2,663,960	49
Smart city application service	863,557	16
Total	5,503,771	100.00

(2) Field Category

2024

Unit: NT\$ thousand

Field Category	Sales	Ratio %
ICT integration application services	3,832,330	70
Media integration application services	421,536	8
Information security integration application services	308,737	5
Smart integration application services	941,168	17
Total	5,503,771	100.00

3. The current products (services) of the Company:

Product name	Major applications
Telecom system integration services	PRBT system, UMS system, multifunctional SMS service platform system, regional message notification system platform, EAP-SIM authentication platform, remote backup of storage system, mobile voice gateway platform, 3G/4G LTE network core system, mobile payment services, x86 procurement, NGN7/8, MASS, centralized backup system, unified platform, and more.
IP broadband network service	V2(DSLAN/HGW), GPON-HGW-O equipment, Optical Distribution Network (ODN), MSAN broadband access network, SVG access equipment, AGG-E equipment (L2), DNS network equipment, IP network security services, V2 HGW equipment, and more.
Media industry service	SD/HD, 4K2K content digital transcoding system, multi-format audio/ video Transcoder, camera and broadcasting control/sub-control systems, digital cable TV headend system, HD multimedia set-top boxes, fiber or telecom equipment, data terminal system, network application service, 3D games, Multimedia on Demand (MOD), DRM, and more.
Enterprise customers	Centralized system for general enterprise data centers, enterprise virtualization, cloud computing projects, VDI desktop cloud, cybersecurity system services, big data analysis, EMC bidding, SWRD NETAPP expansion, MTK new data center relocation projects, and more.
Intelligent transportation service (ITS)	The Company provides the necessary equipment for traffic control systems, including CCTV cameras, large-format displays, vehicle detectors, weather sensors (wind, rain, fog), power equipment, fire equipment, IT rooms, event management platforms, surveillant systems, BRT mechatronic

	systems, and customized development of the central computer systems for regional traffic control centers. Such systems integrate various roadside traffic control devices, execute incident response plans, include intelligent transportation and equipment maintenance management apps, provide video recording and graphic control software, as well as image broadcasting software, thereby offering management and decision-making support services, as well as equipment update and maintenance for traffic control systems.
Integrated monitoring platform of Intelligent Operation Center (IOC)	The integrated monitoring platform, aoSCADA, is designed for the IOC of a smart city. It provides diverse intelligent monitoring and management services within an IoT environment.
Innovative business applications	Based on the professional expertise, experience, and resources accumulated in the aforementioned six application domains, the Company plans to develop a wide range of innovative applications and services, including intelligent transportation, Smart Digital Signage, and WiFi O2O service application platforms. These will serve as the Company's development direction in the next decade.

4. Planned development of new products (services):

The Company continues to strive towards its positioning as a Broadband Application Service Integrator, with the goal of realizing the vision of "Any Service Any Device Anywhere" in broadband services. Hwacom has been investing manpower and resources into the development of next-generation IPTV services, systems and network security, and integrated monitoring platforms for IOCs. These efforts aim to enhance our competitive advantage as a major broadband multimedia product supplier in the market. The R&D objectives in this fiscal year are as follows:

(1) Media industry service

A. Multimedia terminal development project:

With the rapid growth of Smart TV, we are committed to continuous innovation and actively collaborate with IC platform suppliers such as: Intel, BroadCom, and domestic companies like Morningstar to develop the next-generation high-end 4K2K ultra-HD set-top box and networked OTT television device. We are also developing devices based on the Android operating system.

B. Cloud-based media service platform:

With the rapid advancement of cloud technology and infrastructure in recent years, HwaCom has partnered with international technology giants to launch a cloud-based media platform. This platform will benefit enterprises and the media industry by providing efficient and cost-effective access to internal media resources and enabling the launch of media products.

(2) Innovative application services

A. Smart Digital Signage

Based on our years of experience in multimedia digital contents and embedded terminal devices, as well as project expertise in information display and multimedia billboards in transportation system, Hwacom foresees a significant demand for electronic billboard applications in various real-life scenarios. As a result, Hwacom is investing to develop Smart Digital Signage as a

new business opportunity.



Products that have been developed include the following:

(A) Android Terminal Player:

A hardware terminal based on the Android platform, equipped with advertisement broadcasting app, information broadcasting app, smart navigation app, etc. It can output HD audio and video to display screen, providing various information display services, and also digital dynamic advertisement broadcasting.

■ Multi-function Advertising Display Solution

可支持多樣化的應用情境



(B) Touchscreen Query Machine (Kiosk):

Collocated with a customized design touchscreen and stand, the aforementioned Android terminal player can be served as a smart navigator/Kiosk. Currently, it has been deployed in highway service areas and communities in the Greater Taipei area, providing interactive information such as traffic conditions, traffic information, local attraction guide, shopping malls, restaurants, bus and railway stations, and tourist hotspots.

(C) Cloud-based Smart Digital Billboard Management System:

Utilizing the expertise of HwaCom in IT and application development, the Company has developed a management system that effectively manages the deployed terminal players/kiosks across multiple locations. The system handles processes such as content distribution and production, and is designed with a cloud-based architecture. All management actions can be performed through the Internet and web browsers.

We also provide a comprehensive functionality designed for the entire process and operations for B2B2C business models, thereby enabling enterprises that use our system and service to scale up their businesses.

■ 直覺式的使用者介面, 易於操作的工作流程



■ 可視即所得的顯示畫面設計編輯器, 以及方便發佈派送機制



■ 可部署於雲端IDC, 採取網頁瀏覽器方式的後端管理系統, 具備高度效能擴充性。



(D) Function-oriented Mobile App Mode

Within the aforementioned "Smart Digital Signage," HwaCom offers function-oriented mobile apps to meet the demand of different customers. Those apps can be easily downloaded and deployed by frontend players in various locations, enabling quick updates and changes to information displays, billboard ad templates, advertisement content, and navigation functions. These apps include: ads broadcasting app, information broadcasting app, smart navigation apps, and more. We will continue to introduce new and innovative apps in the future.

(3) Smart City Management Services

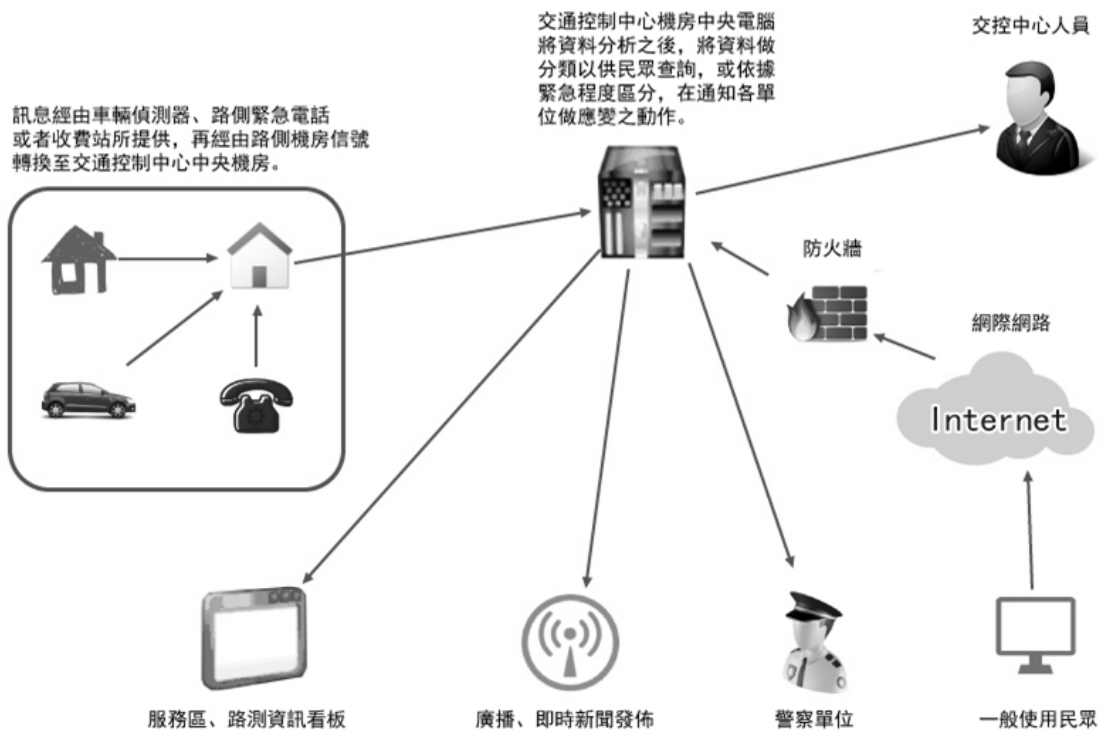
With the rapid development of digital networks and the improvement of network infrastructure, coupled with the maturity of IoT technologies, a diverse range of systems, platforms, and devices have been emerged. This has enabled boundless possibilities in the applications of smart cities. Starting from basic access control systems, alarm systems, video surveillance, and environmental monitoring systems, the Company has further expanded its offering to smart image recognition, intelligent detection, and integrated systems that enable seamless collaboration among different subsystems. The goal is to provide citizens with a safer, more convenient, and comfortable living environment.

The Company specializes in the design and implementation of various network systems. In recent years, the Company has been dedicated to the field of smart city integration solutions, including the development of personalized home system as well as large-scale security control system for professional environments. The Company provides customized design and implementation solutions to address the security requirements of different industries. The overview of our security control solution is as follows:



A. Intelligent Traffic Control

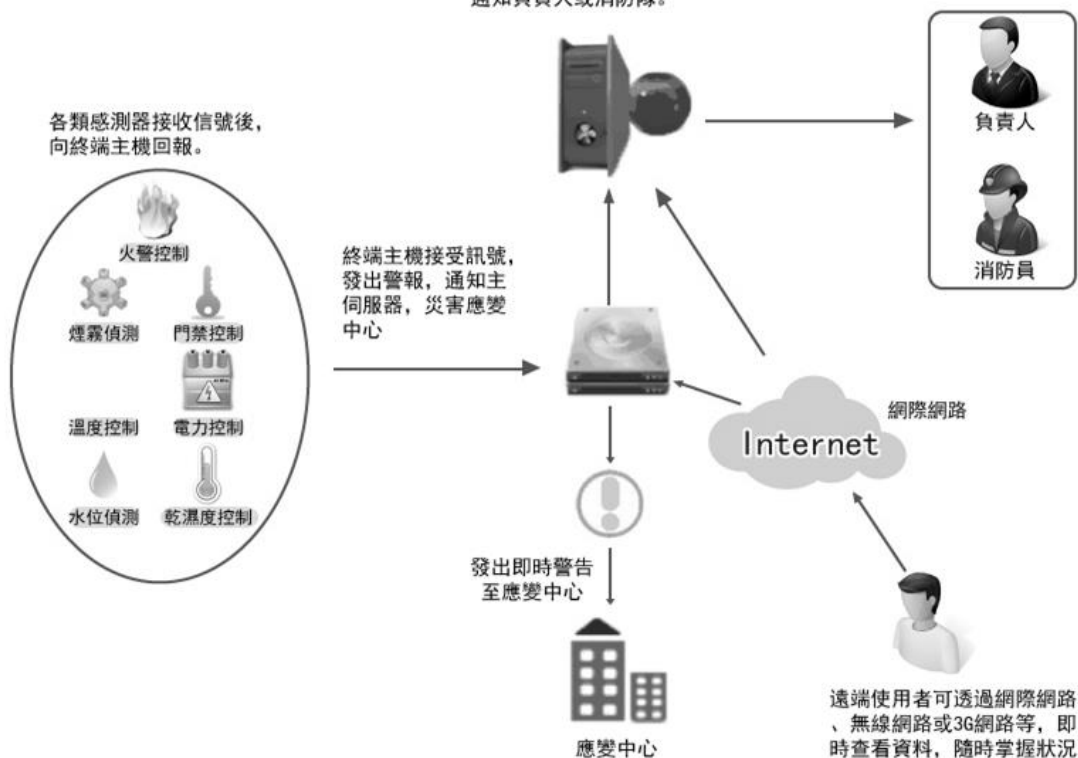
In order to automate the overall operational management of transportation and enhance the quality of transportation services (excerpted from Article 2 of "Enforcement Rules of Act for Promotion of Private Participation in Infrastructure Projects"), we integrate technologies such as information, communication, electronic, control, and management into various transportation infrastructure. This promotes higher transportation efficiency, quality, and safety, thereby realizing environmental protection and the development of green transportation.



B. Intelligent Security Management

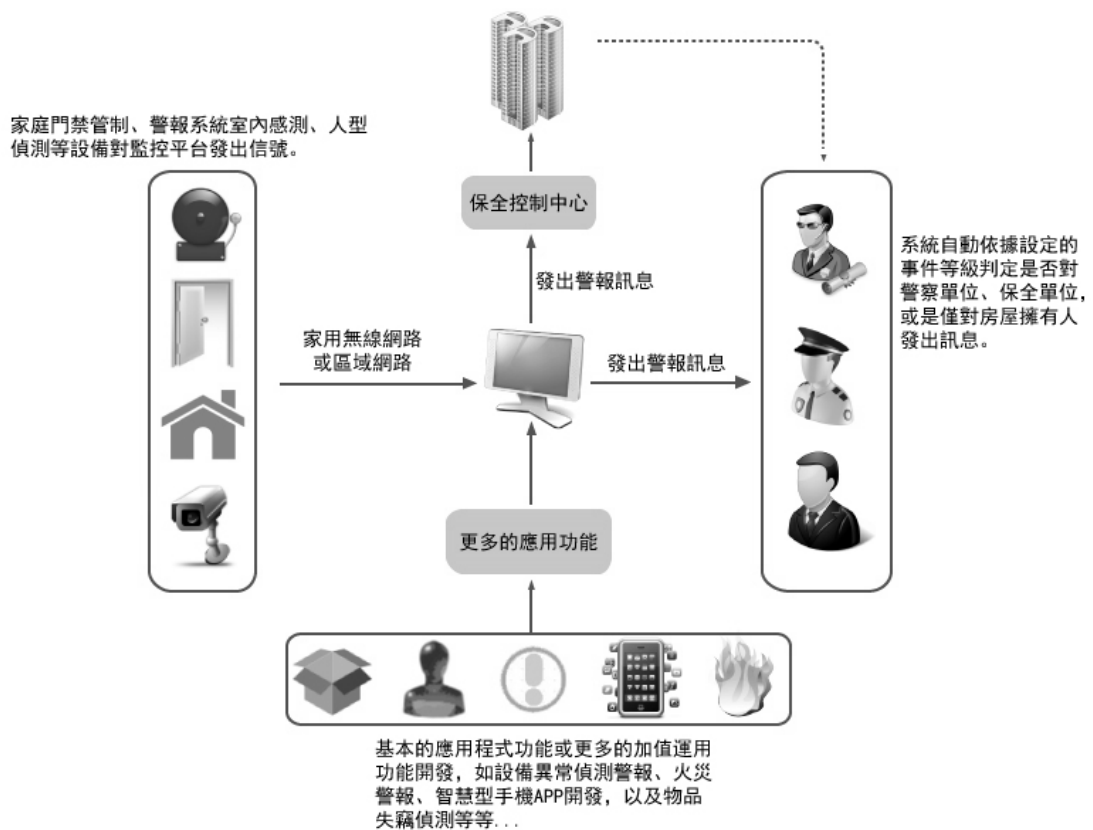
Implementing centralized monitoring and management for all equipment and environmental aspects of the data center, monitoring the operational status and parameters of different systems. In the event of any abnormal incidents, immediate notifications are sent to the administrators, facilitating remote monitoring and enabling prompt responsive measures to be taken.

主要伺服器收集資料並判別事件類型
通知負責人或消防隊。



C. Smart Home

By integrating automation and intelligent technologies with safety, IT, network, and service-related industries, technology is seamlessly incorporated into the architecture, enhancing the safety, convenience, and comfort of everyday living.



(4) Cybersecurity Management Solution

A. Proactive Defense Approach to Address Cybersecurity Challenges in the Era of IoT

With the approaching IoT era, cybersecurity issues have transcended the realm of IT (MIS) and have become a "business risk," subjecting enterprises to significant losses in revenue, competitiveness, and reputation. However, effectively protecting against these threats poses immense challenges. The proliferation of IoT devices not only increases potential vulnerabilities and expands the scope of required defense, but it also presents difficulty in software/firmware updates and management, in addition to the compatibility between existing cybersecurity devices. The lack of security hinders enterprises from properly prioritizing their defense measures. In light of the escalating vulnerabilities within IoT devices, it is crucial for enterprises to evolve their mindset on what qualifies as cybersecurity. Merely relying on traditional approaches of deploying multiple devices and developing numerous regulations without proper implementation review is no longer sufficient. Instead, enterprises should start by defining their critical assets and services and gaining a comprehensive understanding of such assets. This knowledge forms the basis for establishing effective monitoring mechanisms, enabling precise identification of normal and abnormal patterns and ultimately, helping them to refine their proactive defense capabilities. Proactive defense entails a management cycle similar to the PDCA approach. Enterprises first establish KPIs, and based on two main aspects - proactive engagement and reinforced measures - they utilize SIEM and deep packet analysis systems to detect suspicious activities. They then employ tactics such as

counterattacks and slowing down the attacker's progress, effectively impeding hackers' advancements. By continuously identifying threats and allocating resources for customized defense strategies, enterprises strengthen their defensive measures through this iterative process.



B. AI-driven Analysis for an Advanced Defense Architecture

Cybersecurity issues are not new. They have been prevalent throughout history and have evolved significantly. Initially, protection focused on single-point solutions such as antivirus, firewalls, web, and email gateways, and one machine only had one type of defense mechanism. However, as malicious attacks advanced and the proliferation of interconnected devices in the era of IoT increased the number of possible attack entry points, relying solely on single-point defenses became inadequate. This led to the emergence of the concept of collaborative defense, where different types of gateway devices exchanged information and worked in tandem with cloud and endpoint protection mechanisms to form a unified defense network.

To address this challenge, the Company has leveraged a big data platform for value-added development, giving rise to a comprehensive Security Operations Center (SOC) that meets the needs of most enterprises and empowers organizations to integrate real-time visibility into their cybersecurity posture. In the event of an incident, alerts are immediately issued through channels such as SMS messages, app-based push notifications, or emails, enabling management personnel to stay informed about the security situation and take appropriate actions. Additionally, custom commands tailored to specific threat types and policies can be sent to relevant security devices, proactively thwarting attacks.

In the IoT era, an increasing number of devices have IP addresses and Internet connectivity. In an office environment, devices such as PCs, IP phones, printers, IP cameras, and even punch-in clocks are connected to the network, making each of them a potential entry point for malicious programs or facilitators of lateral

infections. Therefore, in addition to network (vertical) protection, enterprises must also prioritize the defense of physical devices and internal network behavior by establishing a lateral defense network. The emergence of Hwacom's next-generation SOC assists businesses in resisting persistent malicious attacks and safeguarding their digital assets. In order to stay up-to-date with the evolving landscape of cybersecurity and promptly establish corresponding capabilities in cybersecurity service provision, the Company has collaborated with several AI analysis solution providers specializing in networking and endpoints, combining their expertise with our intelligent SOC to create a robust fortress of cybersecurity defense.

自主研發 與 資安服務



HwaCom 戰情中心

- 協同式的巨量分析平台
- 集中式的中央管理
- 數據分析的能力
- 快速回應問題的能力

- 弱點掃描
- 滲透測試
- 緊急事件應變
- 程式碼安全檢測
- 物聯網安全檢測服務
- 合規諮詢服務
- 資訊安全整體規劃服務

(5) Home+ Smart Community Services

The outstanding services provided by our Home+ Smart Community have been adopted by the New Taipei City Government. Customized for their needs, the "New Taipei Smart Community" solution is offered to over 8,000 communities throughout New Taipei City. It facilitates seamless communications among the city government, residents, and communities, while the following functions are also enabled:

A. Government announcements

Government policies, event information, weather updates and etc. Information is received instantaneously without missing a beat!

B. Reporting to the government

Bridge the gap between the government and the citizen through technology. New Taipei residents can directly express their opinions to the Mayor using their mobile phones!

C. Building Committee Mailbox

Residents can easily contact their building committee at any time, and the committee can promptly respond to their inquiries, ensuring smooth communications!



(II) Industry Overview

1. Current Trends and Outlook of the Industry:

(1) Current industry state

The Company is a system integration provider for telecom media and network information fields, offering comprehensive broadband solutions. Our business development is closely related to that of the telecommunications industry. In recent years, with the trend of telecom liberalization in the domestic market, there has been an increased demand for broadband infrastructure, providing much more opportunities for us to realize our expertise in broadband technology integration. The following analysis focuses on the current state of the telecom industry, illustrating the industry landscape in which the Company operates.

A. Telecom system integration services

Telecom service providers have been actively promoting smartphones, value-added services, and broadband network solutions to target high-spending consumers and the home market. With the approaching 5G era, telecom operators continue to introduce competitive phone plans. In addition to enhancing their infrastructure and value-added services, they are also increasing their investments in network infrastructure. On the other hand, cable TV operators are also actively digitizing their services, as required by the competent authority, NCC. New cable TV operators are enhancing their fiber Internet and voice-command services, while being actively involved in planning the deployment of fiber networks. These developments are creating opportunities in the digital set-top box and fiber network markets.

However, the traditional telecom service market in Taiwan has reached maturity, with saturated voice market and limited growth prospects. The widespread adoption of the internet, emergence of new broadband service providers, and rise of social media services have eroded the market share of existing fixed-line and mobile communication services. As a result, revenue from fixed-line services continues to decline, and mobile revenue growth is also lower than expected. Unless new services, such as value-added services and IPTV, can effectively drive revenue, revenue growth for telecom operators will continue to be limited.

Furthermore, major telecom operators have begun extensive construction of 5G base stations since Q2 2020. With the high bandwidth and low latency characteristics of 5G, services previously offered through fixed-line and internet networks are gradually expanding into mobile networks. The development of private 5G networks is also a noteworthy area. Enterprises or organizations can establish their own 5G networks without relying on telecom operators. However, the services for private networks are still being explored worldwide, indicating their immense potential. The high bandwidth of 5G will further contribute to the trend of utilizing mobile phones as mobile offices

and entertainment platforms; in particular, the demand for image enhancer apps has created a new industry, with low entry barriers attracting numerous companies and individuals to join the market. Therefore, telecom operators must continue to introduce innovative value-added services to satisfy consumer needs. Going forward, the revenue from mobile services will increasingly replace that of fixed-line services. The emergence of internet telephony services such as Skype, Line, WeChat, etc., will also affect the volume of mobile voice calls. The growth of value-added services will be driven by multimedia audio and video applications. With the increase in mobile communication transmission speed, the proportion of non-SMS mobile data services is expected to keep rising, indicating great potential in the mobile value-added services market. In the future, the profitability of telecom operators will mostly come from value-added services and the enterprise customer market.

B. IP broadband network service

The era of broadband networks has brought new business opportunities for system integrators. Traditional system integration projects for government or related enterprises often have lower profit margins. The traditional system integration business primarily caters to the domestic market, and long-term growth prospects have been questioned due to factors such as intense bidding competition. However, in the era of broadband networks, emerging opportunities have brought significant business prospects for system integrators. For example, system integrators acting as agents for communication network equipment have witnessed substantial business growth in recent years. This is attributed to the increasing demand from Taiwanese companies for digital transformation and cloud-based solutions, as well as the extensive construction of broadband infrastructure by both public and private telecom operators.

System integration, as the name suggests, focuses on the "integration" of software, hardware, while providing consulting services. It is also where most of the Company's profit comes from. Given the enormous investment in telecom, cable TV, as well as enterprise and government infrastructure projects, there are numerous business opportunities for system integration. Since system integration in the telecom and network communication field involves the integration of information, communication, network, and software facilities, it is considered more challenging than traditional system integration, and hence, requires higher entry barriers and fosters greater customer loyalty. Consequently, the profit margin tends to be higher. In recent years, due to the significant deployment and application of WiFi (such as push notifications on smartphones), WiFi, 4G, and 5G integrations have become focal points for broadband network growth. Additionally, IoT and smart cities

are driving forces for future industry growth, and the Company continues to collaborate with international giants like Cisco and Nokia to develop solutions in these areas.

C. Media industry service

(A) IPTV/OTT Market Continues to Grow

Due to the increasing demand for online video and audio content, the OTT IPTV market presents unlimited business opportunities for both domestic and international content providers. In terms of technology, R&D units are actively engaged in developing end-to-end solutions for OTT IPTV in order to develop the OIPF OTT IPTV.

The development of IPTV can be divided into three stages. The first stage involved closed IPTV products such as IP-STB. In the second stage, with the help of open network, content became increasingly diverse. Open IPTV expanded from Internet TV, where users could access online video, to Connected TV, which allows users to control network media content through a remote control. OTT IPTV represents a convergence of the first and second stages, combining closed and open systems with related information services. It offers features such as an application store (Apps Store), cloud-based browsing across multiple devices (e.g., mobile phones, game consoles, and TVs), and personalized control over audio-visual services. Major OTT IPTV terminal device manufacturers include such as HwaCom, iKala, TiVo, Tecom, and Intel, who assist vendors in developing products, enhancing the added value of terminal devices, and expanding the scope of mobile device applications. Network providers such as Taiwan Mobile, Kbro, Homeplus, and Chunghwa Telecom aim to attract users and increase network traffic and utilization. Headend equipment providers such as Anevia, Thomson, and SeaChange facilitate the development of IPTV systems and services, as well as platform integration. Content and application service providers such as ELTA, Hsinyi, and United Daily News focus on helping businesses establish innovative OTT IPTV services, diversify content consumption channels and models, and expand content and service marketing channels. It is evident that innovative services of OTT IPTV creates opportunities for different players in the supply chain, including terminal device manufacturers, network providers, service integrators, and server equipment manufacturers.

The industry is currently facing a transformative environment characterized by "diverse contents" and "various platforms." The cable TV and content industries have entered a new era of cross-industry operation and digital convergence.

In cable TV operations, the number of operating areas has been reduced from 59 to 1 per county or city, and with cross-area operations and area-specific competition made available, each operator will compete for their respective management rights. In addition, the innovative services of OTT platforms allow traditional cable TV operators in Taiwan to position themselves as internet TV providers, promoting their transition to digital, IP-based networks, and developing cloud-based content. The Cable Broadband Institute of Taiwan (CBIT) will establish a CCTF Forum, highlighting the transformative potential and business opportunities brought by OTT services.

(B) The impact of popularity of IPTV in countries including Europe, US, and Japan

Japan was the earliest market to widely adopt high-speed broadband infrastructure, followed closely by South Korea. In recent years, European countries and the United States have also made significant progress in broadband deployment due to the rise of digital content and increasing demand for HD video. They have even reached or surpassed the early adopter countries in terms of bandwidth performance and infrastructure deployment. As a result, IPTV was initially launched in European countries and the US and has gradually expanded to Asian countries. In countries like Japan and South Korea with well-established internet infrastructure, the promotion of IPTV naturally gained momentum. China, which had planned for application of high bandwidth early on, has been gradually catching up with developed countries in terms of network infrastructure and has shown a welcoming attitude towards the promotion and deployment of IPTV. In recent years, the IPTV market in Taiwan has made remarkable progress in promoting IPTV services, successfully catching up with neighboring countries, thanks to the extensive deployment of high-bandwidth infrastructure. Besides, the market size has been gradually expanding. If internet service providers broaden their vision by further increasing bandwidth capacity, and lowering the entry barrier, various value-added services based on broadband can be successfully launched. As a result, the broadband services can achieve greater economies of scale and substantial growth.

(C) The key to the success of IPTV lies in bandwidth service quality

From the perspective of service quality control, managing streaming in IPTV networks presents significant challenges. This is because the streaming management solution must be implemented at various control levels, including: the effectiveness of individual services used by specific accounts, the load on DSL links for designated users, the total number of users supported by a designated line, and the number of buses supported by a specified upstream link. To provide services of different levels, it is essential to classify different levels of information in streaming management.

D. Innovative business applications

(A) Intelligent Transportation System (ITS) and Internet of Vehicles (IoV)

After the prosperous development of 3C industry, the 4C automotive electronics industry, is rapidly growing with the joint efforts of industry, government, and academia in Taiwan. Countries like Japan, the United States, and the European Union have been utilizing mobile communication and satellite positioning technologies to provide Telematics services. This has gradually driven the application and development of satellite positioning and wireless communication technologies. With the advancement of technologies, wireless communication technologies such as WiFi, 4G, 5G, and C-V2X, and vehicle positioning services have gradually entered the market of vehicle integration services in Taiwan.

The Taiwanese government is highly focused on the aforesaid development trend and aims to innovate the domestic ICT industry by combining the technical expertise present in the automotive electronics market and mature mobile communication environment. It actively plans and promotes the integration and application of related vehicle communication and Intelligent Transportation Systems (ITS), including: Advanced Public Transportation Systems (APTS), Commercial Vehicle

Operations (CVO), Emergency Management Systems (EMS), and Electronic Toll Collection (ETC). The derived information and communication value-added applications from these will contribute to the robust growth of the domestic intelligent transportation system (ITS) industry.

Currently, in-vehicle devices have become standard equipment for information and communication in automobiles. Through the diverse integration services of in-vehicle devices, including audio and video entertainment, gaming, communication, email, e-commerce, electronic tolling, automatic speed control, emergency assistance, vehicle condition monitoring, safety alerts, theft prevention, and navigation systems, human-machine interface of the in-vehicle devices provide an enriched digital living space for drivers, thereby driving the development of value-added applications of traffic information in Taiwan.

The IoV platform establishes real-time bi-lateral communication channel between traffic managers and road users. Road users can choose the desired intelligent transportation system services based on their location and needs. For traffic managers, the IoV platform not only sends real-time information to road users but also serves as a source of information for feeding back to the ITS. It collects data on vehicle types, speeds, locations, and travel times to provide functions such as traffic surveillance.

Taiwan possesses one of the world's most dense mobile telecom networks, and telecom companies have been progressively deploying 5G base stations and expanding their services. The Executive Yuan has also designated 5G infrastructure construction as a part of the national plan. By combining wireless communication technology to establish a platform for the development of communication infrastructure, the platform serves as a solid basis for the integration and application of ITS. It enables communication and interaction among vehicles, between vehicles and roadside stations, between the control center and roadside stations, and between vehicles and the control center. This fully utilizes the effectiveness of the IoV. Going forward, the IoV can leverage the increasingly comprehensive network facilities to act as an information platform for drivers and integrate with ITS to provide information reception and transmission services. The Company has already begun close collaborations with many leading domestic and international manufacturers in the field of ITS and IoV.

(B) Cloud computing

Currently, cloud computing has become an important emerging trend in the ICT industry. It provides users with access to vast computing power through the internet. Under the trend of cloud computing, there will be a reduction in the demand for PC system software and high-end processors, which could impact the revenue of computer OEMs in Taiwan. However, it also brings new transformational opportunities, including: significant business prospects in servers, routers, storage equipment, wireless and wired broadband transmission, PCs, MID, smartphones, and more. Advanced countries such as the United States, Japan, and South Korea are actively promoting cloud computing-related initiatives, and the Taiwanese government has also launched the "Cloud Computing Industry Development Program" to urge domestic companies to master cloud and edge computing technologies in the global ICT industry's trends toward cloud computing, thereby seizing future business opportunities. In addition, the increasing demand for mobile app value-added services, driven by the widespread use

of smartphones, has also created an emerging industry with unlimited business opportunities. The entry barrier is relatively low, making it worthwhile for Taiwanese companies to invest in this field.

- a. Global market potential: According to IDC's assessment, the global market for cloud services is expected to triple over the next five years, reaching US\$42 billion.
- b. Application trends in large enterprises: Based on Gartner's analysis, 80% of the Fortune 1,000 companies are expected to purchase cloud services, with 30% also procuring cloud-related infrastructure.
- c. Domestic business opportunities in cloud computing
 - In terms of "cloud" technology: Domestic companies such as Quanta, Wistron, Foxconn, Inventec, and Infortrend, collaborated with upstream component manufacturers, have established a cooperative advantage in seizing market opportunities arising from the widespread adoption of cloud computing. These opportunities include servers, large-scale storage devices, and power supply solutions.
 - In terms of "terminal" devices: For desktop computers/notebooks (PC/NB), smartphones, LCD TVs, and intermediary devices between NB and smartphones, including Netbook, Smartbook, tablets (e.g., the Apple iPad), and e-Book readers, it will not be too difficult for Taiwanese manufacturers to continue to seize related opportunities by building upon their existing foundations.
 - In terms of "app services": The widespread adoption of smartphones has led to an increasing demand for diverse value-added services among consumers. With low entry barriers, domestic businesses can strengthen their investment in this service sector.
- d. Future directions for domestic manufacturers
 - To further seize opportunities in the "terminal" part of cloud computing, domestic businesses have already invested in the development of 5G IC modules. They are actively leveraging the technological momentum created by Google's Android platform to usher in a new era of smartphones that function as PC/NB. Furthermore, they are considering integrating simple computer functions through wall-mount or embedded modes, combined with digital remote controls, to turn TVs into smart TVs capable of direct internet access.
 - The app service sector is gradually becoming a substantial industry that transcends borders. Domestic industry players should invest resources and combine their manufacturing capabilities in the domestic smartphone market to secure their market shares.

(2) Industry Development

The Company aims to assist service providers and large enterprises in building high-tech system to enhance people's quality of life. By combining comprehensive broadband application systems with efficient broadband network infrastructure, we can cater to the needs of consumers. Therefore, our business services primarily focus on telecom system integration services, IP broadband network services, IPTV, enterprise customer services, and smart city control services. The industry development of these five services is explained as follows:

A. Telecom system integration services

In Taiwan's telecom service and application market, the main businesses are

divided into Type 1 Telecom and Type 2 Telecom services. The former includes fixed-line communication services, mobile network communication services, and cable TV operators . Type 1 telecom service providers include Chunghwa Telecom, FETnet, APTG, TstarTel, and Taiwan Mobile. Type 2 telecom service companies include Chief Telecom and eASPNNet. And cable TV operators include Kbro and Homeplus, etc., while Chunghwa Telecom is undoubtedly an industry leader in the domestic telecom industry.

Currently, the number of Taiwan's ADSL and fiber users has exceeded 16.5 million households, and the trend of broadband internet usage continues to grow. Other related deployments of telecom networks are also being planned, including IPTV, FTTX, VOIP applications, and value-added services. Chunghwa Telecom will continue to invest in building the next generation telecom network to improve service quality and market competitiveness.

(A) Mobile Communications

There are six major 4G mobile network operators in Taiwan. Besides competing with each other, they are also continuing to build base stations, resulting in a coverage rate exceeding 100%. With the rapid development of the internet, the demand and usage of wireless internet have also grown rapidly. With the construction of 4G and 5G networks by the six telecom operators, the available bandwidth has increased significantly. As a result, mobile internet access will become a trend. With smartphones or tablets, people can access the internet wherever they go. It is estimated that billions of people worldwide will use smartphones for internet access, with approximately four out of every ten internet users accessing the internet via mobile phones.

Currently, to access the internet on mobile phones, cooperation among ISPs, ICPs, and ASPs is usually required before online services can be offered. The services provided include online gaming, music and movie subscription, online movie ticketing, online news, stock trading, map navigation, and more. In addition, for long-distance communication on fixed-line networks, there is a need to establish a new generation of fixed-line network infrastructure to cope with the rapid development of e-commerce. Significant investments are required in four major components, namely, data and voice integration, backbone and access network integration, smart networks, and network management systems.

Furthermore, the popularity of smartphones led by the Apple iPhone and Android phones, have been gradually accepted by consumers. In response to the growing demand for e-commerce and value-added services of apps, mobile commerce has rapidly flourished, and the technology has become mature. With the rapid growth of cross-border e-commerce transactions, there are many supporting measures (such as the

establishment of cloud data centers) to assist companies in engaging in e-commerce operations successfully. In the overall ecosystem, cooperation between system integrators and providers capable for service or equipment is essential for joint promotion.

(B) Fixed Network Infrastructure

Currently, the three major fixed network telecommunications operators in Taiwan are Chunghwa Telecom, Taiwan Mobile (Taiwan Fixed Network), and FET Telecom (New Century InfoComm Tech). In recent years, these operators have been continuously integrating their telecom network resources, including fixed networks, mobile networks, and the internet, to meet the trend of network convergence. As the voice market reaches saturation and the market appetite reaches its limit, the shift towards the growing data services market is inevitable. Therefore, telecom operators are actively seizing the broadband internet opportunities to compete in the Taiwanese broadband market. The NCC has also allowed cable TV operators to expand their operations across regions, and both existing and new operators are actively investing in bandwidth to capture more business opportunities.

Looking ahead, the trend will be optical broadband communications. Although the telecom operators have made significant progress in telecom infrastructure, to meet the demand for fast and evolving information and broadband applications, it is expected that companies will continue to invest in optical communication networks in the coming years. Therefore, the fixed network market will offer the most business opportunities and market potential in three areas:

- Value-added/innovative services.
- Broadband network access products.
- System integrations.

(C) Cloud computing

Currently, cloud computing has become an important emerging trend in the ICT industry. It provides users with access to vast computing power through the internet. Under the trend of cloud computing, there will be a reduction in the demand for PC system software and high-end processors, which could impact the revenue of computer OEMs in Taiwan. However, it also brings new transformational opportunities, including: significant business prospects in servers, routers, storage equipment, wireless and wired broadband transmission, PCs, MIDs, smartphones, and more. Advanced countries such as the United States, Japan, and South Korea are actively promoting cloud computing-related initiatives, and the Taiwanese government has launched the "Cloud Computing Industry Development Program" to urge domestic companies to master cloud and edge computing

technologies in the global ICT industry's trends toward cloud computing, thereby seizing future business opportunities.

- Global business opportunities in cloud computing

- a. Global market potential: According to IDC's assessment, the global market for cloud services is expected to triple over the next five years, reaching US\$42 billion.
- b. Application trends in large enterprises: Gartner's analysis indicated that by 2019, 87% of the Fortune 1000 companies would have purchased cloud services, and 40% would have invested toward cloud-related infrastructure.
- c. Potential application in government sectors: According to Market Research Media, cloud investments will increase by over 40% annually.

- Domestic business opportunities in cloud computing

- a. In terms of "cloud" technology: Domestic companies such as Quanta, Wistron, Foxconn, Inventec, and Infortrend, collaborated with upstream component manufacturers, have established a cooperative advantage in seizing market opportunities arising from the widespread adoption of cloud computing. These opportunities include servers, large-scale storage devices, and power supply solutions.
- b. In terms of "terminal" devices: For desktop computers/notebooks (PC/NB), smartphones, LCD TVs, and intermediary devices between NB and smartphones, including Netbook, Smartbook, tablets (e.g., the Apple iPad), and e-Book readers, it will not be too difficult for Taiwanese manufacturers to continue to seize related opportunities by building upon their existing foundations
- c. In terms of "app services": The widespread adoption of smartphones has led to an increasing demand for diverse value-added services among consumers. With low entry barriers, domestic businesses can strengthen their investment in this service sector.

B. Media industry service

TV channel media Industry

The TV channel media industry has three major categories: terrestrial TV, cable TV, and the emerging satellite TV. The TV channel media industry transmits audiovisual signals to each household TV in different ways, providing users with direct visual information. Currently, its primary content includes the following key aspects: providing TV programs, news broadcast, offering advertising services, TV shopping services, and financial information services. In the future, they will provide the following services: offering LCD TV programs, providing VOD services through Set-Top Boxes, delivering internet content, online shopping, advertising, news, and information services, and more.

Currently, the user market penetration rate for terrestrial TV has reached 98%, while the user market rate for cable TV has also reached 80%. Almost all cable TV users no longer rely on antennas to receive terrestrial TV programs. Channel connection rates and program viewership serve as benchmarks for evaluating channel operators. However, due to government policies, the channel connection rate for Taiwan's five major terrestrial

television has been kept at 100%. Under fierce competition, some operators with inherent weaknesses are either facing channel shutdown or financial problems, or even foreclosure. The future market development and conditions are as follows:

- Once LCD TV matures, CATV channels or system operators are expected to follow suit.
- As broadband networks gradually mature, forming cross-industry alliances with ISP/ICP operators or establishing their own websites to provide users with alternative viewing options will be an inevitable trend for all TV stations in response to future Internet developments.
- The rise of satellite television and OTT operators will offer the public another choice for watching TV.

Furthermore, as broadband network continues to mature, TV stations that focus on offering diverse content are poised to become sought-after cross-industry alliance partners for ISPs/ICPs. Whether through cross-industry alliances or independent website setups, offering users alternative viewing options will become an inevitable trend for all TV stations in response to future Internet developments. With the flourishing development of the internet, this trend opens up boundless opportunities.

- **Integration of TV broadcasting and telecom**

The development of interactive TV and Video on Demand (VOD) has expanded the role of TV broadcasting beyond providing everyday information and news. It has expanded to education, entertainment, and even guiding people in their daily lives and thus became closely connected with people's lifestyles. At the same time, the technologies and transmission networks equipped by satellite and cable TV allow for easy conversion and provision as telecom services, making them more competitive.

- **Integration of media and information industries**

Due to the development of the multimedia industry, the information industry has begun producing high-value-added products, including music and animation, blurring the lines between the two industries. The Company will provide a broadband multimedia integration platform that combines movies and television to offer consumers diversified audiovisual services.

C. Enterprise customers and others

In the increasingly interconnected business environment, the development of e-commerce and cloud computing has been growing steadily. The demand for enterprise digitization and cloud adoption is also expanding. The development of e-commerce and cloud computing can be attributed to the following reasons:

(A) Advancement of broadband networks and innovation in various Internet-connected devices

Today, high-speed broadband Internet is prevalent, with technologies such as FTTX, xDSL, and CABLE MODEM provided by CATV system operators helping most cities to achieve full broadband access. This development of broadband networks directly contributes to the increasing number of internet users in Taiwan.

(B) Popularization of information appliances and smart terminal devices

In the past, accessing the internet and retrieving information was mostly limited to PCs. However, thanks to advancements in IC technology, IAs like Set-top Boxes, iPads, and smartphones have emerged, increasing the opportunities for information. This, in turn, attracts more diverse and enriched content for business activities.

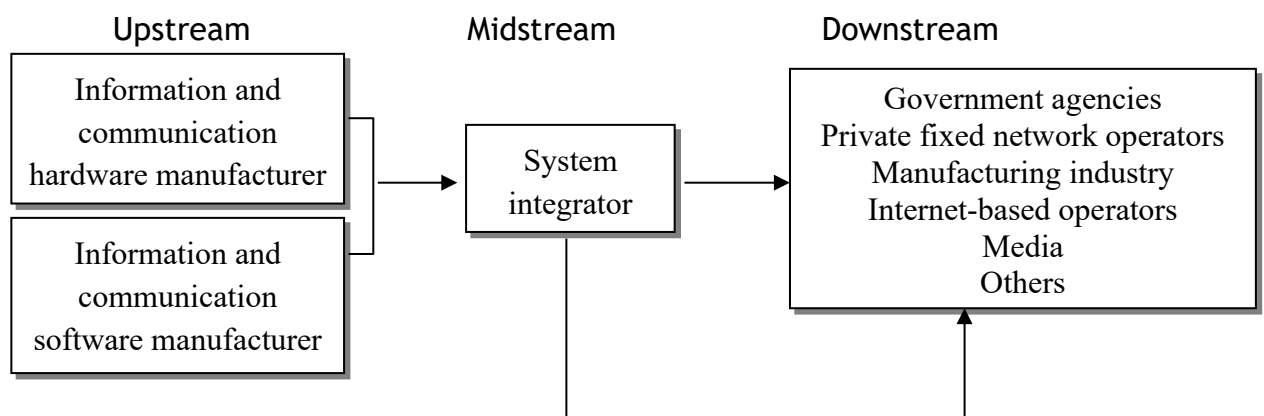
(C) Breakthroughs in security and encryption technologies

The lack of security in internet transactions was a major concern in the past. However, breakthrough inventions have addressed this issue. Along with the transmission security similar to traditional bank ATMs (SSL), comprehensive data encryption technologies like RSA also became available, greatly enhancing the feasibility of electronic transactions.

(D) Maturity of cloud computing technology

In recent years, the environment and implementation technologies of cloud computing have matured. The cost of deployment has decreased compared to the past, and there is also a wider range of options available. This assists enterprise customers in strengthening their competitiveness.

2. Relationships with suppliers throughout the industry supply chain:



The Company is a professional service provider specializing in the integration of broadband application systems. It is a part of the information service industry, as defined by the Institute for Information Industry, and specializes in: system integrations.

The upstream sector of this industry primarily consists of various communication, network, and computer hardware manufacturers, as well as communication, network, and computer software suppliers. After directly selling to system integrators or selling through channel distributors in the midstream, they develop application software and complete hardware and software system integration based on the functional requirements of downstream customers. The integrated systems are then sold to telecom companies, network providers, media companies, and enterprises with electronic mobile demands. For upstream software and hardware manufacturers, the application software development by midstream information service providers enhances the added value of their products. For downstream customers, the improved functionality of the integrated systems enhances service efficiency and effectiveness. The Company plays a dual role as both a midstream channel distributor and a system integrator, providing value-added integration and distribution functions within the industry chain.

3. Various trends in product development:

The main products we offer are telecom system integration services, IP broadband network services, media industry services, and other communication network infrastructure and application solutions. The trends in product development are as follows:

- (1) The trend of broadband internet usage: strong demand for broadband network infrastructure.

Broadband internet services have been widely accepted by global home network users. This is partly due to telecom service providers reducing the cost of internet services to an affordable level, and also thanks to software companies continuously developing online content, increasing users' demand for broadband networks.

In terms of broadband internet technology, the number of users in our country utilizing FTTX, GPON, and XDSL has exceeded 15 million. The penetration rate of fiber networks has surpassed 80%. Commercial wireless internet services have been introduced in many places, especially the largest scale Wifly WiFi service established by the Taipei City Government, which covers 100% of the city. Looking ahead, there is still considerable room in the demand for broadband network infrastructure in the coming years. In addition to telecom companies such as Chunghwa Telecom, Taiwan Fixed Network, and FET Sparq expanding their fiber optic networks, cable TV operators have also joined the competition by launching fiber internet services. Furthermore, the Taipei City Government's BOT operator, Taiwan Intelligent Fiber Optic Network, has extensively built fiber networks in Taipei City, offering affordable fiber internet services to citizens. The widespread adoption of broadband networks is expected to increase rapidly in the future.

The Company is a domestic leading provider specializing in broadband

system integration. We have extensive experience in providing comprehensive system integration solutions for cable television systems (CATV), including copper cable, Cable Modem, ADSL, and fiber FTTX network. We have also assisted in the deployment of Chunghwa Telecom's 4G backbone networks, and 4G network for Taiwan Star, New Asia-Pacific. This year, we will actively invest in the infrastructure and application services for 5G networks.

- (2) With the maturation of broadband environment, the applications in audiovisual multimedia are extensive

Online media content relying on transmission technologies are crucial for delivering stable network quality, which encourages consumers to access services online. Looking at the current development of broadband networks in Taiwan, GPON, ADSL, and cable are the primary broadband access methods, and the number of broadband users is expected to increase significantly. As the broadband environment matures, the range of broadband multimedia services diversifies, including services such as VOD (Video on Demand), PPV (Pay Per View), and PVR (Personal Video Recorder), which will gradually be adopted by every household in the future.

In terms of broadband content, broadband audiovisual multimedia, online gaming, and e-commerce are all key focus areas, with the online gaming market currently experiencing greater success. Broadband content services will highlight the differentiation of service providers and play a key role in retaining users. Diverse content also serves as a powerful tool for increasing the added-value of users.

The Company has obtained the contract for Multimedia On Demand (MOD) services of Chunghwa Telecom, which is their response to the challenges posed by fixed-line and cable operators in the broadband multimedia service market. MOD utilizes existing telephone lines and adds ADSL to provide users with simultaneous services such as making phone calls, watching the TV, movie streaming, karaoke, and high-speed internet access in on-demand mode. The backbone network of this service adopts GPON fiber transmission technology and Internet Protocol (IP). As the first company in Taiwan to establish this type of service, the Company has set a leading benchmark in the field of broadband content service system construction, which will contribute to capturing expanding opportunities in the broadband system service market.

- (3) The boom in global enterprise digitization and cloud computing has propelled the growth of the enterprise cloud market

In recent years, with the wave of e-commerce and cloud computing, utilizing information technology to manage business and establish competitive advantage has become a general consensus among enterprises.

Looking back at the development of Taiwan's project integration, it has shifted from simple tailor-made application software to emphasizing the industry know-how as well as software development capabilities of project integrators. Therefore, the continuous pursuit of optimal enterprise processes has become a major value of project integrators in assisting enterprise digitalization. Thus, looking forward, how to expand from the enterprise backend to the frontend and effectively deploy and integrate popular system software such as Enterprise Resource Planning (ERP), supply chain management (SCM), and Customer Relationship Management (CRM), and more, will become a competitive advantage for project integrators while providing customized services and helping enterprises to build digitized competitive strengths. Additionally, the establishment of cloud computing environments has also become an opportunity for system integration vendors in recent years, with private cloud and hybrid cloud configurations gaining more acceptance among enterprises.

The Icon IT Trend Index has pointed out that the key to future development in the internet-related industries lies within the enterprises themselves, while the development of e-commerce should be of secondary importance. IT expense can generate greater profits for businesses, leading them to adopt more practical business management models and enhance productivity through the B2B boom. It is expected that top-performing companies will continue to invest in B2B initiatives to save costs, increase revenue, and improve sales. Research shows that the market for internet-related projects, such as website design, will gradually shrink, while project types will become more specialized. The scope of enterprise operations will encompass areas such as big data analytics, artificial intelligence (AI) analysis, and workflow systems, as these data analysis is fairly important in business management.

4. Product competition:

The Company's products are categorized based on communication network architecture, providing customers with optimized solutions from the underlying communication network infrastructure all the way to broadband applications. The competing condition of our agency products is as follows:

(1) Communication network infrastructure

The products the Company represents are world-class telecom and communication equipment, including Nokia, ZYxel, CISCO, Harmonic, Extreme, etc. These brands are leaders in their respective product domains, making them highly competitive. As the Company specializes in the integration of communication and information systems and is the most dedicated broadband system integrator in Taiwan, we have accumulated

experiences in telecom infrastructure deployment, including GPON equipment system installation, CE IP backbone network, 4G IP backbone network, IP microwave communication, G.fast, VoLTE, and other project implementations.

(2) Servers and storage devices

We offer HP and DELL products as server clusters, Oracle for database systems, and NetApp, which is a global leader in enterprise network storage and backup. These products are the foundation of network systems and have a significant impact on network efficiency. With years of experience in serving major network users, we can provide customers with a wide range of configuration options that meet high requirements for application, expandability, and security.

(3) Network systems, network security, and network management

The products we sell include: Cisco, Fortinet, Symantec, Splunk, and Palo Alto, etc. Splunk, a new agency product in our portfolio, works to assist network service quality and the management of cybersecurity big data, thereby enhancing service levels. These products are essential components for improving network service efficiency and quality.

(4) Broadband applications and telecom value-added services

The products we sell include: OpenCloud, Oracle (Tekelec, Acme); Oracle is a leading global technology provider of value-added telecom service platform, with professional and scaled R&D teams making next-generation value-added telecom applications easy and feasible.

(5) Cloud computing

The Company represents products such as VMware, Citrix, Dell, and other virtualization solutions, which are integrated with network, server, and storage solutions from CISCO, NetApp, etc., to assist customers in building cloud computing environments.

(6) Intelligent Transportation Systems (ITS)

In recent years, the Company has actively entered the market of intelligent transportation services, assisting agencies such as the Directorate General of Highways, National Expressway Bureau, and Taiwan Railways in establishing intelligent transportation control and monitoring systems. The products we sell include smart sensor, CCTV, CMS, LED display board, intelligent video analysis system (IVS), and we have also developed highway traffic conditions mobile app that provides real-time traffic services to road users.

(7) Broadband system integration experience

In addition to selling globally renowned communication network products,

the Company's value lies in our system integration services, providing customers with user-friendly interfaces to enhance network utilization efficiency. With our long-accumulated technical expertise and system integration capabilities, we offer total solutions that span system infrastructure to application. The services and system deployments we provide to customers are based on several core technologies, and have received widespread industry recognition.

(III) Overview of Technology and R&D:

1. Technological advancements in business operations:

In recent years, with the trend of telecom liberalization in the domestic market, there has been a high demand for broadband infrastructure. This provides an opportunity for the Company to showcase our expertise in broadband technology integration. We have assisted major telecom operators such as Chunghwa Telecom, FET Sparq, Taiwan Fixed Network, and cable TV providers in building fiber-optic broadband networks as well as wireless mobile broadband networks like Wi-Fi, 4G, and 5G. Additionally, in the IPTV system domain, we have strengthened Chunghwa Telecom's Large TV MOD service system and value-added services. According to media reports, the number of users has exceeded 2.5 million households until now, making it one of the leading IPTV service platforms in Asia and unmatched by any other system integration provider in Taiwan or even the Greater China region. The Company possesses a dedicated IPTV system R&D team and leverages the extensive experience of our various departments in telecom network, cable network, the internet, digital head-end, and IT system. This gives us a competitive advantage in IPTV deployment and service promotion. Furthermore, through years of collaborating with companies like Chunghwa Telecom and other vendors, we have gained comprehensive knowledge of the IPTV market trends and technologies. We actively collaborate with research institutions for technology transfer and research projects, harnessing the collective power of industry, government, and academia to drive for technological advancements. We have a firm grasp of the entire IPTV technology development process and can meet the future market demands and trends. The technical competencies work well with our products and services, enabling us to provide total solutions and enhance competitiveness. Furthermore, we have already successfully exported these systems to overseas markets.

2. Research and Development Status:

(1) Broadband network management system

In recent years, as telecom operators' backbone networks become increasingly complex, and heterogeneous network management has become a crucial challenge. Network management systems provided by single network equipment companies no longer meet the daily business management needs of their customers. To address this, the Company has established a dedicated project R&D team to develop a comprehensive, single-interface network management

system. This system enables network administrators to easily manage network equipment and ensure the delivery of high-quality network services to end-users.

(2) Media industry service

Multimedia MOD/IPTV/STB Project

(A) Multimedia terminal development project

The Company has accumulated a wealth of experience and past project achievements in the Consumer Electronic Device market, specifically in IP_STB, Hybrid STB, and OTT media players. We have successfully developed multiple HC-Xseries set-top boxes.

In addition to supplying HC-Xseries set-top boxes to major IPTV service providers, such as Chunghwa Telecom, we have also gained recognition from international networking giants such as Nokia Siemens, Ericsson, and Alcatel. This has positioned us as a strategic product suppliers for global set-top box solutions. We are actively integrating and promoting our products, aiming to further expand into the international market.

Considering the thriving development of Connected TV and Smart TV, HwaCom Systems is committed to continuous innovation and we actively collaborate with IC platform suppliers such as Intel and Broadcom to develop the next-generation high-end set-top boxes. By porting Google's open embedded operating system, Android, the Company aims to elevate the functions and user experience of digital set-top boxes to meet the expectations and imaginations of consumers and IPTV service providers for Smart TVs. The development of Android set-top boxes and applications suitable for Smart TV scenarios is a key product for the Company.

(B) Multimedia value-added service platform:

Drawing upon our significant experiences in terminal deployment and value-added service development, HwaCom Systems Inc. will continue to focus on managing the value-added service platform and developing business promotion functionalities. This includes services such as Game Portals, E-Learning Portals, and Flash UI Portals.

(C) Media cloud service platform

With the rapid advancement of cloud technology and infrastructure in recent years, HwaCom has partnered with international technology giants to launch a cloud-based media platform. This platform will benefit enterprises and the media industry by providing efficient and cost-effective access to internal media resources and enabling the launch of media products.

(3) Innovative application services

Smart Digital Signage

Based on our years of experience in multimedia digital contents and embedded terminal devices, as well as project expertise in information display and multimedia billboards in transportation system, Hwacom foresees a significant demand for electronic billboard applications in various real-life scenarios. As a result, Hwacom is investing to develop Smart Digital Signage as a new business opportunity.



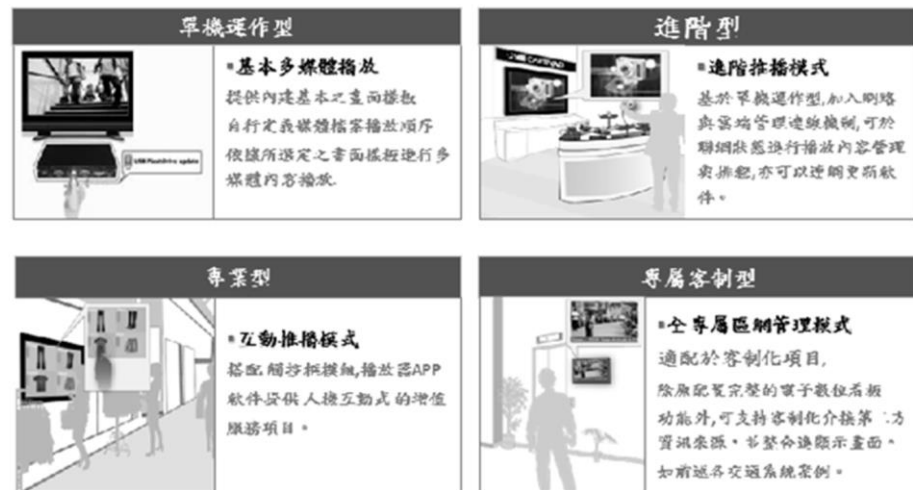
Products we provide include the following:

(A) Android Terminal Player:

A hardware terminal based on the Android platform, equipped with advertisement broadcasting app, information broadcasting app, smart navigation app, etc. It can output HD audio and video to display screen, providing various information display services, and also digital dynamic advertisement broadcasting.

■ Multi-function Advertising Display Solution

可支持多樣化的應用情境



(B) Touchscreen Query Machine (Kiosk):

Paired with a customized design touchscreen and stand, the aforementioned Android terminal player can serve as a smart navigator/kiosk. Currently, it has been deployed in highway rest areas and communities in the Central Taiwan, providing interactive information such as traffic conditions, traffic information, local attraction guide, shopping malls, restaurants, bus and railway stations, and tourist hotspots. In the future, it will continue to be expanded to the following locations: Shopping malls, restaurants, stations, and tourist spots and more, where it can provide interactive information services.

(C) Cloud-based Smart Digital Billboard Management System:

Utilizing the expertise of HwaCom in IT and application development, the Company has developed a management system that effectively manages the deployed terminal players/kiosks across multiple locations. The system handles processes such as content distribution and production, and is designed with a cloud-based architecture. All management actions can be performed through the Internet and web browsers.

We also provide a comprehensive functionality designed for the entire process and operations for B2B2C business models, thereby enabling enterprises that use our system and service to scale up their businesses.

■ 直覺式的使用者介面, 易於操作的工作流程



■ 可視即所得的顯示畫面設計編輯器, 以及方便發佈派送機制



■ 可部署於雲端IDC, 採取網頁瀏覽器方式的後端管理系統, 具備高度效能擴充性。



(4) Smart City Management Services

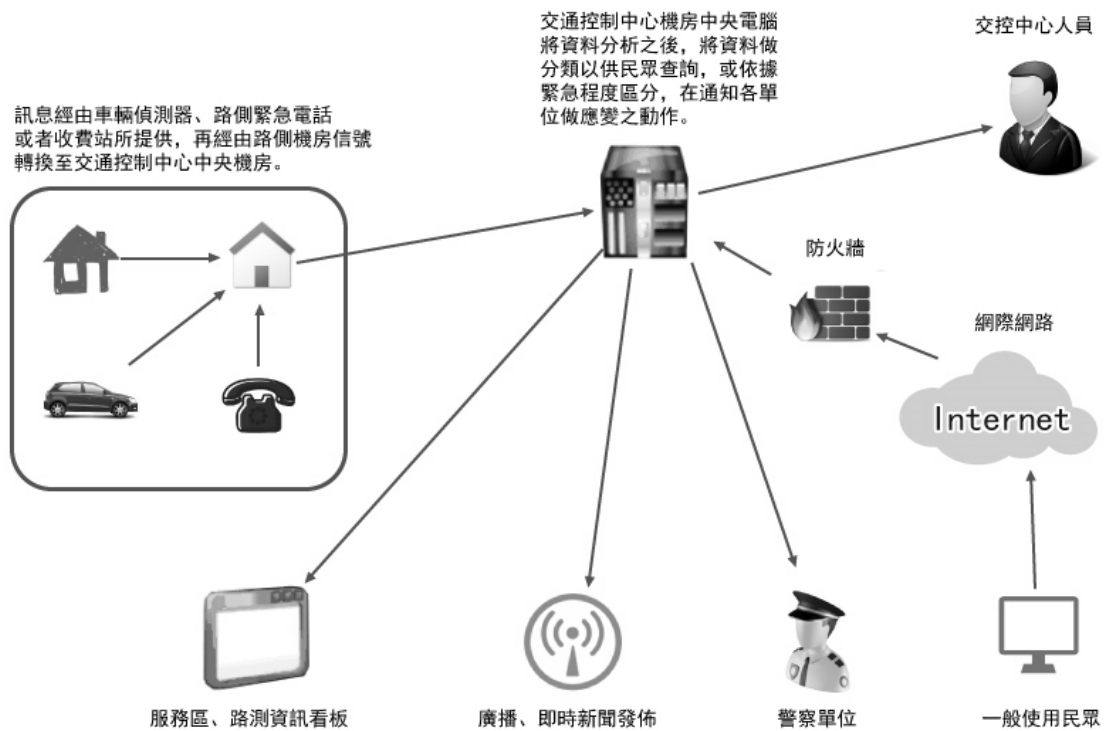
With the rapid development of digital networks and the improvement of network infrastructure, coupled with the maturity of IoT technologies, a diverse range of systems, platforms, and devices have been emerged. This has enabled boundless possibilities in the applications of smart cities. Starting from basic access control systems, alarm systems, video surveillance, and image surveillance, the Company has further expanded its offering to smart image recognition, intelligent detection, and integrated systems that enable seamless collaboration among different subsystems. The goal is to provide the people with a safer, more convenient, and comfortable living environment.

The Company specializes in the design and implementation of various network systems. In recent years, the Company has been dedicated to the field of smart city integration solutions, including the development of personalized home system as well as large-scale security control system for professional environments. The Company provides customized design and implementation solutions to address the security requirements of different industries. The overview of our security control solution is as follows:



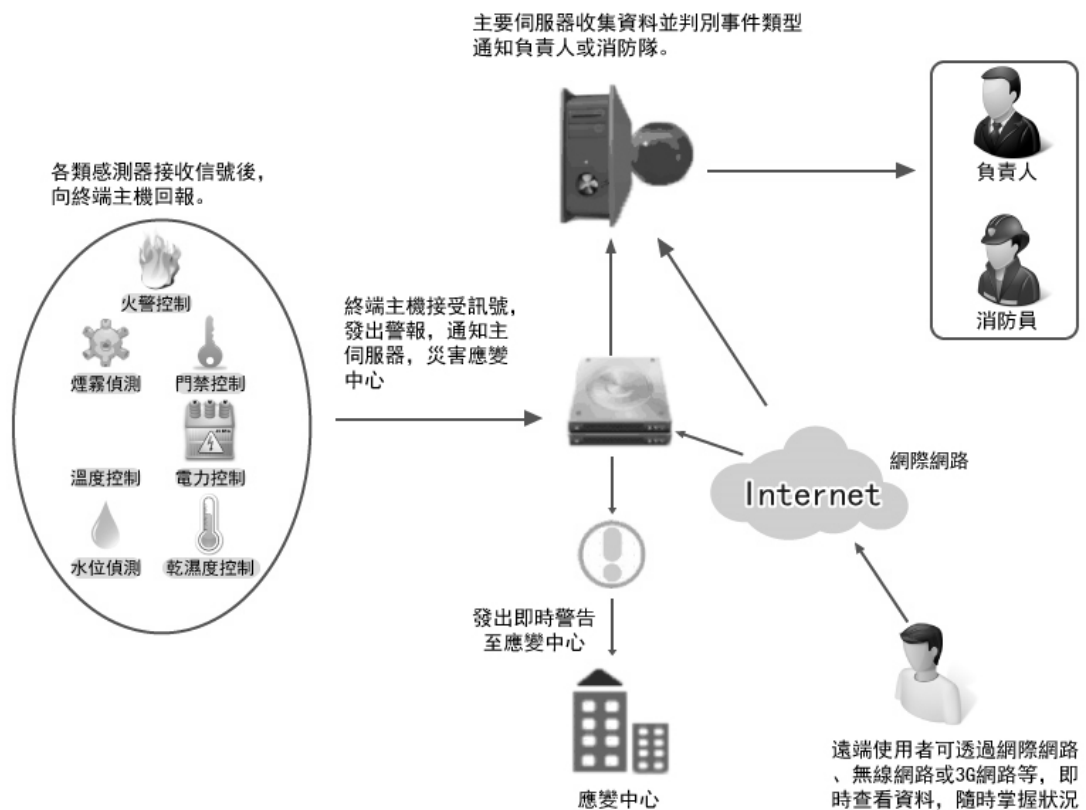
A. Intelligent Traffic Control

In order to automate the overall operational management of transportation and enhance the quality of transportation services (excerpted from Article 2 of "Enforcement Rules of Act for Promotion of Private Participation in Infrastructure Projects"), we integrate technologies such as information, communication, electronic, control, and management into various transportation infrastructure. This promotes higher transportation efficiency, quality, and safety, thereby realizing environmental protection and the development of green transportation.



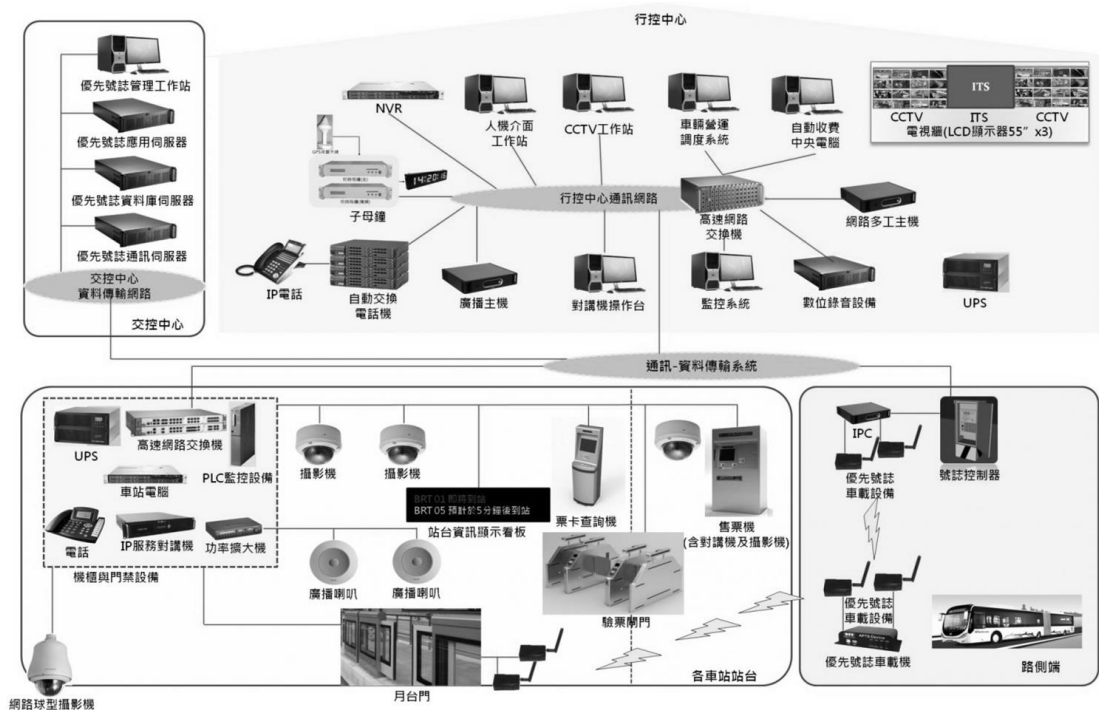
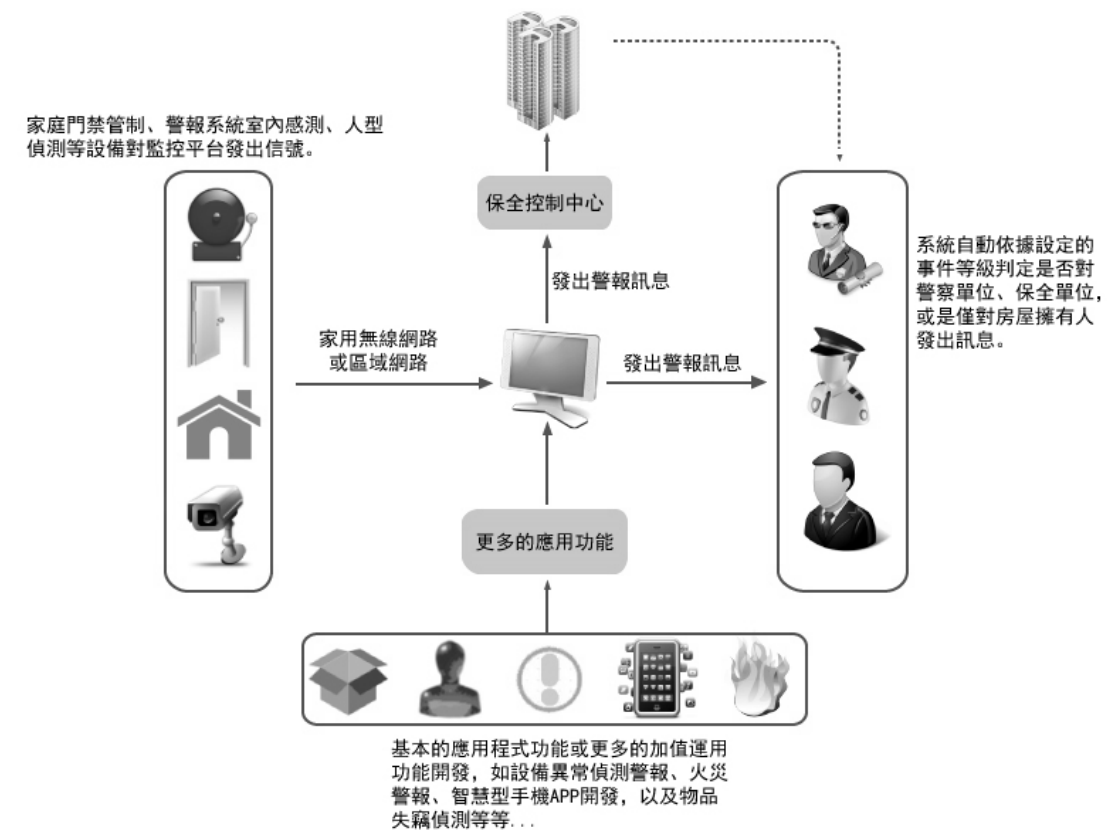
B. Intelligent Security Management

Implementing centralized monitoring and management for all equipment and environmental aspects of the data center, monitoring the operational status and parameters of different systems. In the event of any abnormal incidents, immediate notifications are sent to the administrators, facilitating remote monitoring and enabling prompt responsive measures to be taken.



C. Smart Home

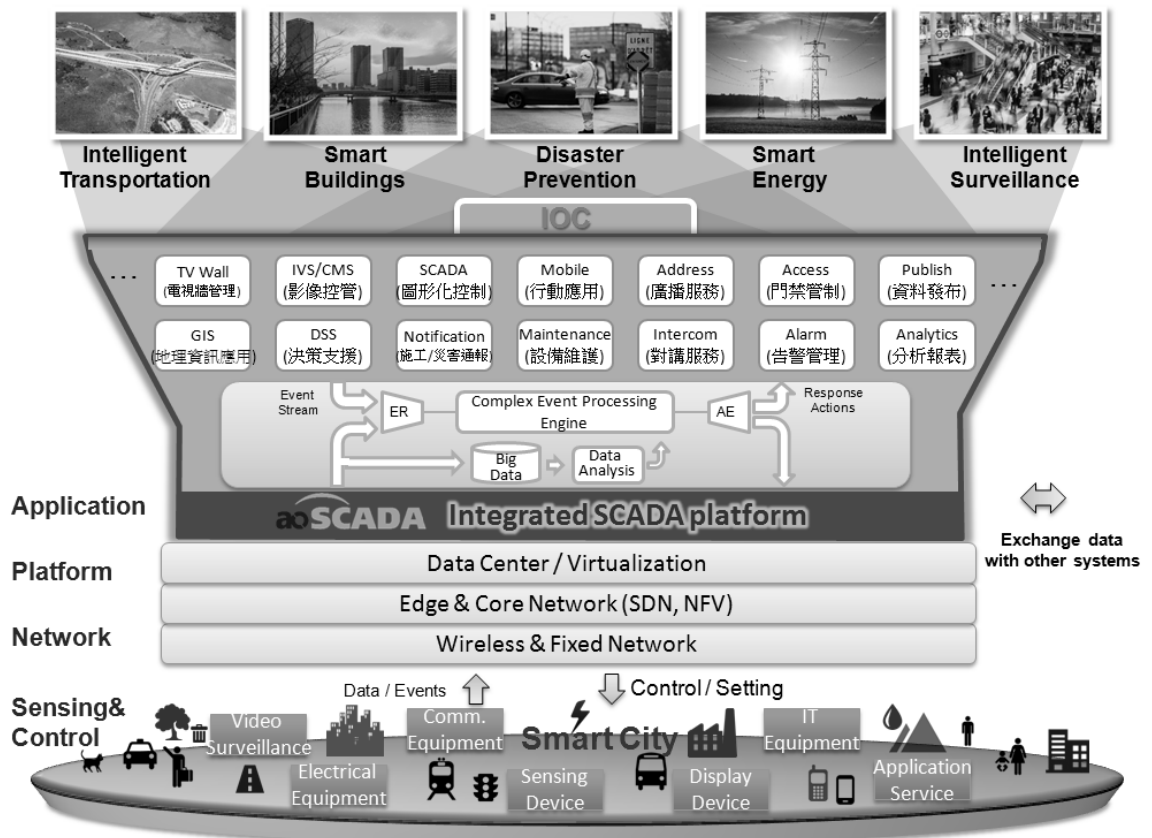
By integrating automation and intelligent technologies with safety, IT, network, and service-related industries, technology is seamlessly incorporated into the architecture, enhancing the safety, convenience, and comfort of everyday living.



D. Surveillance system

The Company developed an integrated monitoring platform known as aoSCADA (aspect oriented SCADA) for the operation center of smart cities, which will facilitate various smart monitoring and management services in an IoT

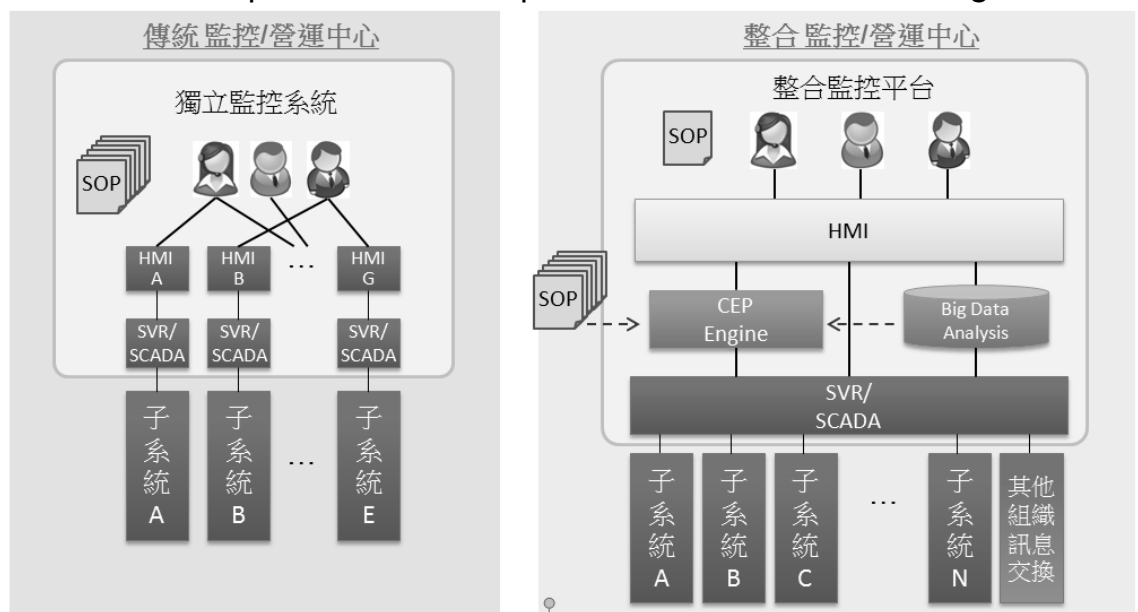
environment.



(A) Integrated monitoring platform

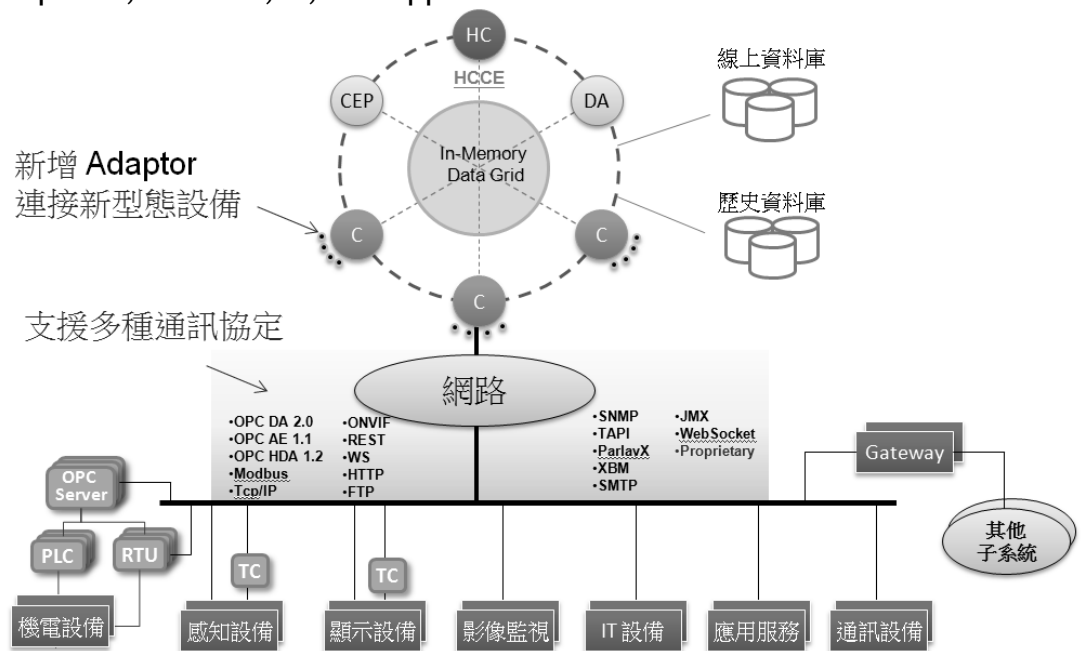
Traditional monitoring/operation centers operated independently from each system, requiring administrators to deal with separate interfaces provided by each system at the same time. Furthermore, the information and operations of these systems could not be laterally integrated. The integrated monitoring platform consolidates various systems in smart cities and incorporates complex event processing and big data analytics capabilities. It possesses the following features:

- Unified collection of information to reduce event latency
- Rapid decision-making and response to enhance processing efficiency
- Prediction of potential issues to prevent disasters from occurring



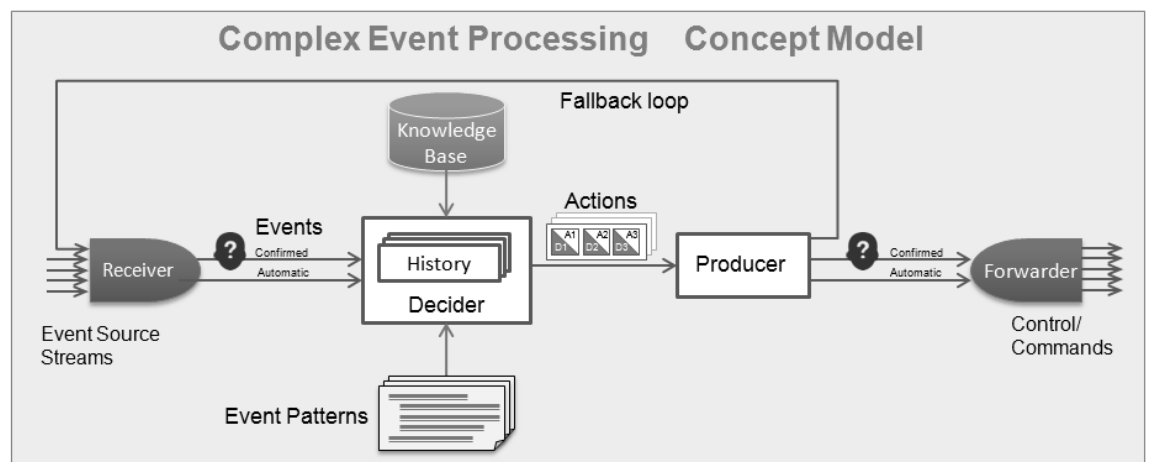
(B) Multi-domain equipment monitoring

Supports multiple communication protocols and adapters can be added to connect with new types of equipment. It is capable of monitoring facilities in six major domains: mechanical and electrical, sensing, display, surveillance, telephone, network, IT, and application services.



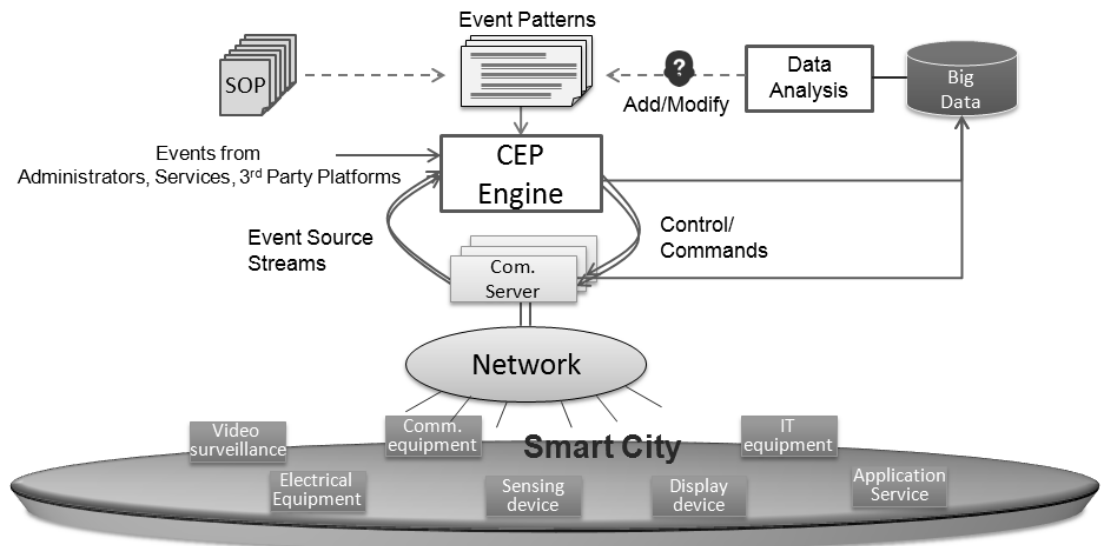
(C) Complex event detection

By utilizing Complex Event Processing (CEP) technology, the system can process a large volume of event streams generated by smart city services/monitoring systems in real-time. It detects complex events and accurately triggers response plans, enhancing the automation and intelligent management capabilities of the operation center.



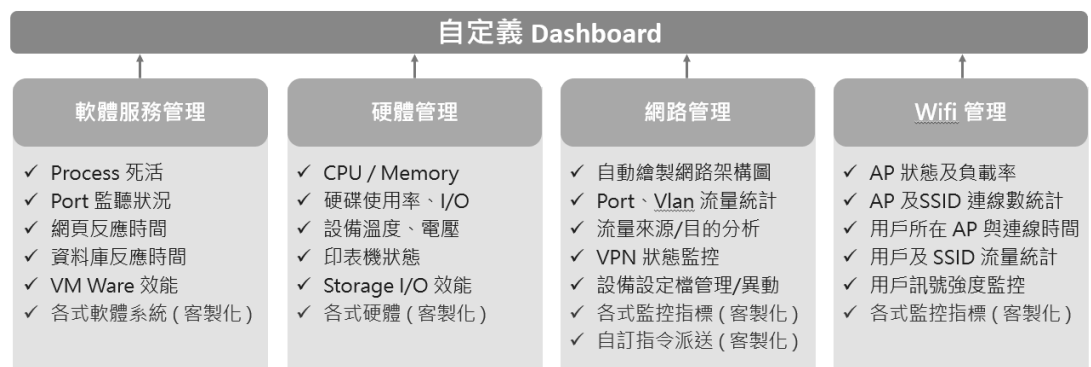
(D) Response plan

The "Event Handling SOP" is transformed into event-triggering conditions and actions to be taken using an event processing language, thereby forming a response plan. The integrated monitoring platform consolidates all event streams from subsystems, services, and administrators, accurately driving the response plans. The system continuously collects data from all systems and utilizes big data analytics techniques to identify conditions that may lead to potential issues, enabling early warnings and preventions.



E. Smart network management system

(A) We offer a wide range of management capabilities, including wired/wireless networks, various hardware, various software systems, and virtual environments (cloud platforms), unlimited management authorization, and lateral expansion server support. Going forward, we will gradually expand our offerings in this aspect and help customers to achieve comprehensive management using a single system.



(B) Traditional Chinese UI and instructions

We provide the Web GUI UI and support traditional Chinese translation. All relevant network management settings are equipped with Chinese instructions to make it easier for users to get started.

(C) Early warning of abnormal changes

Automatic analysis of historical trends enables the detection of sudden increases or decreases in data, triggering proactive notifications to inform operators of significant environmental changes. Users can also define custom threshold values.

(D) Real-time error notification and correlation analysis

In addition to email notifications, for more immediate alerts when an error occurs, the system also supports push notifications through mobile app, accompanied by distinctive sound effects. In addition, correlation analysis assists users in quickly identifying the root cause of the error.

(E) Real-time monitoring of configuration changes in network devices

The system offers automatic backup of configuration files and real-time change logs, allowing users to promptly understand who made changes, when changes were made, and which devices were affected. The version comparison feature also helps users verify the content of the changes.

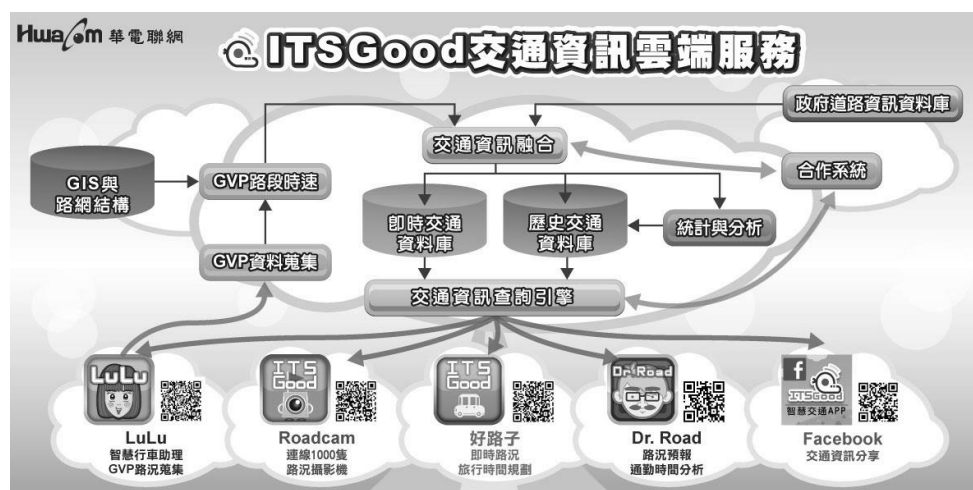
(F) Diversified API for flexible integration

PRTG comes with a built-in, comprehensive REST API that allows third-party systems to access real-time data, historical data, network management settings, and more. It also generates shared web links, enabling third-party systems to directly retrieve graphical data such as dashboards or network topology maps.

F. Mobile app services

(A) The "ITSGood" traffic information service

The Company has established the "ITSGood Traffic Information Cloud Service," which combines government open data traffic information with vehicle movement data collected through ITSGood GVP (GPS-Based Vehicle Probe) technology. This service provides more real-time and accurate traffic information.



Currently, the ITSGood app has been downloaded over 1.2 million times, and it has more than 30,000 followers on Facebook. The integrated traffic surveillance camera system comprises approximately 5,000 cameras.

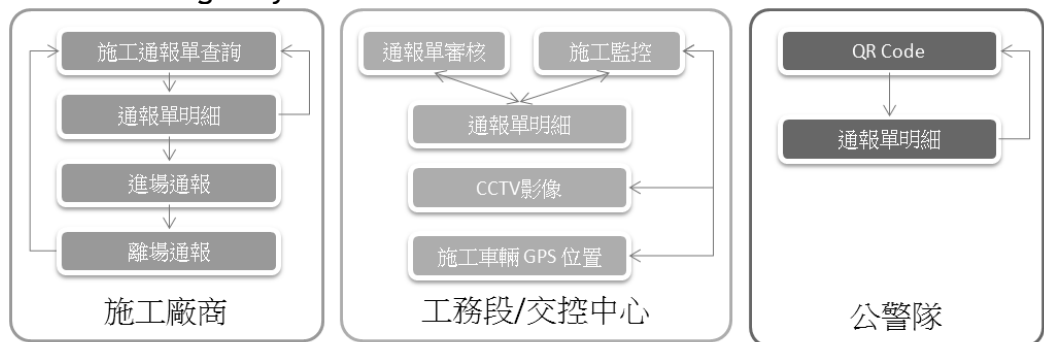
(B) Disaster monitoring video app

- Provides approximately 1,000 real-time cameras in six categories: rivers, harbors, landslides, air quality, national parks, and ecological environments and allows users to view the current field conditions.
- Offers a "Map Mode" that allows users to view real-time images of specific areas, enabling quick overview of the surroundings.
- Includes a "Popular Cameras" feature, where users can access real-time cameras in areas of public interest.
- Provides a "Favorites" function for users to save the locations of frequently viewed cameras.



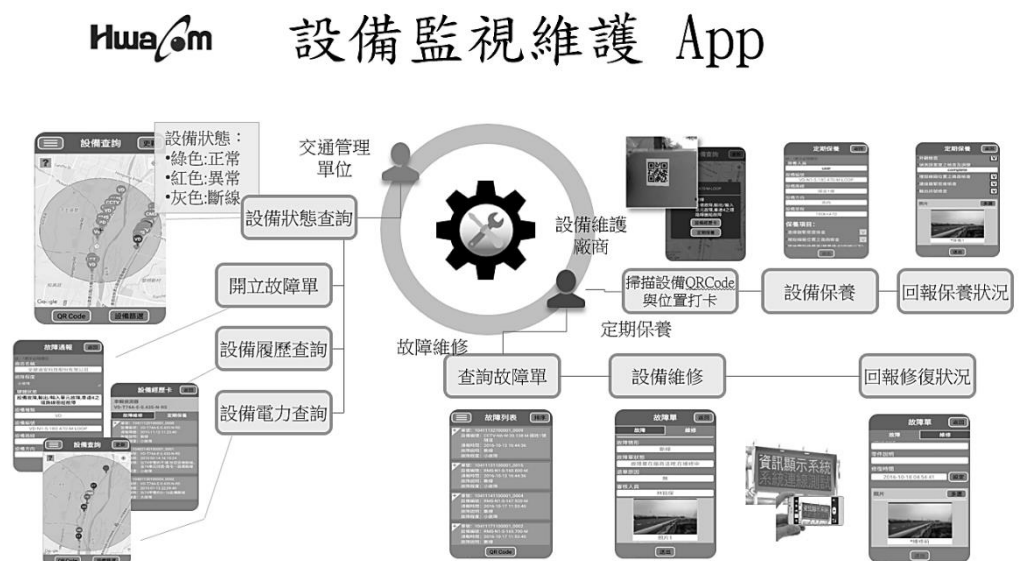
(C) Construction site entry notification and monitoring app

- Provides user interfaces and functions for construction companies, engineering sections/traffic control centers, and National Highway Police.
- Construction companies can select a construction reporting form and instantly submit construction information, including location coordinates, time, company name, form number, construction type, and entry/exit status.
- Engineering sections/traffic control centers can perform queries on construction companies' current locations and display their construction sites on a map.
- The app generates construction QR codes, which can be scanned by National Highway Police for verification.



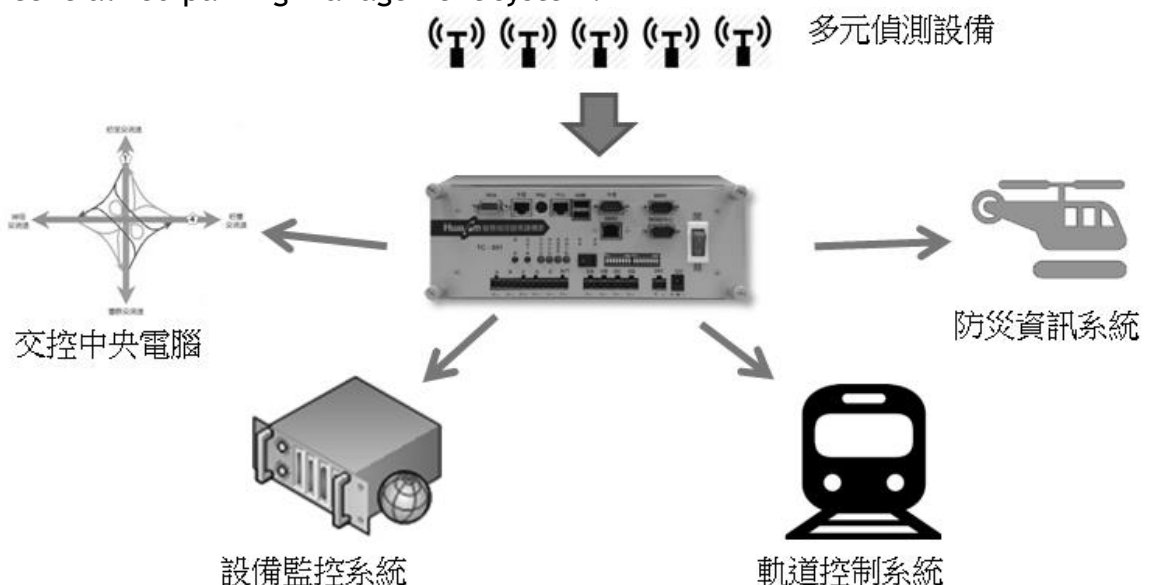
(D) Equipment monitoring and maintenance management app

- Malfunction reporting: Traffic control centers can use the app to query equipment, view equipment status on a map, and generate equipment malfunction reports.
- Equipment maintenance: Maintenance vendors receive real-time malfunction reports through the app, and can immediately access the location and status of the faulty equipment and proceed with repairs. After completing the repairs, they can promptly provide feedback on the repair status.
- Scheduled maintenance: Maintenance vendors use the app to scan equipment QR codes to access maintenance schedules. They perform maintenance tasks according to the schedule and record the results. After completing the maintenance, they promptly submit the maintenance report.
- Equipment history: Users can retrieve the maintenance and repair history of equipment through the app.



G. Endpoint control devices

The Company has developed a multifunctional endpoint controller that offers flexible integration with various detection devices and central system. It supports systems such as highway traffic control system, county/city government traffic control system, disaster prevention system, equipment monitoring system, and centralized parking management system.



(A) Integration of various peripheral detection devices

The integrated detection devices include: eTag, microwave side-mounted VD, video-based VD, Magnetometer VD, wind sensors, dense fog detectors, congestion detectors, and more.

(B) Integration of multiple central management systems

The integrated central management systems include: the highway traffic control systems for northern and central Taiwan and Pinglin, the urban traffic control systems for Taipei City, Miaoli County, and Chiayi City, as well as the traffic control systems for the four construction engineering offices of the Directorate General of Highways.

H. AI application services

Artificial intelligence (AI) technology and resources have nearly reached maturity, and organizations can derive business values by making the right investment and development in AI. HwaCom System adopts the following AI development strategies:

- By utilizing AI technology to innovate and enhance existing application areas, we can further improve the efficiency in building service systems for customers.
- By assisting customers in leveraging existing equipment and accumulated data, we can help them to create added values.

(A) License Plate Recognition

LPR Engine is a license plate recognition software that utilizes AI-based image recognition technology. It is capable of recognizing all types of license plates in Taiwan, including those used for bus, sedan, heavy/light truck, scooters, motorcycles, electric vehicles, as well as military, foreign, and diplomatic vehicles, including a wide range of plate styles both old and new. LPR Engine can instantly identify license plates within video footage, whether from stationary or moving cameras, and is designed to operate in both daytime and nighttime scenarios. It can accurately recognize plates even when the plates are captured at different angles or when the photo is blurry, achieving an accuracy rate of over 90%. LPR Engine is available in the following versions:

- Standard version: It can recognize license plates for 1-2 lanes and is suitable for scenarios such as entrances, exits, ramps, and other specific areas where middle/short-range video footage is captured.



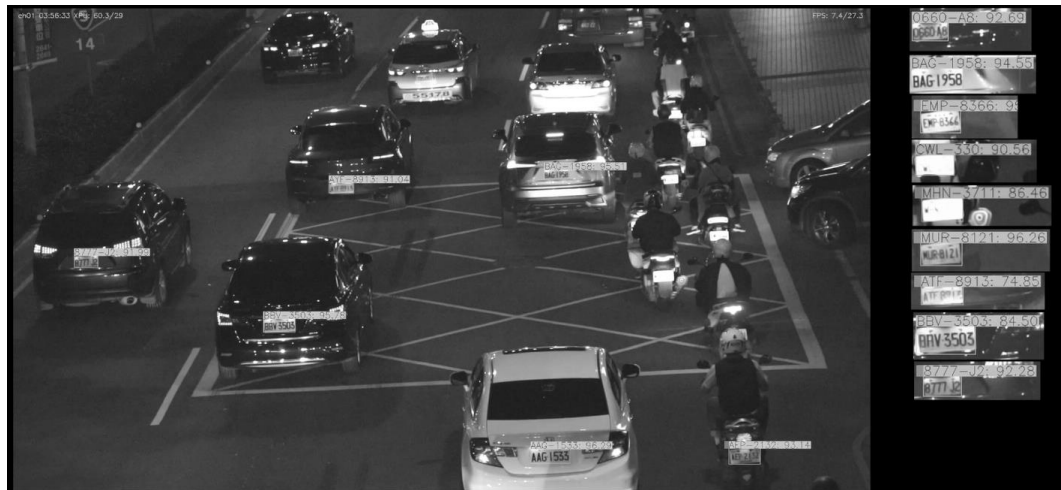
- Professional version: It can recognize license plates for 1-4 lanes and is suitable for scenarios with free-flowing traffic, plazas, and other wide-angle, long-range video footage situations.



Our planned testing scenarios include:

- Parking lots, characterized by: slow movement and few vehicles
- Roadside cameras, characterized by: medium-speed movement and capturing footage at an angle.
- On-the-go recording, characterized by: capturing footage from various angles and expecting camera shake
- Dashcams: capturing footage at medium to high speeds with a wide-angle view
- Tollgate cameras: capturing footage at high speeds in congested areas, and from a high angle

Results we have achieved thus far:



Planned application fields:

- Entry/exit management
- Traffic management
- Traffic enforcement cameras

(B) Multiple Object Tracking

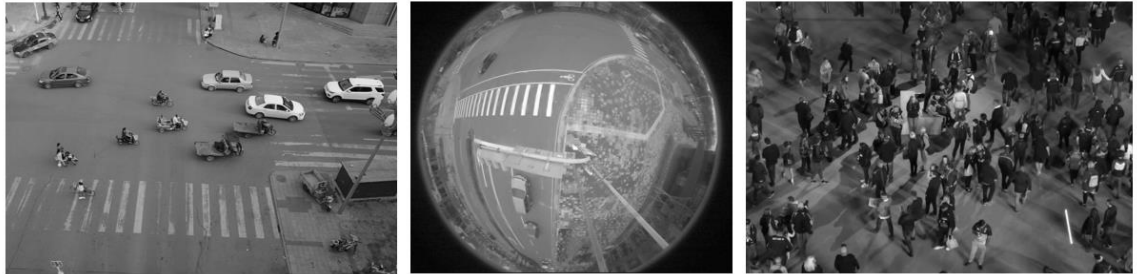
MOT Engine is an AI-based image recognition software for multi-class multi-object tracking. It can instantly recognize objects in video footage from wide-angle cameras, fisheye cameras, and camera drones. The software is designed to simultaneously recognize and track the following types of objects:

- Pedestrians
- Bicycles
- Tricycles
- Motorcycles
- Cars
- Vans
- Trucks
- Buses

- Trailers

The planned application scenarios for MOT Engine include:

- People counting in crowded areas or plazas
- Traffic flow monitoring at intersections and highways
- Detection of violations such as intrusions, overtaking, jaywalking, lingering, and wrong-way driving
- Detection of congestion, accidents, and abnormal events



I. Energy storage management services

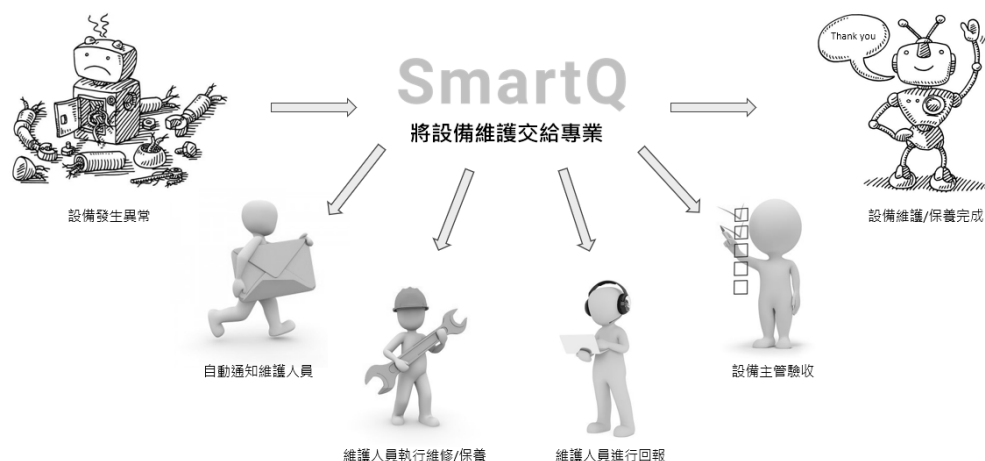
- With the government's active development of renewable energy, the high ratio of green energy has had an impact on the stability of the power grid. Auxiliary services are needed to ensure a stable power supply, and energy storage is one of the important solutions.
- Energy storage is one of the four options under the government's regulations for energy-heavy industries.
- Renewable energy sources such as solar and wind power are limited by sunlight hours, wind intensity, and unpredictable wind direction, making it challenging to generate power consistently. In the future, Taiwan Power Company (TaiPower) will require energy plants to ensure stability in their power generation, and energy storage is the optimal solution.
- To enable timely regulation of power supply and demand, comprehensive monitoring over the entire power grid is necessary, thereby requiring grid intelligentization.
- The liberalization of the electricity generation market and the establishment of open electricity trading platforms have enabled innovative power operation models, which require support from energy management systems.

In response to the opportunities presented by the energy transition and smart grids, HwaCom has planned to collaborate with energy equipment manufacturer, Advantech, and existing market partners and to utilize our own experience in ICT and transportation, as well as telecom engineering management to develop new business ventures to enter the energy market, initially focusing on the energy storage market and automation of substations.

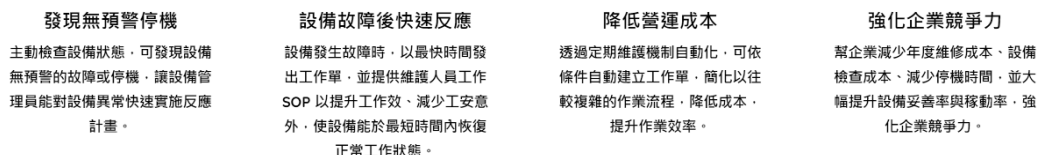
(A) SmartQ equipment maintenance management system

Distributed energy facilities require management of numerous and various devices, which are often deployed in dispersed locations. Device owners often lack the capability to manage these devices themselves. After outsourcing the maintenance work to external vendors, effective management and follow-up of the maintenance processes become crucial. SmartQ provides a comprehensive equipment maintenance and repair lifecycle management system, allowing

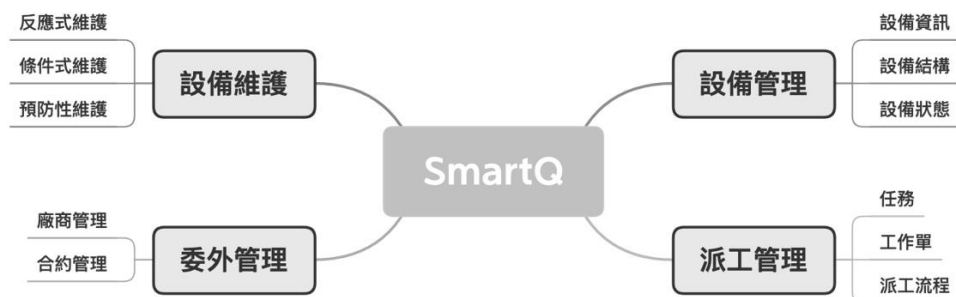
organizations to track the current maintenance status of their equipment and monitor vendor repairs and efficiency, ensuring that the equipment remains in great condition.



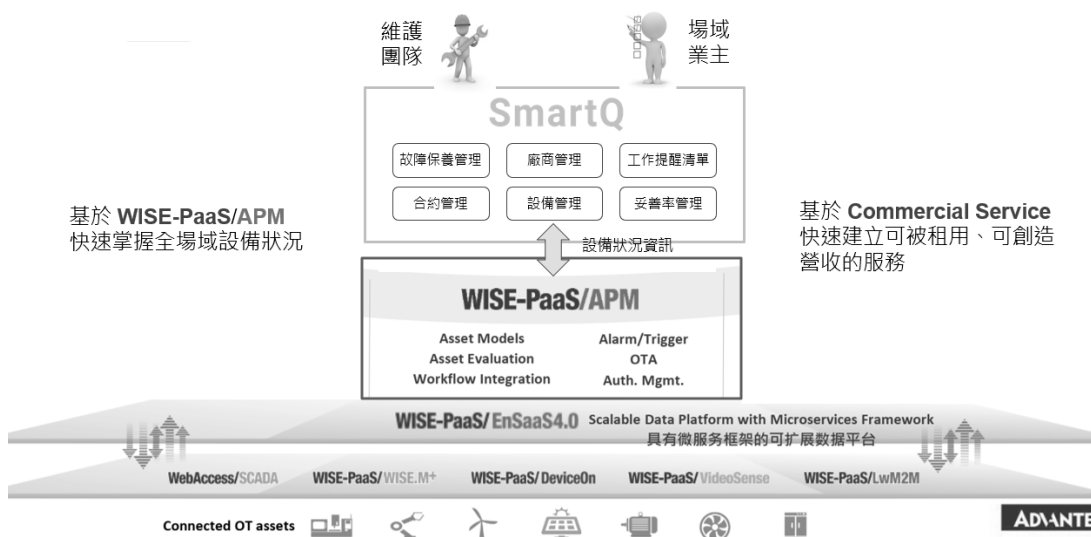
SmartQ 為您解決的問題



The functions of SmartQ product are as follows:



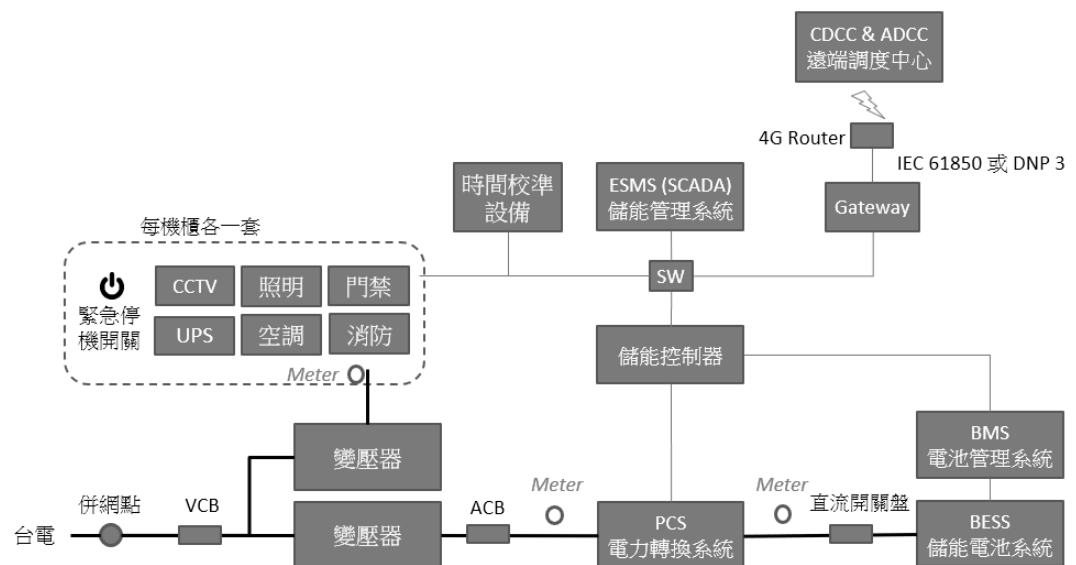
SmartQ adopts a Microservice architecture and utilizes Kubernetes for container management. It can be deployed on Advantech's WISE-PaaS as well as Google's GKE platform. The system architecture is as follows:



(B) AFC energy storage service

In line with Taiwan's energy policy goals of reaching 27GW in the installed capacity of renewable energy devices by 2025, with renewable energy generation accounting for 20% of the total power, traditional power systems will face the challenge of instability caused by the sheer number of renewable energy being integrated into the power grid. To address this issue, it is necessary to introduce new technologies to help stabilize the power supply from power grids. One such emerging technology is Automatic Frequency Control (AFC) for energy storage, which offers fast charging and discharging capabilities. By actively adjusting the charging and discharging actions to regulate the power system frequency, AFC can help mitigate frequency deviations caused by load fluctuations, making it an ideal solution for ensuring system stability in the presence of a high proportion of renewable energy.

The Company plans to deploy a 1 MW AFC energy storage system to engage in Taiwan Power Company's auxiliary services. In addition to earning service revenue, this initiative aims to build experience, develop software capability for energy storage management and control, and paves the way to future energy system integration and application development. The diagram below illustrates the energy storage system being planned:



3. R&D expenses of the most recent year, up to the print date of the Annual Report:

Unit: NT\$ thousand

Item \ Year	2023	May 2, 2024
R&D expenditure	53,284	12,464

4. Successfully developed technologies and products for the most recent year, up to the publication date of the Annual Report:

(1) Integrated Monitoring System aoSCADA V2.0

- (2) Traffic Control Central Computer System NGTMS V2.0
- (3) Free Traffic Flow License Plate Recognition System FT-LRP V1.0
- (4) Environmental Monitoring Management System
- (5) Family+ Internet access control
- (6) SmartQ equipment maintenance management system

(IV) Long- and Short-Term Business Development Plans:

The Company's operating policy is as follows:

1. HWACOM will continue to focus on the business field of "Broadband Application Service Integrator". In addition, we will also strengthen our R&D capabilities in AI, 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, telecom application and integration service, information network service, IPTV, information security application and integration service, and smart city management 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. Fulfilling our responsibility as a corporate citizen: Guided by the spirit of giving back to 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.

1. Short-term business plan:

(1) Business strategy

- A. Focus on target markets and integrate niche products.
- B. Implement responsibility performance system and carry out objective management through implementing responsibility centers.
- C. Continue to develop broadband technology field and innovate value-added services.
- D. Actively participate in social welfare activities and fulfill social responsibility as a corporate citizen.

(2) Product and service strategy

- A. Focus on both product sales and R&D of own-brand products

In addition to providing integrated services to customers by representing multiple product brands, we continue to invest in R&D to develop related products such as set-top boxes, intelligent transportation service systems, cloud computing services, and broadband network management service systems so as to strengthen our technical capabilities and competitiveness

in broadband network and IoT cloud service applications.

B. Enhance technical service capabilities

The Company adopts a customer-oriented approach in developing business solutions. As a total system integrator, we need to have well-rounded knowledge, expertise, and accountability. Therefore, we spare no effort in cultivating professional knowledge for all employees, actively pursuing various professional certifications and developing new technologies to enhance technical capabilities. Our objectives include:

- (A) Strengthen management competencies over large-scale projects; reduce fines due to project delays.
- (B) Enhance broadband technology capabilities such as FTTX, VDSL, GPON, NGN, etc.
- (C) Innovative services for broadband applications such as video services, intelligent transportation service systems, etc.
- (D) Digital multimedia-related services for IPTV.
- (E) Provide differentiated services for VIP and strategic customers.
- (F) Strengthen the customer service platform and improve the customer service mechanisms to enhance satisfaction.
- (G) Proactively propose suggestions for customer system optimization to create business opportunities.

(3) Marketing strategy

- A. Establish the Company's brand positioning as a "broadband service application integrator."
- B. Actively participate in marketing activities from related industries to establish a professional brand.
- C. Attract upstream and downstream strategic manufacturers and effectively use marketing resources.
- D. Strengthen interactive relationships with the media.

(4) Sales strategy

- A. Committed to enhancing profitability and focusing on high-profit projects; enhancing sales capabilities in salespersons and shift from Product Sales orientation to a business solution-oriented solution sales.
- B. Strengthen ties with industry chain partners and use strategic alliances with foreign giants such as Intel, BroadCom, Cisco, VMware, NetApp, Nokia, DELL, etc., to improve the Company's marketing capabilities in the Asia-Pacific market.
- C. Comprehensively promote the work plan to have all employees act as sales reps.
- D. Continue to invest in R&D of own-brand products and establish effective marketing and sales plans.
- E. Continuously develop innovative broadband application business models.

(5) Financial strategy - Improving accounts receivable turnover ratio and inventory turnover

The products sold by the Company are mainly products of Cisco, VMware, NetApp, Nokia, and DELL, and are primarily purchased by major privately-owned telecom companies, government agencies, high-tech, and media service providers. Most of these purchases are for large-scale or specialized projects, which require a longer acceptance period and involve high-priced equipment that our customers often need to loan for testing purposes. As a result, the Company's accounts receivable turnover ratio and inventory turnover ratio are slightly lower than those of our peers. To address this issue and improve these ratios, we will enhance the professional training we provide to customers and strengthen our after-sales service capabilities. We hope to increase customer satisfaction, earn their trust and recognition in our professional expertise, so as to shorten the acceptance period and reduce the need to borrow equipment for testing, thereby making the Company's financial management more flexible.

2. Long-term business plan:

The key areas of the Company's long-term operations are as follows:

Continue to develop broadband application services, strengthening our in-house R&D capabilities, realizing the vision of "Any Service, Any Device, AnyWhere", strengthening our operational structure, focusing on niche markets, implementing a responsibility center, and then implementing profit centers, expanding into overseas markets, and promoting the Hwacom brand.

(1) Product and service strategy - Providing professional consulting services

By using our experience in customer planning and service, Hwacom can provide high-value professional consulting services to offer technical and professional consulting to more customers.

(2) Marketing strategy - expanding to overseas markets

The prosperous development of the telecom market, coupled with the rise of IoT and rapid advancements in information technology, have paved the way to the integration of telecom, media, and networks. The Company has a professional technical team and total system integration experiences, which helps us to offer existing broadband service management software as bundles and market them abroad, thus scaling our business by expanding to the overseas market.

(3) Operational strategy - Providing comprehensive maintenance services

In terms of system services, the rise of the Internet has promoted professional division of labor. Our maintenance system provides major customers with 24/7 professional maintenance services and system integration. We hope to improve the quality of service to meet customer needs through utilizing our professional technical capabilities, increasing customer

satisfaction and loyalty.

(4) Financial strategy - Establishing profit centers

As the Company grows to a considerable size, the organization will inevitably expand, and even the business strategies will tend to diversify. At this time, management work will become more complex and carry more weight. Therefore, we will adopt a profit center system, where individual profit center managers will be responsible for their own business decisions, and their performance is evaluated by the headquarters to measure the profitability of each profit center. This can make the goals clearer, achieve a clearer division of labor, and help us control expenses while creating profits.

II. Market, Production, and Sales Overview:

(I) Market Analysis:

1. Areas in which core products (services) are sold (provided): Currently, Hwacom's main products are primarily sold domestically, with no major transactions with overseas clients.

2. Market share:

The Company's main products all hold considerable market shares in their respective markets. And in terms of our infrastructure and network critical hardware product lines, the three major types of product include backbone equipment, host equipment, and peripheral devices:

- (1) Backbone and Last-Mile network demands have significantly increased, and the Company has introduced renowned brands such as Cisco (the No.1 network share) and Nokia, which are both leaders in their respective fields. Zyxel caters to last-mile network solutions, Cisco, Ruckus for wireless LAN access points, and other providers offer comprehensive and unique solutions for customer environments.
- (2) Host equipment: Since network computing and fault-tolerant systems have become increasingly popular, the Company partners with leading companies such as HP and Dell.
- (3) Peripheral equipment: Due to the proliferation of internet data, there has been a significant rise in demand for internet storage devices, with Network Appliance being the top brand (holding the largest market share for network-attached storage).

In terms of software, the market trend calls for databases, multimedia management systems, network and system management software, and e-commerce. In addition to self-developing Multimedia-On-Demand software, the Company is also a co-marketing partner for leading database software brand, Oracle (No.1 market share) that offers internet server and management software. In response to the rise of cloud computing, the Company has collaborated with renowned virtual management software providers such as VMWARE, Citrix, and BMC to provide planning and deployment services.

In terms of system services, the rise of the internet has led to many specializations. Hwacom provides 24/7 professional maintenance services and system integration for our main clients. The Company is also an authorized maintenance provider for major manufacturers such as Cisco, Network Appliance, HP, Dell, and Nokia. We are also primed to establish a professional operation and maintenance company in the future.

3. Future market supply, demand, and future growth:

The liberalization of telecommunications in Taiwan has led many mobile communication providers to enter various telecommunications value-added

services, in addition to traditional communication services. In response to the coming of the broadband era, demand for value-added services in various broadband services is expected to increase significantly with the opening of 5G network operations this year. It is expected that these telecom operators will invest heavily in network and information equipment construction costs in the future. In addition, the Chunghwa Telecom Interactive Television System (MOD), built on the basis of broadband networks, has been widely promoted by Chunghwa Telecom with high-definition (4K) broadcasting, which has started a trend. MOD has successively launched high-definition content such as Major League Baseball and National Geographic channels, which is expected to start a market trend and increase service activation rates. At present, MOD has reached a scale of 2 million users this year. In addition to the platform construction, service development, and Set-Top-Box procurement opportunities arising from this, the expansion of various types of network exchange equipment on the operation network will also be a business opportunity for the Company's future business expansion.

4. Competitive niches:

- ❖ In terms of the industry: Hwacom is the only company possessing professional knowledge and technical capabilities for multiple cross-industry integrations in communication, network, broadband multimedia, and cloud IoT.
- ❖ In terms of systems: Hwacom possesses integration technology and subsequent service capabilities for network systems, computer platforms, network and system management, and even professional software systems.
- ❖ In terms of the market: We are focusing on the rapid growth of system integration in internet and broadband technologies alongside target industries.
- ❖ In terms of products: Products that the Company represents are synchronized with the needs of the target industry and all products have reached economies of scale. We can also stay ahead of the market demand to anticipate the next rising-star product.
- ❖ In terms of technology: The Company has professional technical engineers with high value-added core technology R&D capabilities, providing telecom-grade engineering design services.
- ❖ In terms of management: Hwacom's management team consists of professional managers with international perspectives from both local and foreign backgrounds, allowing the Company to have greater room for growth.

5. Favorable and adverse factors for long-term development and response measures:

(1) Favorable factors:

- A. In terms of the industry: Hwacom is the only company possessing professional knowledge and technical capabilities for multiple cross-industry integrations in communication, network, broadband multimedia, and cloud IoT.
- B. In terms of systems: Hwacom possesses integration technology and subsequent service capabilities for network systems, computer platforms, network and system management, and even professional software systems.

- C. In terms of the market: We are focusing on the rapid growth of system integration in internet and broadband technologies alongside target industries.
- D. In terms of products: Products that the Company represents are synchronized with the needs of the target industry and all products have reached economies of scale. We can also stay ahead of the market demand to anticipate the next rising-star product.
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- F. In terms of management: Hwacom's management team consists of professional managers with international perspectives from both local and foreign backgrounds, allowing the Company to have greater room for growth.

(2) Adverse factors and countermeasures:

- A. Many domestic telecom equipment manufacturers and other system integrators have begun to pay attention to this market and may invest in production, increasing industry competition and shrinking profits.

※ Countermeasures:

To deal with the highly competitive business environment, apart from expanding and introducing various renowned global brands' products to maintain a complete product line to meet customers' one-stop shopping needs, the Company has also established strong strategic alliances with the original manufacturers and actively combines products from different brands to create the optimal efficient combinations, which allows us to provide customers with total solutions. This will increase the added value of products and strengthen customer service; enhance the Company's value-added service through high-reliability products, superb network integration technology, and comprehensive after-sales and maintenance services, thus avoiding price wars.

Additionally, the Company actively invests in R&D to develop own-brand products, build our own technical team, and improve competitiveness and barriers to entry, while also establishing good operating and management systems to build the foundation for sustainable management.

- B. With the rapid development of telecom networks, and the continuous launch of various standards and protocols, as well as new generation products, there continues to be a shortage in the supply of professional talents despite the development of telecom technologies.

※ Countermeasures:

The Company actively recruits outstanding talent and conducts intensive internal and external education and training to cultivate a professional technical consulting team. Meanwhile, the Company encourages employees to obtain professional certification to enhance their professional abilities and technological competencies. In addition, the Company also offers employee stock options and dividends to increase employee cohesion, on top of strengthening the employee performance evaluation system and strive to create a fair and transparent reward system to improve employee quality.

(II) Major applications of core products: (Manufacturing processes of products: None).

Product name	Major applications
Telecom system integration services	PRBT system, the next-generation UMS super mailbox system, the multifunctional SMS service system, the regional message notification platform, the EAP-SIM authentication platform, remote backup storage system, mobile voice access platform, 4G LTE/5G network core system, mobile payment service, video multimedia terminal equipment, and more.
IP broadband network service	The Company collaborated with fiber broadband equipment manufacturers such as Nokia (Alcatel Lucent), Cisco, ZyXel, etc. to provide broadband network infrastructure solutions to service providers. The solutions cover VDSL, MSAN, GPON access solutions for both copper and fiber cables, as well as IP networks including Metro Ethernet and IP Transport. As to transmission systems, the Company offer NG-SDH, PTN, OTN, etc. In addition, the Company provides a wide range of broadband solutions for home networks, including STB, Home Gateway (GW), Meshed WiFi Routers, Small Cell Gateway, etc. Over the past few years, the Company has assisted telecom and cable TV service providers in deploying countless broadband solutions to meet customers' various needs for broadband network infrastructure.
Media industry service	Digital conversion systems for SD/HD and 4K2K content, Transcoder for multi-format audio and video, equipment for filming, broadcasting, master and sub-control systems, digital cable TV head-end systems, cable TV VoD systems, high-definition multimedia video set-top boxes and servers including OTT set-top boxes, fiber or telecom equipment, data terminal systems, network application services, 3D games, and interactive multimedia services such as MOD.
Enterprise customers	Centralized system for general enterprise data centers, enterprise virtualization, cloud computing projects, VDI desktop cloud, cybersecurity system services, big data analysis, EMC bidding, SWRD NETAPP expansion, MTK new data center relocation projects, and more.
Intelligent transportation service (ITS)	Real-time traffic information service is an important part of ITS. This service uses smartphones to provide users with real-time traffic information services, and utilizes Facebook to expand the service coverage to more users. Meanwhile, it also plays the role of a GPS-Base Vehicle Probe, providing position, direction, and speed information through GPS/4G and receiving and calculating the average speed of road sections on the cloud, thereby enriching the database and expanding traffic information. This extends the traffic data from "real-time" to "analysis and prediction" and further establishes B2B or B2C business models, creating a more comprehensive and sophisticated ITS.
Integrated monitoring platform of Intelligent Operation Center (IOC)	The integrated monitoring platform, aoSCADA, is designed for the IOC of a smart city. It provides diverse intelligent monitoring and management services within an IoT environment.
Innovative business applications	Based on the professional expertise, experience, and resources accumulated in the aforementioned six application domains, the Company plans to develop a wide range of innovative applications and services, including intelligent transportation, Smart Digital Signage, and WiFi O2O service application platforms. These will serve as the Company's development direction in the next decade.

(III) Supply of main raw materials:

Raw material	Supplier	Supply status
ICT equipment	CISCO, F5, ALU, Palo Alto, Juniper, Fortinet, Extreme, ZyXEL, MetaAge, Zero One Technology, Unicom, Netfos	Sufficient supply
Server workstations	DELL, HP, SuperMicro, Advantech, Acer, ASUS, Unitech, BestCom, Genuine, Synnex, Compuware, JNet, Dawning, Lealea, Fortune Technology, QCT, PEGATRON	Sufficient supply
Software	Metaswitch, Splunk, Dialogic, Utimaco, Checkpoint, VMware, Idemia, Cyberon, Zero One Technology, BestCom	Sufficient supply
Network management system	HP, AXIOMTEK	Sufficient supply
Storage devices	NetAPP, DELL, HP, Synology	Sufficient supply
Set-top box, optical cable, OVT, Sumitomo, Vocom, Evertop	OVT、Sumitomo、Vocom、Yitai	Sufficient supply
ITS engineering	AXIS, Panasonic Taiwan Co., Ltd., EOI, L.M.I., Sinli, Jing-Yee, LILIN, Hipower, Boeing, Ablere, Evertop, Ares Engineering, YUAN SHUO Engineering, BRTLED, Dacom, Kaite Technology, Ting Kai Engineering, tMedia, Jinyuantong, Lidan, S-LINK SYSTEMS INC.	Sufficient supply

(IV) Names of customers who accounted for more than 10% of the purchases/sales in any of the last two years, and purchases/sales amount and percentage:

1. Major customers accounting for above 10% of net sales in the most recent 2 years:

Unit: NT\$ thousand

Item	2023				2024			
	Name	Amount	Percentage of net sales %	Relationship with issuer	Name	Amount	Percentage of net sales %	Relationship with issuer
1	Chunghwa Telecom	1,084,073	20.64	None	Chunghwa Telecom	1,150,128	20.90	None
2	Freeway Bureau, MOTC	517,398	9.85	None	Freeway Bureau, MOTC	564,432	10.25	None
	Others	3,651,261	69.51	None	Others	3,789,211	68.85	None
	Net Sales	5,252,732	100.00		Net Sales	5,503,771	100.00	

Major reasons of the changes: The Company's revenue is mainly recognized from the completion of bidding projects. Due to the large number of completed projects and the diverse nature of each projects, it is difficult to conduct comparative analysis.

2. Major suppliers accounting for above 10% of net purchases in the most recent 2 years:

Unit: NT\$ thousand

Item	2023				2024			
	Name	Amount	Percentage of net purchases %	Relationship with issuer	Name	Amount	Percentage of net purchases %	Relationship with issuer
1	Zero One Technology	797,370	20.63	None	Zero One Technology	1,185,943	25.54	None
	Others	3,067,078	79.37	None	Others	3,456,969	74.46	None
	Net purchases	3,864,448	100.00		Net purchases	4,642,912	100.00	

Major reasons of the changes: The Company's purchases are based on the progress of the ongoing projects. Due to a large number of completed projects and the diverse nature of each project, it is difficult to conduct comparative analysis.

III. Employee Information for the Most Recent Two Years up to the Date of Publication of the Annual Report:

Year		2023	2024	February 28, 2025
Number of employees	Business personnel	65	72	74
	Technical personnel	507	580	573
	Administrative personnel	141	137	135
	R&D personnel	58	64	63
	Total	771	853	845
Average age		41.15	41.53	41.48
Average years of service		5.79	6.27	5.94
Education background distribution	PhD	0.93%	0.82%	0.83%
	Master's	19.58%	19.58%	19.64%
	University/College	76.65%	76.08%	76.33%
	High school	2.72%	3.40%	3.08%
	Below high school	0.13%	0.12%	0.12%

IV. Information on Environmental Protection Expenditure:

- (I) Losses due to environmental pollution (including compensation) and total fines during the most recent year and up to the date of this Annual Report:

No pollution issues have occurred during the assembly process of the Company's information system, communication system, and internet service.

- (II) Due to the nature of the industry, the Company is not subject to the European Union's Restriction of Hazardous Substances Directive (RoHS).

V. Cyber Security Management:

- (I) Cyber Security Risk Management Framework

1. Corporate cyber security governance structure

To enhance the overall information and personal data security of HwaCom System Inc., its subsidiaries, and affiliated companies (referred to as the "Group"), and to integrate organizational and internal control, the Company established the "Cyber Security and Personal Data Protection Committee" in July 2020. This demonstrates the Group's emphasis on and support for cyber security and personal data protection, enabling continuous improvement of the security management system.

- Committee: Composed as work groups, it includes one Chief Information Security Officer-cum- Personal Data Protection Officer (hereinafter referred to as the CISO,

or Chief Information Security Officer), with the President serving as the CISO, and top-ranking managers from various departments within the Group serving as committee members.

- Chief Information Security Officer concurrently serves as Personal Data Protection Officer: Appointed by the President or authorized personnel.
- Committee members: Top-ranking managers from various departments within the Group serving as committee members.
- Management representative: Appointed by the CISO, a designated top-ranking manager.
- Head of Information Security Center: Appointed by a management representative, a designated top-ranking manager.
- Management System Team: Composed of personnel assigned by the management representative.
- Risk Management Team: Composed of personnel assigned by the management representative.
- Internal Audit Team: Composed of personnel with auditing functions assigned by the Committee.
- Internal audit seeds of each unit: Composed of personnel with auditing functions assigned by each respective unit.
- Dedicated Cyber security personnel in each department: Composed of personnel assigned by each department.
- Incident Response and Business Continuity Response Team: Composed of personnel assigned by the management representative.

2. Organizational Framework of the Cyber Security Organization



(I) Cyber Security Policy

1. Enterprise Cyber Security Management Strategy and Framework

HwaCom System Co., Ltd., its subsidiaries, and affiliated companies (hereinafter referred to as "the Group") are committed to strengthening cyber security and personal data protection management. This is to ensure the confidentiality, integrity, availability, and compliance of information assets (including personal data) related to the Group, customers, and other stakeholders. The objective is to provide an information environment that supports the continuous operation of the Group's businesses and meets the requirements about customer contracts regarding cyber security and personal data protection in laws and regulations. This is to protect against intentional or accidental threats from internal and external sources. As a result, the "Cyber Security and Personal Data Protection Policy" has been established.

Personal data and information are valuable assets of the Group. To emphasize the Group's commitment to personal data protection and the implementation of effective cyber security management, a policy statement has been formulated based on the principles of simplicity, easy to remember, and alignment with cyber security and personal data management objectives: "It is everyone's responsibility to enforce cyber security and personal data

protection."

HwaCom System Co., Ltd. (hereinafter referred to as "the Company") has developed, maintained, and continuously improved its cyber security management system in a "Plan-Do-Check-Act" cycle to ensure the confidentiality, integrity, availability, and compliance of critical information assets. In line with this, the "Cyber Security Maintenance Plan" and the "Personal Data Security Maintenance Plan" have been established.

2. Risk Management and Continuous Improvement Framework of Enterprise Cyber Security



(II) Specific Management Plans and Allocation of Resources for Cyber Security Management

From a system aspect	Items executed	Specific management plans and allocation of resources for cyber security
In terms of management	Classification and protection standards of information and communication systems	In 2024, we completed all classification. Systems developed internally or outsourced by the Company are classified into high, medium, and general levels based on the "Information System Classification" in Attachment 9 of the Regulations Governing the Implementation of the Personal Data Protection Act (PDPA). The Company conducts audits and implements improvements in accordance with Attachment 10, "Checklist for Information System Security Standards".
	Implementation of information security management system	The entire organization has achieved ISO/IEC 27001 (TAF) and ISO/IEC 27701 certifications, and continues to improve to maintain the effectiveness of the certifications.

From a system aspect	Items executed	Specific management plans and allocation of resources for cyber security
	and verification by an independent third party	The renewal certificate will continue to be valid after the verification has been completed in 2024. The current validity period of the certificate is until August 26, 2026.
	Dedicated information security personnel	In 2024, the Group set up one dedicated information security supervisor, one dedicated information security personnel, and 23 internal audit seeds, who are assigned to their respective units. A total of 79 dedicated information security personnel are assigned across all units.
	Internal information security audit	Completed 2 office safety spot checks in 2024. (May, November) Conducted two internal information security and personal data security audits in 2024 and implemented continuous improvement. (July, November) Conducted two external information security and personal data security audits in 2024 and implemented continuous improvement. (January, August)
	Business continuity simulation drill	Conducted business continuity drill for all core systems according to annual schedule in 2024 and implemented continuous improvement.
Technical aspect	Security testing - vulnerability scanning	Conducted two vulnerability scanning for host systems and web applications in 2024, and we are continuing to patch identified vulnerabilities.
	Security testing - penetration testing	Performed one penetration testing for core systems in 2024, and are continuously patching identified vulnerabilities.
	Cyber Security Diagnostics <ul style="list-style-type: none"> - Network architecture review - Network malicious activity monitoring - User computer malicious activity monitoring - Server host malicious activity monitoring - Directory server configuration and - Firewall connection settings review 	The cyber security diagnostics was completed in 2024 and implemented continuous improvement.
	Endpoint detection and response mechanism	Installed EDR Professional version of endpoint protection software (including antivirus software functions) across the entire organization in 2024 to prevent attacks such as malware and ransomware. Cyber security personnel engage in real time monitoring and response.
	Cyber security protection - antivirus software	Installed EDR Professional version of endpoint protection software (including antivirus software functions) across the entire organization in 2024 to prevent attacks such as malware and ransomware. Cyber security personnel engage in real time monitoring and response.
	Cyber security protection - network	Deployed next-generation firewalls at network boundaries and enabled advanced persistent threat detection. Implement network segmentation

From a system aspect	Items executed	Specific management plans and allocation of resources for cyber security
	firewall	based on business and regional attributes and control access through the firewall. Cyber security personnel engage in real time monitoring and response.
	Cyber security protection - email filtering mechanism	Activated email filtering mechanism for the email services throughout the Group to detect and alert against spam emails, phishing emails, and external incoming emails. Cyber security personnel engage in real time monitoring and response.
	Cyber security protection - intrusion detection and defense mechanism	In 2024, a security information and event management platform (SIEM) was established and SOC monitoring services were introduced simultaneously. Cyber security personnel engage in real time monitoring and response.
	Cyber security protection - web application firewall (WAF)	Deployed web application firewall (WAF) for core information communication systems serving external services, enhancing core system protection capabilities. Cyber security personnel engage in real time monitoring and response.
	Cyber security protection - advanced persistent threat defense measures	Integrated cloud, network, endpoint, threat intelligence, and abnormal behavior detection in the internal network to build an advanced persistent threat defense network. Cyber security personnel engage in real time monitoring and response.
Awareness and Training	Cybersecurity Education	In 2024, the entire Group has completed the following tasks at different levels: Management positions received annual cybersecurity and personal data education training for a minimum of 3 hours. All employees received annual cybersecurity and personal data education training for a minimum of 3 hours.
	Professional certifications in cyber security	We continuously invest in training and maintaining the validity of cyber security certifications for relevant personnel. In 2024, we continued to provide external training such as ISO27001:2022 version revision, ISO27001:2022 version update, CEH, OSCP, etc. We also continued to apply for Lead Auditor related licenses and actually participate in audit activities related to the contents of the license at least twice in 2024. Currently, there are approximately 320 certificates and licenses (management and technical) related to information security across the Group.

(III) Cyber Security Risk and Countermeasures

HwaCom System Inc. has implemented overall network and computer security measures; however, it cannot guarantee the complete prevention of network attacks from any third party that may disrupt critical business functions, including company operation and accounting. These network attacks involve illegal intrusion into the internal network systems of HwaCom System, resulting in activities that damage the

Company's operations and reputation. In the event of a severe network attack, the Company's systems may lose important data, and operational activities may grind to a halt. HwaCom System Inc. continuously reviews and assesses its cyber security regulations and procedures to ensure their adequacy and effectiveness. However, it cannot guarantee that the Company will remain unaffected by evolving risks and attacks in the rapidly changing landscape of cyber security threats. Network attacks may also attempt to steal the Company's business secrets and other confidential information, including proprietary information of customers or other stakeholders, as well as personal information of HwaCom System employees.

Malicious hackers may also attempt to introduce computer viruses, destructive software, or ransomware into HwaCom System's network systems to disrupt company operations, extort or blackmail the Company, gain control of computer systems, or access sensitive information. These attacks may result in the Company compensating customers for losses due to delayed or interrupted orders, incurring significant costs for remediation and improvement measures to strengthen the Company's network security systems, or facing major legal liabilities arising from legal cases or regulatory investigations related to the data breach concerning the company's employees, customers, or third parties with whom the Company has confidentiality obligations.

HwaCom System Inc. acknowledges the potential for future attacks, despite not having experienced any attacks in the past. To prevent and mitigate the damage caused by such attacks, the Company implements relevant improvement measures and continuously enhances its security practices. These measures include strengthening network firewalls and controls to prevent the spread of computer viruses across endpoints and offices, implementing endpoint protection measures based on computer types, deploying advanced solutions for detecting and handling malicious software, adopting new technologies to enhance data protection, enhancing phishing email detection, establishing an integrated security operations platform, and regularly conducting employee awareness testing and engaging internal/external experts for security risk assessments. Despite these ongoing efforts to enhance cyber security, HwaCom System Inc. cannot guarantee immunity from malware and hacker attacks.

In addition, HwaCom System Inc. needs to share highly sensitive and confidential information with certain third-party vendors who provide services to the Company, its subsidiaries, and affiliates to facilitate their service provision. While the Company requires these third-party service providers to comply with confidentiality and/or network security provisions in the service contracts, it cannot guarantee that every third-party service provider will strictly adhere to these obligations. The intranet system and/or external cloud network (such as servers) maintained by the above service providers and/or their contractors are also at risk of relevant cyberattacks. If HwaCom System Inc. or its service providers cannot promptly address the technical issues caused by such network attacks, ensure the integrity and availability of data for HwaCom System Inc. (and its customers or other third parties), or maintain control over the Company's or its service providers' computer systems, it may significantly jeopardize the company's commitments to customers and other stakeholders. Consequently, the company's business performance, financial position, prospects, and reputation may be adversely affected.

(IV) Significant Information Security Incidents

HwaCom System Inc., has established a risk management mechanism and SOP for handling cyber security incidents. The procedures clearly define the relevant processes and measures, including the incident reporting procedure, assigning responsible personnel to handle significant cyber security incidents, evaluating the incurred losses, implementing necessary response measures, assessing the potential impact of risks on the Company's finances and operations, and implementing corresponding measures.

From 2024 up until the publication date of the Annual Report, HwaCom System Inc., has not experienced any significant cyber security incidents, nor has any financial losses, operational impacts or response measures resulting from such incidents.

VI. Employer-employee Relations:

- (I) The Company's employee benefit measures, continuing education, training, retirement system, and actual state of implementation:
 - 1. Employee behavior and Code of Conduct
 - (1) Implementation of hierarchical responsibility

- A. Authorization criteria and decision-making rights: Accelerates operation process and enhances hierarchical management to effectively regulate the job authority of each level.
- B. Implements job authorization and proxy management to ensure smooth functioning of business operations.
- C. Organization and job title management: Establishes a rational job title management system in line with organizational development to provide employees with appropriate career development paths.

(2) Establishment of Code of Conduct for Employees

Clearly define the rights and obligations of both labor and management to foster unity and collaboration among all employees for the advancement of the Company's business.

(3) Division of labor within departments

Based on departmental functions, clearly define the job responsibilities and organizational functions of each unit to ensure specialization and strengthen the company's core competencies.

(4) Clear rewards and penalties system

We clearly defined reward and penalty regulations to promptly recognize employees who have made special contributions and to prevent individual actions that may harm the Company.

(5) Implementation of employee performance management

Supervisors provide appropriate feedback and assistance to employees based on their job performance, and use it as a basis for planning their subordinates' future development.

(6) Prevention and handling measures for sexual harassment

To prevent sexual harassment and ensure gender equality in the workplace, regulations on sexual harassment prevention are established, and relevant provisions and complaint channels are posted on the Company's internal website to regulate employees' behavior in the workplace.

(7) Code of Ethics

To guide the behavior of the Company's directors, managers, and employees to conform to ethical standards and to enhance stakeholders' understanding of the company's ethical standards, a Code of Ethics is established for compliance.

2. Employee welfare:

To encourage morale, improve work efficiency, foster employee loyalty, and establish a stable working environment, the Company has implemented various welfare measures to address their needs. We aim to cultivate a sense of co-prosperity between employees and the Company, and to create a harmonious employer-employee relationship. In addition to providing labor insurance and health insurance, we also provide the following welfare measures:

- ※ Bonuses: Year-end bonuses, performance bonuses
- ※ Self-improvement activities: The Employee Welfare Committee organizes periodic domestic and overseas travel, leisure activities, and cultural events.
- ※ Subscription of new shares issued for capital increase: We encourage employees to participate in cash capital increases, sharing in the benefits of growth, and fostering employee loyalty.
- ※ Allowances for weddings, funerals, and celebrations: The Employee Welfare Committee has established relevant guidelines to provide support and boost morale.
- ※ Education and training: Empowering employees to acquire new skills and enhance personal growth.
- ※ Insurance: Life insurance, accident insurance, and accidental medical coverage.

3. Employee Training and Development Implementation:

In response to the rapid change of technology in the industry and to ensure the competence and career development of employees meet company objective, the Company has made employee learning and development a key focus of our human resources management. Founded on core competencies, these talent training programs are aligned with the Company's operational strategies and professional skill training, and are also integrated with knowledge management systems. We have also established guidelines for education and training. Employees have the opportunity to proactively request or be assigned by their supervisors to participate in various education and training programs to enhance their skills and capabilities. The details are as follows:

- (1) New employee training: Encourage new employees to familiarize with the Company's development history, management rules, and concepts of safety and quality assurance.
- (2) On-the-job training and continuing education:
 - A. The Company organizes periodic education and training sessions based on the actual needs of employees.
 - B. Employees are encouraged to proactively propose or be periodically assigned by their supervisors to attend external training programs based on business needs.
- (3) In 2024, the Company's total hours of actual education and training was approximately 26,916 hours (including both internal and external training). The expenditure for education and training was approximately NT\$5,130 thousand.

Course number	Course session	Number of participants	Total hours	Total fees
General Education course	66	5,969	10,836	NT\$5,130 thousand
Technology course	23	35	358	
Product course	7	192	511	
New Employee training	203	2,315	2,645	
Certification	298	492	10,252	

4. Employee Retirement System and Implementation Status:

- ❖ The Company has established a Supervisory Committees of Labor Retirement Reserve, and employee retirement is carried out according to the Company's Employee Retirement Policy.
- ❖ The Company deposits 2% of employees' monthly salaries into a dedicated account for Labor Retirement Reserve Account at the Bank of Taiwan. For those who choose the new pension scheme, the Company contributes 6% of monthly salaries to the Labor Insurance Bureau's dedicated retirement account.
- ❖ For other information related to employee retirement benefits, please refer to pages 153 and 196.

5. Labor Safety and Health Policy:

The Company aims to provide a safe, healthy, and comfortable working environment by promoting health and safety management to instill proper awareness and maintaining physical and mental well-being among employees. The following measures are implemented:

- ❖ Compliance with environmental protection, safety, and health-related laws and regulations in addition to other requirements.
- ❖ Reducing potential hazards in the work environment.
- ❖ Enhancing health education and implementing health check-up to ensure effective health management.
- ❖ Encouraging energy conservation and reducing resource wastage.
- ❖ Implementing access control systems in major equipment rooms and office areas to ensure security of personnel and property.
- ❖ Implementing energy conservation and carbon reduction initiatives to address global warming.

6. Employer-employee agreements and protection of employee rights and interests: With the belief in a mutually beneficial relationship between employees and the management, the Company adheres to the Labor Standards Act and related regulations. We respect our employees and value their welfare and treatment. Through joint participation and effective communication between employees and the management, a harmonious employer-employee relationship has been formed.

(II) For the recent year, and up to the publication date of the Annual Report, the Company has incurred losses due to labor disputes, and the current and future estimated amounts of such losses, corresponding measures are as follows:

1. There has not been any losses caused by labor dispute since the Company's establishment, mostly because the Company values employee welfare and maintains open communications with our employees. We maintain a harmonious employer-employee relationship. Therefore, we cannot reasonably estimate any potential future losses. However, the Company will continue to enhance

communication and coordination between employees and management, and strive to improve welfare measures to promote a harmonious relationship within the Company, aiming to prevent any potential labor disputes.

2. As a system integrator, our employees do not have concerns about occupational injuries caused by the work environment. Additionally, the Company also provides group insurance coverage (life insurance, accident insurance, and accident medical insurance) for our employees. We also have filed for commercial fire insurance of workplace and equipment to ensure a safe work environment for employees.

VII. Important Contracts:

Nature of contract	Contracting parties	Commencement and expiration date	Major contents	Restrictive clauses
Sales contract	National Chung-Shan Institute of Science and Technology	2023/08/24-2027/12/31	27 items total, including intelligent surveillance and machinery and electrical equipment installation at 18 locations and pipeline laying	None
Sales contract	National Chung-Shan Institute of Science and Technology	2024/02/01-2028/12/31	27 items total, including intelligent surveillance and machinery and electrical equipment installation at 28 locations and pipeline laying	None
Engineering Contract	North Region Branch Office, Freeway Bureau, MOTC	2024/04/26-2026/04/25 (730 calendar days from the date of notification by the agency)	Procurement project for the comprehensive digitization and upgrade of tunnel image event detection system in the National Highway No. 5	None
Sales contract	Criminal Investigation Bureau, National Police Agency, Ministry of the Interior	Phase 1: To be completed within 210 calendar days from the day following the awarding of contract - before 2024/8/16 Phase 2: To be completed within 540 calendar days from the day following the awarding of contract - before 2025/7/12	Fingerprint computer performance improvement at the Criminal Investigation Bureau, National Police Agency, Ministry of the Interior	None

Chapter 5. Discussion and analysis of the Company's financial status, financial performance, and risks

I. Financial Status:

(I) Analysis of assets, liabilities and equity in the last two years:

Unit: NT\$ thousand

Item \ Year	2024	2023	Difference		
			Amount	%	Note
Current assets	5,233,807	4,223,822	1,009,985	23.91	1
Property, plant and equipment	248,549	266,903	(18,354)	(6.88)	
Financial assets in other comprehensive income measured at fair value through profit and loss - Non-current	157,315	140,798	16,517	11.73	
Other assets	499,545	557,478	(57,933)	(10.39)	
Total assets	6,139,216	5,189,001	950,215	18.31	
Current liabilities	3,432,101	2,599,483	832,618	32.03	2
Non-current liabilities	168,037	176,570	(8,533)	(4.83)	
Total liabilities	3,600,138	2,776,053	824,085	29.69	3
Share capital	1,410,502	1,410,502	-	-	
Capital surplus	412,622	402,974	9,648	2.39	
Retained earnings	631,877	541,877	90,000	16.61	
Other equity interest	84,077	70,842	13,235	18.68	
Treasury stocks	-	(13,247)	13,247	(100.00)	4
Total shareholders' equity	2,539,078	2,412,948	126,130	5.23	

Significant changes exceeding 20% and amounting to NT\$10,000 thousand or more, and reasons thereof:

1. In Q4, accounts receivables have increased as a result of the increase in project inspection and acceptance. At the same time, in order to meet the needs of future projects, inventories have increased so current assets also increased compared with last year.
2. Short-term bank borrowings were raised to finance the purchase of input required for future projects, resulting in an increase in current liabilities compared to last year.
3. Same as 2.: Due to the increase in current liabilities, the total liabilities increased compared with last year.
4. This year, the Company carried out the transfer of treasury stock to employees plan, and as of the end of the year, the Company did not have treasury stock.

(II) Major reasons for significant changes and future response plan: Not applicable.

II. Financial Performance

(I) Analysis of operating revenue, net profit, and pre-tax profit in the most recent two years:

Unit: NT\$ thousand

Item \ Year	2024	2023	Difference		
	Amount	Amount	Amount	%	Note
Operating revenue	5,503,771	5,252,732	251,039	4.78	
Operating cost	4,280,969	4,182,705	98,264	2.35	
Gross profit	1,222,802	1,070,027	152,775	14.28	
Operating expenses	1,057,938	1,056,339	1,599	0.15	
Operating income	164,864	13,688	151,176	1,104.44	1
Non-operating income and expenses	4,907	57,452	(52,545)	(91.46)	2
Net income before tax	169,771	71,140	98,631	138.64	3
Net income after tax (loss)	130,580	57,620	72,960	126.62	4
Other comprehensive income	14,681	16,503	(1,822)	(11.04)	
Total comprehensive income	145,261	74,123	71,138	95.97	5

For significant changes exceeding 20% and amounting to NT\$10,000 thousand or more, please provide an explanation:

1. Operating profit: As both operating revenue and gross profit margin increased this year, operating profit also increased accordingly.
2. Non-operating income and expenses: Due to the decrease in net profit from accepting projects this year, non-operating income and expenses decreased compared with last year.
3. Net income before tax: As the performance of this year increased compared with last year, both gross profit and operating profit increased. Although non-operating income and expenditure decreased compared with last year, the overall net profit before tax was still higher than last year.
4. Net income after tax (loss): After deducting income tax from the net profit before tax, the net profit for this year has also increased compared with last year.
5. Total comprehensive income: This is mostly attributable to the increase in the Company's net profit after taxes compared with last year, so the total comprehensive income has increased compared with last year.

(II) Expected sales volume and its basis, the possible impact on the company's future financial business and the response plan: Not applicable.

III. Cash flows

(I) Analysis on changes of the cash flow of the current year

Item \ Year	2024	2023	Increase (Decrease)	
			Amount	Percentage (%)
Operating activities	(881,651)	896,653	(1,778,304)	(198.33)
Investing activities	2,202	(314,935)	317,137	(100.70)
Financing activities	693,914	(176,073)	869,987	(494.11)
Analysis on changes in the cash flow:				
(1) Operating activities: Mostly attributable to the substantial increase in accounts receivable and inventory this year, resulting in cash outflow from operating activities this year.				
(2) Investing activities: Mostly attributable to the recovery of refundable deposits, which were generated due to business needs, and the recovery of principal of financial assets measured at amortized cost during the year.				
(3) Financing activities: Mostly attributable to taking out short-term loans this year to meet the funding needs generated by the tender projects.				

(II) Remedy for cash deficit: Not applicable.

(III) Cash flow analysis for the coming year

Unit: NT\$ thousand

Cash balance at the beginning of the period (1)	Expected annual net cash flow from operating activities (2)	Expected annual cash outflow (3)	Expected cash surplus (deficit) (1)+(2)+(3)	Remedial measures for expected cash deficit	
				Investment plans	Financing plans
986,557	(164,452)	73,289	895,394	0	0
1. Analysis on changes in the cash flow:					
(1) Operating activities: It is expected that net cash inflow will be generated from operating activities. This is attributable to the expectation that all future orders can be shipped and accepted as scheduled, and the receivables can be successfully collected within the deadline without any bad debts, thereby the Company will have sufficient working capital to pay manufacturers and for daily operations.					
(2) Investing activities: It is expected that net cash outflows will be generated from investing activities, mainly due to the increase in deposits paid to obtain subsequent tenders, and expenditures on the purchase of related fixed assets and intangible assets in response to operational needs.					
(3) Financing activities: It is expected that net cash outflows will be generated from financing activities. This is mostly attributable to paying cash dividends, and increased project and working capital loans to meet the funding needs of future tender projects.					
2. Remedial measures for expected cash deficit and liquidity analysis: None					

IV. The effects that major capital expenditures have on the Company's financial operations in the recent year: None.

V. Investment policy in the past year and its profit/loss analysis, improvement plan, and investment plan for the coming year: None.

VI. Risk analysis and evaluation during the most recent fiscal year and as of the date of publication of this Annual Report:

(I) Impact of interest rate and exchange rate changes and inflation on Company's profit and response measures:

1. The effect of interest rate fluctuations on earnings and losses of the Company and response measures:

The Company primarily engages in system integration services in the fields of telecommunication, broadband network, media, enterprise users, and smart city control application. The business model revolves around project acquisition, with project sizes varying. However, to meet the demands of large-scale projects, the Company typically obtains project financing from financial institutions to support the funding needs during the construction period. The cost of project financing directly impacts the profits and losses of these projects. The Company implements stringent process controls for large-scale projects and strives to secure favorable financing terms from partner banks to lower the cost of funds. Regarding the short-term idle funds, the Company primarily invests in bonds or commercial papers, with the impact of interest rate fluctuations on the income statement being minimal.

2. The effect of exchange rate fluctuations on earnings and losses of the Company and response measures:

Some of the Company's cash inflows and outflows include transactions are denoted in foreign currencies, which provide a natural hedging effect to some extent. The management of exchange rate risk is primarily aimed at hedging rather than profit generation. In 2017, the net gains from foreign currency exchange accounted for a very minimal proportion of net operating income, indicating minimal impact on revenue. To mitigate the impact of exchange rate fluctuations on profitability, the Company has implemented the following specific measures:

- (1) Regularly review the net positions of foreign currency assets and liabilities (primarily in USD and JPY) and manage the risks in those positions. The choice of hedging instruments is based on considerations of hedging costs and periods, and currently borrowing in foreign currencies is our primary method to hedge exchange rate risk. When the foreign currency liability position is exposed to exchange rate risk, the Company often converts foreign currency borrowings into NTD borrowings at favorable exchange rates. Overall, significant exchange rate risk is not expected to arise.
- (2) Continuously gather information on exchange rate fluctuations to have a thorough understanding of exchange rate trends, and to make timely decisions on foreign currency conversion or retention to manage the risks arising from exchange rate movements.
- (3) Based on market exchange rate trends, the Company conducts "hedging-oriented" foreign currency operations, taking into account the advice of banks, exchange rate differentials, and interest rate factors to reduce exchange risk.
- (4) Use mostly TWD as the pricing benchmark when making procurements.
- (5) Maintain close communications with banks to obtain preferential interest rates and monitor exchange rate fluctuations. When quoting for orders, the sales departments consider the potential impact of future exchange rate fluctuations and appropriately incorporate them into the pricing to ensure reasonable profit margins.

3. Impact of inflation on Company's profit and response measures:

According to the statistical data released by the Directorate-General of Budget,

Accounting, and Statistics of the Executive Yuan, the annual growth rate of the Consumer Price Index (CPI) for the 2020 increased by 0.06%. Meanwhile, the annual growth rate of the Wholesale Price Index (WPI) declined by 5.10%. The decrease in the overall Wholesale Price Index was primarily attributed to the decline in prices of petroleum and natural gas, chemical materials and products, and pharmaceuticals. This situation does not currently have any inflationary impact on the Company. We will continue to monitor the inflationary situation and maintain good interaction with suppliers and customers to prevent any adverse effects from inflation.

As the Company's revenue mainly comes from tender projects, we will develop high-value solutions to cope with inflation. Additionally, prior to bidding for each project, we will accurately assess the prices of our suppliers and appropriately adjust our bidding prices. We are also devising various cost reduction measures for other related management and sales expenses as part of our response.

(II) Policies, main causes of gain or loss and future response measures with respect to high-risk, high-leveraged investments, lending or endorsement guarantees, and derivatives transactions:

1. In the most recent year, the Company has not engaged in high-risk, high-leverage investments, loaned funds to others, endorsed guarantees, nor engaged in derivative transactions. If such activities are to be undertaken in the future, they will be conducted in accordance with the "Regulations Governing Making of Endorsements/Guarantees" and the "Procedures for the Acquisition or Disposal of Assets", which have been approved through resolution by the Shareholders' Meeting.
2. To manage funds effectively and reduce financial risks, the Company has established "Regulations Governing Loaning of Funds", "Procedures for Endorsements and Guarantees," and "Procedures for the Acquisition or Disposal of Assets" in compliance with Article 36-1 of the Securities and Exchange Act, as amended according to regulatory requirements.

(III) Future R&D Plans and Expected R&D Investment

Based on market trends and core competitiveness, the Company strategically focuses on three major innovative areas, and is estimated to have invested NT\$33 million toward R&D expenses:

I. VStarChain Internet of Vehicles (IoV) Infrastructure Solution	
Project goal	Build a complete IoV infrastructure ecosystem and create an overall smart traffic management solution that meets international standards
Milestones reached	<ul style="list-style-type: none"> ▪ Completed the RSU/OBU technology construction that complies with international standards ▪ Successfully introduced C-V2X international standard verification technology ▪ Completed the development and implementation of the Smart Traffic Communication and Information Station (TCIS)
Ongoing tasks	<ul style="list-style-type: none"> ▪ Develop TCROS smart signal system integration ▪ Develop C-V2X TMS center system
Resources invested this year	NT\$18 million
Expected completion schedule	Q2 2026
Key success factors	Cost-effective integrated solution for smart intersections

II. SmartQ LAS Generative AI Application Service Platform	
Project goal	Establish an enterprise-level generative AI application integration platform to quickly develop multiple application services and integrate enterprise knowledge and systems to improve enterprise productivity
Milestones reached	<ul style="list-style-type: none"> Completed the basic construction of the generative AI application service platform Platform has entered the Company's internal trial-run stage
Ongoing tasks	<ul style="list-style-type: none"> Develop knowledge base, application services, and tool management systems Develop data masking and content review features Fine-tuning corporate mind-set
Resources invested this year	NT\$9 million
Expected completion schedule	Q4 2025
Key success factors	<ul style="list-style-type: none"> Establish a safe and efficient enterprise knowledge and system integration mechanism Fine-tuning dedicated enterprise LLM with high reliability

III. Risk and Safety Management System (RSMS)	
Project goal	Develop risk and information security management systems to help companies comply with ISMS, PIMS and the Cyber Security Management Act
Milestones reached	<ul style="list-style-type: none"> Completed the asset/personal information inventory, risk assessment, and risk management functions of the ISMS/PMIS module Completed the information and communication system classification function required for the Cyber Security Management Act module System has entered the company's internal trial-run stage
Ongoing tasks	<ul style="list-style-type: none"> Develop audit management for ISMS/PMIS module Developed the protection benchmark assessment and tracking process for the Cyber Security Management Act module Develop reports/dashboards, education and training, document/form management, AI assistance and other auxiliary functions
Resources invested this year	NT\$6 million
Expected completion schedule	Q4 2025
Key success factors	<ul style="list-style-type: none"> User-friendly operating process User-friendly interface

The Company has planned a total R&D budget of NT\$33 million, which will be allocated based on our market strategies and technology development priorities. In particular, in response to the rapid growth of the Internet of Vehicles (IoV) market, we have invested the highest amount of R&D budget toward the Internet of Vehicles (IoV) infrastructure development plan, reaching NT\$18 million and accounting for 54.5% of the total budget. The development of generative AI application service platform ranked second, with an investment of NT\$9 million, accounting for 27.3% of the budget. Our goal is to quickly seize the enterprise AI application service market. We invested NT\$6 million toward the risk and safety management system, accounting for 18.2%, and the key focus is to develop integrated solutions that comply with regulations. Through this strategic resource allocation, the Company is expected to strengthen our market leadership in the smart transportation field, while developing new revenue from AI application services and enhancing the competitiveness in the field of information security management solutions.

- (IV) Major changes in government policies and laws at home and broad, the impact on Company finance and business, and response measures: None.
- (V) Impact of recent technological and market changes on the Company's finance and business, and response measures: None.
- (VI) Impact of corporate image change on risk management and response measures: None.
- (VII) The expected benefits and possible risks of mergers and acquisitions as well as the responding measures: None.
- (VIII) Expected benefits and possible risks of factory expansions as well as the response measures: None.
- (IX) Risks associated with over-concentration in purchase or sale and response measures:
 1. Purchases: The Company typically collaborates with original equipment suppliers for large-scale projects under contracts such as V2, SVG, and MSAN, which are carried out in partnership with Zyxel Group. For the X86 project, we work with Dell, while for GPON, with Nokia-ALU. Highways and Transportation Bureau projects are supplied by multiple vendors, ensuring a diversified risk profile without excessive concentration.
 2. Sales: In 2023 and 2022, our top two customers each accounted for less than 30% of our total sales revenue. Each sales project is independent and subject to competitive bidding from multiple companies. The outcome of each bidding process is beyond our control. Therefore, there is no issue of excessive concentration. As of the publication date of the Annual Report, our receivables remain within the normal range.
- (X) Impact of mass transfer of equity by or change of directors, supervisors, or shareholders holding more than 10% interest on the Company, associated risks and response measures: None.
- (XI) The effects that change in management has on the Company as well as risk and responding measures: None.
- (XII) If the Company, the Company's director, supervisor, President, de facto responsible person, major shareholders possessing over 10 percent of outstanding shares, and the affiliations is involved in a lawsuit event, a non-contentious case, or an administrative lawsuit event which is convicted or still under the lineage until the publication date of the Annual Report, which could have a great impact on shareholders' equity or share prices, the factual argument, value of target object, starting date of the lawsuit, involved parties, and treatment at present should be revealed: None.
- (XIII) Other significant risks and countermeasures:
 1. Cyber security risk assessment and analysis:
The Company's cyber security strategy is committed to implementing information security management and regulatory compliance, while following international standards certification such as ISO 27001 and ISO 27701. This allows us to effectively protect the security of all financial and confidential data, thereby reducing the possibility of unauthorized or illegal use. By supplementing additional control

requirements, we establish, implement, maintain, and continuously improve Privacy Information Management within the scope of the ISMS to mitigate the risks faced by privacy information.

To comprehensively enhance our cyber security defense capability, the Company has established a Cyber Security Committee in addition to adhering to information security development guidelines. We have also appointed cyber security personnel in each department. We conduct regular cyber security assessments and periodically announce cyber security awareness materials to ensure the effective implementation of cyber security management.

From 2023 and up to the date of publication the Annual Report, the Company has not identified any significant cyber security threats or incidents that could impact our business activities, nor legal cases or investigations related to cyber security.

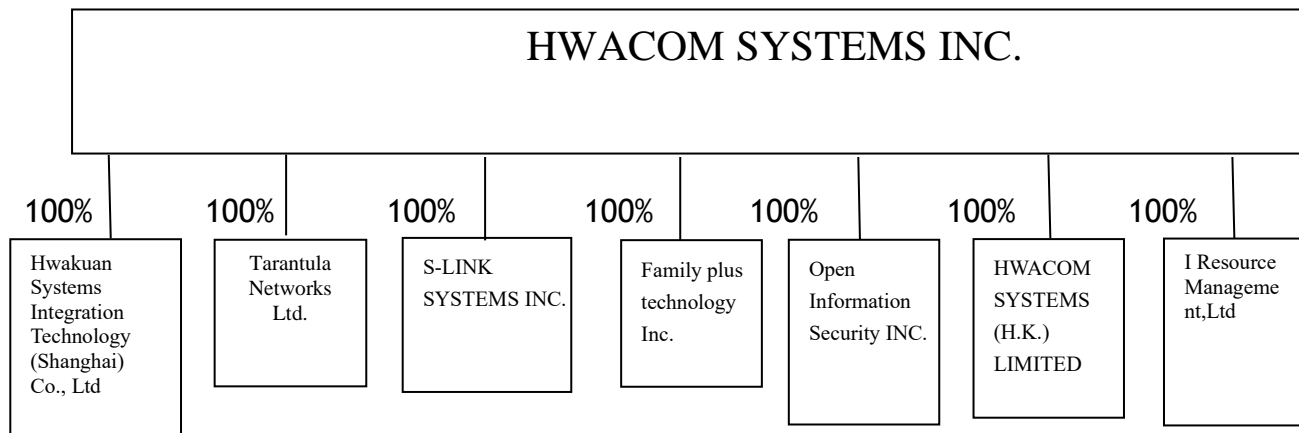
VII. Other Important Matters: None.

Chapter 6 Special Disclosures

I. Information on Affiliates:

(I) Consolidated Affiliate Business Report:

1. Organizational diagram of affiliates



2. Basic information of affiliates

December 31, 2024 Unit: thousand shares/NT\$

Name of affiliate	Date of Incorporation	Address	Paid-in capital	Main business or products
Hwakuan Systems Integration Technology (Shanghai) Co., Ltd	2001.03.02	Room 503, No. 1100 Kangju Baokang Building, Pukangqiao Industrial Zone, Shanghai City, China	US\$500,000	Information processing and information provision industry
Tarantula Networks Ltd	2002.07.24	12F., No. 98, Sec. 1, Xintai 5th Rd., Xizhi Dist., New Taipei City, Taiwan (R.O.C)	NT\$20,000,000	Information software and communication engineering industry, etc.
S-LINK SYSTEMS INC	2008.12.22	12F., No. 108, Sec. 1, Xintai 5th Rd., Xizhi Dist., New Taipei City, Taiwan (R.O.C)	NT\$16,000,000	Information software and service industry, etc.
Family plus technology Inc.	2014.05.08	12F., No. 100, Sec. 1, Xintai 5th Rd., Xizhi Dist., New Taipei City, Taiwan (R.O.C)	NT\$45,000,000	Information software and communication engineering, etc.
Open Information Security INC.	2023.5.22	12F., No. 108, Sec. 1, Xintai 5th Rd., Xizhi Dist., New Taipei City, Taiwan (R.O.C)	NT\$51,000,000	Focuses on information processing and information provision industry
HWACOM SYSTEMS (H.K.) LIMITED	2023.10.05	Room 1202, 12/F., AT Tower, 180 Electric Road, North Point, HONG KONG	HKD\$100,000	Information software and service industry, etc.
I Resource Management, Ltd	2024.07.16	12F., No. 98, Sec. 1, Xintai 5th Rd., Xizhi Dist., New Taipei City, Taiwan (R.O.C)	NT\$2,000,000	Talent dispatching etc.

3. Information of common shareholders who are presumed to have a relationship of control and subordination: None.

4. The industries covered by the businesses operated by affiliates, and a description of the transactions and the division of work among such affiliates:

- (1)Hwakuan Systems Integration Technology (Shanghai) Co., Ltd.: Mainly focuses on information processing/information provision industry.
- (2)Tarantula Networks Ltd.: Information software and communication industry, etc.
- (3)S-LINK SYSTEMS Inc.: Information software and communication industry, etc.
- (4)Family plus technology Inc.: Information software and service industry, etc.
- (5)Open Information Security Inc.: Mainly focuses on information processing and information provision industry.
- (6)HWACOM SYSTEMS (H.K.) LIMITED: Mainly focuses on information software and service industry, etc.
- (7) I Resource Management, Ltd : Mainly focuses on Labor dispatch services.

5. Information on directors, supervisors and president of affiliates

December 31, 2024 Unit: shares

Name of enterprise	Title	Name or representative	Shareholding	
			Number of shares	Shareholding ratio (%)
Hwakuan Systems Integration Technology (Shanghai) Co., Ltd.	Director	HWACOM SYSTEMS INC. Representative: Gary Chen	-	100%
Tarantula Networks Ltd.	Director	HWACOM SYSTEMS INC. Representative: Gary Chen	2,000,000	100%
S-LINK SYSTEMS INC.	Director	HWACOM SYSTEMS INC. Representative: Gary Chen	4,500,000	100%
Family plus technology Inc. (Note 1)	Director	HWACOM SYSTEMS INC. Representative: Gary Chen	1,600,000	100%
Open Information Security INC.	Director	HWACOM SYSTEMS INC. Representative: Gary Chen	5,100,000	100%
HWACOM SYSTEMS (H.K.) LIMITED	Director	HWACOM SYSTEMS INC. Representative: Gary Chen	100,000	100%
I Resource Management, Ltd	Director	HWACOM SYSTEMS INC. Representative: Gary Chen	200,000	100%

6. Business overview of affiliates

December 31, 2024 Unit: NT\$ thousand

Name of enterprise	Capital	Total assets	Total liabilities	Net asset value	Operating revenue	Operating profit	Profit or loss for the current period (after tax)	Earnings per share (NT\$) (after tax)
Hwakuan Systems Integration Technology (Shanghai) Co., Ltd.	15,713	7,742	123	7,619	0	-282	-268	-

Tarantula Networks Ltd.	20,000	10,104	40	10,064	0	-72	-12	-
Family plus technology Inc.	16,000	19,668	1,023	18,645	11,501	3,101	2,629	1.64
S-LINK SYSTEMS INC.	45,000	33,085	14,181	18,904	53,990	2,856	2,601	0.58
Open Information Security INC.	51,000	99,690	47,619	52,071	84,450	-915	-113	-0.02
HWACOM SYSTEMS (H.K.) LIMITED	414	236	34	202	0	-80	-80	-0.80
I Resource Management, Ltd	2,000	2.258	321	1,937	429	-83	-63	-0.31

(II) Consolidated financial statement of affiliates:

For more information, please visit the Market Observation Post System (MOPS) website at <https://mops.twse.com.tw> / Listed Companies / Electronic Documents Download / Financial Reports / enter the company code 6163 and the relevant year.

(III) Affiliation Report:

1. A summary of relationship between the subsidiary company and the controlling company:

December 31, 2024 Unit: NT\$ thousand

Name of controlling company	Reason for control	Shares held by the controlling company and status of pledged shares			Controlling company's appointment of directors, supervisors or managerial officers	
		Number of shares held	Shareholding ratio (%)	Number of shares pledged	Title	Name
Hwakuan Systems Integration Technology (Shanghai) Co., Ltd.	Its corporate director's representative serves as the Company's Chairman and President	-	100%	-	Director	Representative of HWACOM SYSTEMS INC.: Gary Chen
Tarantula Networks Ltd.	Its corporate director's representative serves as the Company's Chairman and President	-	100%	-	Director	Representative of HWACOM SYSTEMS INC.: Gary Chen
Family plus technology Inc.	Its corporate director's representative serves as the Company's Chairman and President	1,600,000	100%	-	Director	Representative of HWACOM SYSTEMS INC.: Gary Chen
S-LINK SYSTEMS INC.	Its corporate director's representative serves as the Company's Chairman and President	4,500,000	100%	-	Director	Representative of HWACOM SYSTEMS INC.: Gary Chen
Open Information Security INC.	Its corporate director's representative serves as the Company's Chairman and President	5,100,000	100%	-	Director	Representative of HWACOM SYSTEMS INC.: Gary Chen
HWACOM SYSTEMS (H.K.) LIMITED	Its corporate director's representative serves as the Company's Chairman and President	100,000	100%	-	Director	Representative of HWACOM SYSTEMS INC.: Gary Chen
I Resource Management, Ltd	Its corporate director's representative serves as the Company's Chairman and President	200,000	100%	-	Director	Representative of HWACOM SYSTEMS INC.: Gary Chen

2. Transaction status:

(1) Procurement and sales transaction status: Regular trading terms apply, and there is no difference between general transaction terms and transaction terms with the controlling company.

December 31, 2024 Unit: NT\$ thousand; %

No. (Note 1)	Name of transactive counterparty	Counterparty	Relationship with counterparty (Note 2)	Transaction			
				General ledger account	Amount (Note 4)	Transaction terms	Percentage of consolidated total operating revenues or total assets (Note 3)
0	HwaCom Systems Inc.	S-LINK SYSTEMS Inc.	1	Purchase	\$42,199	Conducted in accordance with the terms and conditions stipulated in the contract.	0.77%

Note 1: The transaction information between the Company and the consolidated subsidiaries should be indicated in "No." column, and the numbering should be made as follows:

1. The number 0 represents the parent company.
2. The consolidated subsidiaries are numbered in order from number 1.

Note 2: The relationship with the counterparty of transactions can be categorized into the following three types, indicate the type:

1. The parent company to the consolidated subsidiary.
2. The consolidated subsidiary to the parent company.
3. The consolidated subsidiary to another consolidated subsidiary.

Note 3: For the calculation on the ratio of transaction amount to consolidated total revenue or total assets, if it is a balance sheet item, calculate the ratio based on the year-end balance to the consolidated total assets; For an income statement item, calculate the ratio based on the cumulative amount for the period to the consolidated total revenue.

Note 4: Transactions have been written off during the preparation of the consolidated financial statements.

- (2) Property transaction status: None.
- (3) Financing status: None.
- (4) Property lease status: None.
- (5) Other significant transactions: None.
- (6) Endorsements and guarantees: None.

II. Private placement of securities in the last year up to the date of this Annual Report: None.

III. Other Supplemental Information: None.

IV. Corporate events with material impact on shareholders' equity or share prices set forth in Article 36, Paragraph 3, Subparagraph 2 of Securities and Exchange Act in the past year and up to the date of publication of this Annual Report: None.