

Stock Code:6163



HWACOM SYSTEMS INC.

Annual General Shareholders Meeting for 2025

Meeting Handbook

June 20, 2025

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HWACOM SYSTEMS INC.

Procedures for the 2025 Shareholders' Meeting

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

HWACOM SYSTEMS INC.

Agenda of the 2025 General Shareholders' Meeting

- I. Time: 9:00 A.M. June 20, 2025 (Friday)
- II. Venue: 18F, Building B, No. 102, Sec. 1, Xintai 5th Rd., Xizhi District, New Taipei City
- III. Announce Respective Number of Shares Held by Shareholders Present and Calling the Meeting to Order
- IV. Chairperson's Remarks
- V. Reporting Items:
 - Item 1: 2024 Business Report.
 - Item 2: 2024 Audit Committee's Report on the statements and records of accounts prepared by the Board of Directors to be presented at the Shareholders' Meeting.
 - Item 3: Status of distribution of director and employee remuneration for 2024.
 - Item 4: Proposal to amend certain articles of the Company's "Ethical Corporate Management Best Practice Principles."
 - Item 5: Establishment of the Company's Corporate Governance Best Practice Principles.
 - Item 6: Establishment of the Company's "Sustainable Development Best Practice Principles".
 - Item 7: The Company's accounting estimate changes have taken effect as of January 1, 2025.
 - Item 8: Amendment to certain articles of the Company's "Rules and Procedures for Board of Directors Meetings.
- VI. Matters for Ratification:
 - Proposal 1: Proposal for the ratification of the Company's 2024 business report and financial statements.
 - Proposal 2: Proposal for the ratification of the earnings distribution proposal in 2024.
- VII. Matters for Discussion:
 - Proposal 1: Proposal to amend the Company's "Articles of Incorporation".
- VIII. Elections: Re-election of directors.
- IX. Matters for Discussion (II): Proposal to lift the restrictions on competition for newly appointed directors and their representatives.
- X. Other Motions and Extraordinary Motions
- XI. Adjournment

【Reporting Items】

Item 1: 2024 Business Report.

Description: Please refer to Pages 14 to 16 in this Handbook for the Company's 2024 business report.

Item 2: 2024 Audit Committee's Report on the statements and records of accounts prepared by the Board of Directors to be presented at the Shareholders' Meeting.

Description: Please refer to Page 17 of this Handbook for the Audit Committee's Report on the reports and statements of the Company in 2024.

Item 3: Report on the status of distribution of directors and employee remuneration for 2024.

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

- (I) Director's remuneration: NT\$1,941,454.
- (II) Employee's remuneration: NT\$23,297,452.
- (III) All remunerations are distributed in cash.

Item 4: Proposal to amend certain articles of the Company's "Ethical Corporate Management Best Practice Principles."

Description:

- (I) In order to meet the needs of practical operations and as the Company has now fully replaced the Supervisors with the Audit Committee, the Company intends to amend certain articles of its "Ethical Corporate Management Best Practice Principles".
- (II) For the revised "Ethical Corporate Management Best Practice Principles", please refer to Pages 7 to 21 in this Handbook.

Item 5: Establishment of the Company's Corporate Governance Best Practice Principles.

Description:

- (I) To establish a good corporate governance system and build an effective corporate governance framework, the Company intends to formulate its "Corporate Governance Best Practice Principles" as a basis for compliance.
- (II) For the "Corporate Governance Best Practice Principles", please refer to Pages 22 to 36 in this Handbook.

Item 6: Establishment of the Company's "Sustainable Development Best Practice Principles".

Description:

- (I) To practice corporate social responsibility and promote economic, environmental and social progress in order to achieve the goal of sustainable development, this Code of Practice is formulated to manage the Company's economic, environmental and social risks and impacts.
- (II) For the "Sustainable Development Best Practice Principles", please refer to pages 37 to 42 of this Handbook.

Item 7: The Company's accounting estimate changes have taken effect as of January 1, 2025.

Description:

- (I) The Company's current depreciation period is set in accordance with the minimum useful life prescribed by relevant tax laws, including 1 to 8 years for property, plant and equipment, and 1 to 3 years for intangible assets.
- (II) Based on market research and appraiser evaluations this year, the useful lives of assets were adjusted according to their actual useful lives, including the adjustment of property, plant and equipment to 3-20 years, and the adjustment of intangible assets to 3-10 years.
- (III) The proposed change in accounting estimates would change the useful life starting from January 1, 2025. This accounting change is estimated to reduce depreciation expenses by NT\$20,906 thousand in 2025. In accordance with Article 6 of the Regulations Governing the Preparation of Financial Reports by Securities Issuers, we have asked the Certified Public Accountants (CPAs) to conduct a reasonableness analysis and to issue a review opinion. Please refer to Page 43 to 45 of this Handbook for details.

Item 8: Amendment to certain articles of the Company's "Rules and Procedures for Board of Directors Meetings".

Description:

- (I) In line with the amendment of the Regulations Governing Procedure for Board of Directors Meetings of Public Companies and changes in the Company's organization, it is proposed to revise certain articles of the Company's "Rules and Procedures for Board of Directors Meetings".

Article	Before amendment	After amendment	Reason for amendment
Article 3	All matters set out in the subparagraphs of Article 12, except for emergencies or with justifiable reason , shall be specified in the notice of the reasons for calling a Board of Directors meeting; none of them may be raised by an extraordinary motion.	All matters set out in the subparagraphs of Article 12, shall be specified in the notice of the reasons for calling a Board of Directors meeting; none of them may be raised by an extraordinary motion.	In accordance with amendment to the Regulations Governing Procedure for Board of Directors Meetings of Public Companies
Article 4	The agenda working group appointed by the Board of Directors of the Company is the Administration. Division	The agenda working group appointed by the Board of Directors of the Company is the Corporate Governance Office.	In line with organizational changes within the Company.
Article 8	... When one-half of all directors are not present, the meeting chair may announce that the meeting time will be postponed, When one-half of all directors are not present, the meeting chair may announce that the meeting time will be postponed on the same day , ...	In accordance with amendment to the Regulations Governing Procedure for Board of Directors Meetings of Public Companies
Article 11	... (Addition)	... During the proceedings of a Board meeting, if the chair is unable to chair the meeting or fails to declare the meeting closed as provided in paragraph 2, the provisions of paragraph 3, Article 7 shall apply mutatis mutandis to the selection of the deputy to act in place thereof.	In accordance with amendment to the Regulations Governing Procedure for Board of Directors Meetings of Public Companies

【Matters for Ratification】

Proposal 1: Proposal for the ratification of the Company's 2024 business report and financial statements. **(Proposed by the Board of Directors)**

Description:

- (I) The consolidated and individual financial statements for the fiscal year 2024 have been prepared, audited and certified by our appointed accounting firm, KPMG Taiwan CPAs, who has issued an audit report. The financial statements, along with the business report, have also been audited by the company's Audit Committee. They have been submitted to the Shareholders' Meeting for ratification. (Please refer to Pages 13 and 46 of this Handbook).
- (II) Submitted for your approval.

Resolution:

Proposal 2: Proposal for the ratification of the earnings distribution proposal in 2024. **(Proposed by the Board of Directors)**

Description:

- (I) 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	

- (II) The cash dividends for common shares in this distribution will be calculated to the nearest whole NTD. Amounts less than one NTD will be rounded down, and any resulting fractional amounts will be transferred to other income by

the Company. In the event that the subsequent number of outstanding shares changes due to share repurchases, transfers, conversions, cancellations, capital increases, or other reasons, leading to increases or decreases in the number of shares outstanding, the total amount of cash dividends to be distributed will be adjusted according to the actual number of shares outstanding on the record date, as determined by the Shareholders' Meeting.

- (III) Upon approval by the Shareholders' Meeting, the Chairman is authorized to determine the record date, adjust the dividend ratio, as well as handle matters related to dividend distributions.
- (IV) Submitted for your deliberation.

Resolution:

【Matters for Discussion】

Proposal 1: Proposal to amend the Company's "Articles of Incorporation".

Description:

- (I) Certain provisions of the Company's Articles of Incorporation have been amended in line with amendments to relevant laws and regulations.
- (II) Submitted for your deliberation.

Article	Before amendment	After amendment	Reason for amendment
Article 20	<p>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.</p> <p>The recipient of the employee remuneration by the Company includes employees of controlling or subsidiary companies, and the specific conditions and recipients are determined by the resolution of the Board of Directors in accordance with Article 202 of the Company Act.</p>	<p>If the Company generates profits during a year, <u>besides</u> allocating 10% to 20% for employee remuneration, while the remuneration for directors and supervisors should not exceed 1%, <u>it should also allocate no less than 1% as salary adjustment or remuneration for entry-level employees. The Board of Directors is authorized to determine its method and execution.</u> However, an amount shall be set aside in advance to compensate for cumulative losses, if any.</p> <p>The recipient of the employee remuneration by the Company includes employees of controlling or subsidiary companies, and the specific conditions and recipients are determined by the resolution of the Board of Directors in accordance with Article 202 of the Company Act.</p> <p><u>The same applies to the objects of salary adjustment in Paragraph 1.</u></p>	Amended pursuant to Article 14, Paragraph 6 of the Securities and Exchange Act.
Article 22	<p>The 27th amendment was on June 23, 2022.</p> <p>The 28th amendment was on June 30, 2023.</p>	<p>The 27th amendment was on June 23, 2022.</p> <p>The 28th amendment was on June 30, 2023.</p> <p><u>The 29th amendment was on June 20, 2025.</u></p>	Added in accordance with the amendment record of the Company's Articles of Incorporation

Resolution:

【Election Matters】

Proposal: Proposal for election of the 12th term of the Board of Directors of the Company.
(Proposed by the Board of Directors)

Description: (I) The term of office of the Company's existing directors is from June 27, 2022 to June 26, 2025. It is proposed to re-elect all directors at this annual shareholders' meeting, in which 9 directors (including 4 independent directors) will be elected. The candidate nomination system will be adopted in accordance with the provisions of the Company's Articles of Incorporation. The term of office is from June 20, 2025 to June 19, 2028 for a term of 3 years. The term of office of the existing directors will expire when the directors re-elected at this shareholders' meeting take office.

(II) Directors (including independent directors) are nominated by the nomination system. The list of candidates is as follows:

(IV) Please vote.

Category	Name	Main academic/professional experience	Current position	Name of the government or legal entity represented	Other relevant information
Director	Gary Chen	NKUST President of Hand Information Co., Ltd.	President of HWACOM Systems Inc. Representative of Hwakuan Systems Integration Technology (Shanghai) Co., Ltd. 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 Hua-Ai Human Resources Services Co., Ltd. Chairman, HWACOM SYSTEMS (H.K.) LIMITED	None	None
Corporate director	Advantech Investment Co., Ltd.	Director of Cermate Technologies Inc. Director of Feng Sang Enterprise Co., Ltd. Director of CDIB Capital Innovation Accelerator Co., Ltd. Director of Mildex Optical Inc. Director of Azurewave Technologies, Inc. Director of Spingence	Director of Cermate Technologies Inc. Director of Feng Sang Enterprise Co., Ltd. Director of CDIB Capital Innovation Accelerator Co., Ltd. Director of Mildex Optical Inc. Director of Azurewave Technologies, Inc. Director of Spingence	Advantech Investment Co., Ltd.	None

Category	Name	Main academic/professional experience	Current position	Name of the government or legal entity represented	Other relevant information
		Technology Co., Ltd Director of Impelex Data Transfer Co., Ltd. Director of VSO Electronics Co., Ltd. Director of International Integrated Systems, Inc. Director of Freedom Systems Inc. Director of Yan-Xu Green Energy Co., Ltd. Director of Expetech Co., Ltd.	Technology Co., Ltd Director of Impelex Data Transfer Co., Ltd. Director of VSO Electronics Co., Ltd. Director of International Integrated Systems, Inc. Director of Freedom Systems Inc. Director of Yan-Xu Green Energy Co., Ltd. Director of Expetech Co., Ltd.		
Corporate director	Lutain Investment Co., Ltd.	Director of HwaCom Systems Inc.	Director of HwaCom Systems Inc.	Lutain Investment Co., Ltd.	None
Director	Ellen Weng	EMBA in Information Management, NTU Vice President of HwaCom Systems Inc.	Vice President of HwaCom Systems Inc.	None	None
Director	Alex Huang	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
Independent Director	Jason Lee	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
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	Adjunct Professor of Information Management, NTU	None	None
Independent Director	Ellin Lin	PhD of Electrical Engineering, NTU Professor of Department of Electronic Engineering and Dean of School of Engineering and Management, Huaan University	Professor of Department of Technology for Smart Living, Huaan University	None	None
Independent Director	Lu, Yang-Cheng	Financial Management Group, Department of Management Science, National Yang Ming Chiao Tung University Member of the Labor Fund Supervision Committee, Ministry of Labor Member of Life Insurance	Professor and Chief Sustainability Officer of Ming Chuan University Independent Director of Hua Nan Securities, Hua Nan Financial Holdings Co., Ltd. Member of the Labor Fund Supervision Committee, Ministry of Labor	None	None

Category	Name	Main academic/professional experience	Current position	Name of the government or legal entity represented	Other relevant information
		Product Review Committee, Insurance Bureau, FSC Vice President and Acting President of Taiwan Academy of Banking and Finance Member of Risk Management Committee, Chunghwa Post Co., Ltd. Member of Index Commodity Review Committee, Taipei Exchange Review Committee Member, Industrial Development Administration / Small and Medium Enterprise and Startup Administration, MOEA Advisor of Public Service Pension Fund Management Board Chairman of Taiwan Financial Management Association Member of the Fund Review Committee of the Securities Investment Trust & Consulting Association of the R.O.C. Member of the Futures Trust Fund Risk Management Committee of the Securities Investment Trust & Consulting Association of the R.O.C.	Member of Pension Investment Supervisory Committee, Bureau of Public Service Pension Fund, Ministry of Civil Service Member of Life Insurance Product Review Committee, Insurance Bureau, FSC		

Election results:

【Matters for Discussion (II) 】

Proposal 1: Proposal to lift the restrictions on competition for newly appointed directors and their representatives.

Description:

- (I) Pursuant to Article 209 of the Company Act, a director who does anything for himself or on behalf of another person that is within the scope of the Company's business, shall explain to the meeting of shareholders the essential contents of such an act and secure its approval.
- (II) The Company's newly elected directors and their representatives may have engaged in the investment or operation of a business entity whose scope of business is similar to that of the Company and acts as a director or manager thereof. Under the premise that it does not harm the interests of the Company, the Company intends to lift the non-competition clause for the new directors.

Resolution:

【Other Motions and Extraordinary Motions】

【Adjournment】

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 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

Item \ Year		2024	2023	Increase (decrease) (%)
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	162.62

(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 and related equipment.
2. Developed cloud-based 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. HWACOM will continue to focus on the business field of "Broadband

Application Service Integrator". Continue to strengthen our R&D capabilities in AI, cloud services, big data technology, and application system integration.

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

III. Future Development Strategies

- (I) Promote digital transformation and value-added services for cloud-based IoT.
- (II) Build an infrastructure team for smart, ICT, IoT, and cybersecurity services.
- (III) Strengthen relations with partners throughout the industry chain, and continue

to invest in in-house R&D of niche products and services while formulating market sales and promotional plans.

(IV) Develop cloud-based IoT, cybersecurity, and big data in smart city governance by building a shared innovation service and applications platform.

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

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

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

We would like to wish everyone

Great health and prosperity,

Chairman Gary Chen

HwaCom Systems Inc. Audit Committee Review Report

The Board of Directors has prepared and submitted the 2024 financial statements (including individual and consolidated financial statements), and has appointed KPMG Taiwan CPAs to audit and certify the statements. The audit has been completed and an audit report has been issued. The aforementioned statements and reports submitted by the Board of Directors are in compliance and no discrepancies have been found. Therefore, in accordance with Article 219 of the Company Act, we have hereby issued the following report.

Please verify.

To

2025 General Shareholders' Meeting

Independent Director: Jason Lee

Independent Director: Li Ming-juinn

Independent Director: Chorng-Shyong Ong

Independent Director: Cllin Lin

March 12, 2025

<Attachment 3> Ethical Corporate Management Best Practice Principles

HWACOM SYSTEMS INC.

Ethical Corporate Management Best Practice Principles

Article 1 (Purpose of adoption and scope of application)

These Principles are adopted to assist the Company to foster a corporate culture of ethical management and sound development, and offer a reference framework for establishing good commercial practices.

The Company has, in accordance with the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies, adopted its own Ethical Corporate Management Best Practice Principles applicable to its business groups and organizations, which comprise its subsidiaries, any foundation to which the Company's direct or indirect contribution of funds exceeds 50 percent of the total funds received, and other institutions or juridical persons which are substantially controlled by such company ("Business Group"). The Company engages in commercial activities following the principles of fairness, honesty, faithfulness, and transparency, and in order to fully implement a policy of ethical management and actively prevent unethical conduct, these Ethical Corporate Management Best Practice Principles and Guidelines are adopted pursuant to the provisions of the "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies" and the relevant laws and regulations of the places of operation of the Company and the Business Group, with a view to providing all personnel of the Company with clear directions for the performance of their duties.

Article 2 (Prohibition of unethical conduct)

When engaging in commercial activities, directors, managers, employees, and mandataries of the Company or persons having substantial control over such companies ("substantial controllers") shall not directly or indirectly offer, promise to offer, request or accept any improper benefits, nor commit unethical acts including breach of ethics, illegal acts, or breach of fiduciary duty ("unethical conduct") for purposes of acquiring or maintaining benefits.

Parties referred to in the preceding paragraph include civil servants, political candidates, political parties or members of political parties, state-run or private-owned businesses or institutions, and their directors, managers, employees or substantial controllers or other stakeholders.

Article 3 (Types of benefits)

"Benefits" in these Principles means any valuable things, including money, endowments, commissions, positions, services, preferential treatment or rebates of any type or in any name. Benefits received or given occasionally in accordance with accepted social customs and that do not adversely affect specific rights and obligations shall be excluded.

Article 4 (Compliance)

The Company shall comply with the Company Act, Securities and Exchange Act, Business Entity Accounting Act, Political Donations Act, Anti-Corruption Statute, Government Procurement Act, Act on Recusal of Public Servants Due to Conflicts of Interest, TWSE/TPEX listing rules, or other laws or regulations regarding commercial activities, as the underlying basic premise to facilitate ethical corporate management.

Article 5 (Policy)

The Company shall abide by the operational philosophies of honesty, transparency and responsibility, base policies on the principle of good faith and obtain approval from the Board of Directors, and establish good corporate governance and risk control and management mechanism so as to create an operational environment for sustainable development.

Article 6 (Prevention programs)

The Company is advised to, in its Policy, in accordance with the business philosophy and policies of the previous article, clearly and thoroughly prescribe the specific ethical management practices and the programs to forestall unethical conduct ("prevention programs"), including operational procedures, guidelines, and training.

When establishing the prevention programs, the Company shall comply with relevant laws and regulations of the territory where the Company and its Business Group are operating.

In the course of developing the prevention programs, the Company is advised to negotiate with staff, labor unions members, important trading counterparties, or other stakeholders.

Article 7 (Scope of prevention programs)

When establishing the prevention programs, the Company shall assess business activities which are at higher risks of unethical conduct within its scope of business and shall strengthen related preventive measures.

The Company's prevention programs shall at least include preventive measures against the following:

- I. Offering and acceptance of bribes.
- II. Illegal political donations.
- III. Improper charitable donations or sponsorship.
- IV. Offering or acceptance of unreasonable presents or hospitality, or other improper benefits.

Article 8 (Commitment and Implementation)

The Company shall request its directors and senior management to issue a statement of compliance with the ethical management policy and require in the terms of employment that employees comply with such policy.

The Company and its Business Group shall clearly specify in their rules and external documents and on the Company website the ethical corporate management policies and the commitment by the Board of Directors and senior management on rigorous and thorough implementation of such policies, and shall carry out the policies in internal management and in commercial activities.

The Company shall compile documented information on the ethical management policy, statement, commitment and implementation mentioned in the first and second paragraphs and retain said information properly.

Article 9 (Ethical corporate management activities)

The Company shall engage in commercial activities in a fair and transparent manner based on the principle of ethical management.

Prior to any commercial transactions, the Company shall take into consideration the legality of its agents, suppliers, clients, or other trading counterparties and whether any of them are involved in unethical conduct, and shall avoid any dealings with persons so involved.

When entering into contracts with its agents, suppliers, clients, or other trading counterparties, the Company shall include in such contracts terms requiring compliance with ethical corporate management policy and that in the event the trading counterparties are involved in unethical conduct, the Company may at any time terminate or rescind the contracts.

Article 10 (Prohibition on offering and acceptance of bribes)

When conducting business, the Company and its directors, managers, employees, and substantial controllers, may not directly or indirectly offer, promise to offer, request, or accept any improper benefits in whatever form to or from clients, agents, contractors, suppliers, public servants, or other stakeholders. Except when the laws of the territories

where the Company operates permit it to do so.

Article 11(Prohibition on providing illegal political donations)

When directly or indirectly offering a donation to political parties or organizations or individuals participating in political activities, the Company and its directors, managers, employees, and substantial controllers, shall comply with the Political Donations Act and their own relevant internal operational procedures, and shall not make such donations in exchange for commercial gains or business advantages.

Article 12(Prohibition on improper charitable donations or sponsorship)

When making or offering donations and sponsorship, the Company and its directors, managers, employees, mandataries, and substantial controllers shall comply with relevant laws and regulations and internal operational procedures, and shall not surreptitiously engage in bribery.

Article 13(Prohibition against unreasonable gifts, hospitality or other improper benefits)

The Company and its directors, managers, employees, mandataries, and substantial controllers shall not directly or indirectly offer or accept any unreasonable presents, hospitality or other improper benefits to establish business relationship or influence commercial transactions.

Article 14(Organization and responsibility)

The Board of Directors of the Company shall exercise the due care of good administrators to urge the Company to prevent unethical conduct, always review the results of the preventive measures and continually make adjustments so as to ensure thorough implementation of its ethical corporate management policies.

To achieve sound ethical corporate management, it is advised for the Company to establish a dedicated unit and avail itself of adequate resources and staff itself with competent personnel, responsible for establishing and supervising the implementation of the ethical corporate management policies and prevention programs. The dedicated unit shall report to the Board of Directors on a regular basis.

Article 15(Compliance during business execution)

The Company and its directors, managers, employees, mandataries, and substantial controllers shall comply with laws and regulations and the prevention programs when conducting business.

Article 16(Prevention of conflict of interest from directors and managers)

The Company shall adopt policies for preventing conflicts of interest, and shall also offer appropriate means for directors and managers to voluntarily explain whether their interests would potentially conflict with those of the Company.

The Company's directors shall exercise a high degree of self-discipline. Where a director or any institution that the director represents is an interested party to any proposal at a Board of Directors' meeting, the director may offer his/her opinion and answer related questions, but the concerned person may not participate in discussion of or voting on the proposal. The director shall recuse himself or herself from the discussion or the voting, and may not exercise voting rights as proxy for another director. The directors shall practice self-discipline and must not support one another in improper dealings.

The Company's directors and managers shall not take advantage of their positions or influence in the Company to obtain improper benefits for themselves, their spouses, parents, children or any other person.

Article 17(Accounting and internal control)

The Company shall establish effective accounting systems and internal control systems for business activities possibly at a higher risk of being involved in an unethical conduct, not have under-the-table accounts or keep secret accounts, and conduct reviews regularly so

as to ensure that the design and enforcement of the systems are showing results.

The internal audit unit of the Company shall, based on the results of assessment of the preceding risk of involvement in unethical conduct, prepare audit reports and submit them to the Board of Directors.

Article 18(Operating procedures and guidelines for conduct)

The Company shall establish operational procedures and guidelines in accordance with Article 6 hereof to guide directors, managers, employees, mandataries, and substantial controllers on how to conduct business. The procedures and guidelines should at least contain the following matters:

- I. Standards for determining whether improper benefits have been offered or accepted.
- II. Procedures for offering legitimate political donations.
- III. Procedures and the standard rates for offering charitable donations or sponsorship.
- IV. Rules for avoiding work-related conflicts of interests and how they should be reported and handled.
- V. Rules for keeping confidential trade secrets and sensitive business information obtained in the ordinary course of business.
- VI. Regulations and procedures for dealing with suppliers, customers, and business transaction counterparties suspected of unethical conduct.
- VII. Handling procedures for violations of the Ethical Corporate Management Best Practice Principles.
- VIII. Disciplinary measures on offenders.

Article 19(Education and training and evaluation)

The Company shall periodically organize training and awareness programs for directors, managers, employees, mandataries, and substantial controllers and invite the Company's commercial transaction counterparties so they understand the Company's resolve to implement ethical corporate management, the related policies, prevention programs and the consequences of committing unethical conduct.

The Company shall apply the policies of ethical corporate management when creating its employee performance appraisal system and human resource policies to establish a clear and effective reward and discipline system.

Article 20(Whistleblowing and disciplinary measures)

The company shall adopt a concrete whistleblowing system and scrupulously operate the system. The whistleblowing system shall include at least the following:

- I. An independent mailbox or hotline, either internally established and publicly announced or provided by an independent external institution, to allow internal and external personnel of the Company to submit reports.
- II. Dedicated personnel or unit appointed to handle the whistle-blowing system. Any tip involving a director or senior management shall be reported to the independent directors or supervisors. Categories of reported misconduct shall be delineated and standard operating procedures for the investigation of each shall be adopted.
- III. Follow-up measures to be adopted depending on the severity of the circumstances after investigations of cases reported are completed. Where necessary, a case shall be reported to the competent authority or referred to the judicial authority.
- IV. Documentation of case acceptance, investigation processes, investigation results, and relevant documents.
- V. Confidentiality of the identity of whistleblowers and the content of reported cases, and an undertaking regarding anonymous reporting.
- VI. Measures for protecting whistleblowers from inappropriate disciplinary actions due to their whistleblowing.

VII. Whistleblowing incentive measures.

When material misconduct or likelihood of material impairment to the Company comes to its awareness upon investigation, the dedicated personnel or unit handling the whistleblowing system shall immediately prepare a report and notify the independent directors in written form.

Article 21 (Information disclosure)

The Company shall disclose the status of its ethical management on the company website, annual reports, and prospectuses.

Article 22 (Review and amendment of the Ethical Corporate Management Best Practice Principles)

The Company shall at all times monitor the development of relevant local and international regulations concerning ethical corporate management and encourage its directors, managers, and employees to make suggestions, based on which the adopted ethical corporate management policies and measures taken will be reviewed and improved with a view to achieving better implementation of ethical management.

Article 23 (Implementation)

The Ethical Corporate Management Best Practice Principles of the Company shall be implemented after the Board of Directors grants the approval, and shall be reported at a shareholders' meeting. The same procedure shall be followed when the Principles have been amended.

When the Company submits its Ethical Corporate Management Best Practice Principles to the Board of Directors for discussion pursuant to the preceding paragraph, the Board of Directors shall take into full consideration each independent director's opinions. Any objections or reservations of any independent director shall be recorded in the minutes of the Board of Directors meeting. An independent director that cannot attend the Board meeting in person to express objections or reservations shall provide a written opinion before the Board meeting, unless there is some legitimate reason to do otherwise, and the opinion shall be specified in the minutes of the Board of Directors meeting.

<Attachment 4> Corporate Governance Best Practice Principles

HWACOM SYSTEMS INC.

Corporate Governance Best Practice Principles

Chapter I. General Provisions

- Article 1 In order to assist the Company to establish a sound corporate governance system, the Company hereby adopts these Principles to be followed, and to disclose them on the Market Observation Post System (MOPS).
- Article 2 When setting up the corporate governance system, in addition to complying with relevant laws and regulations and the contracts signed with Taipei Exchange and its relevant rules, the Company shall also follow the following principles:
- I. Protect shareholders' rights and interests.
 - II. Strengthen the powers of the Board of Directors.
 - III. Respect stakeholders' rights and interests.
 - IV. Enhance information transparency.
- Article 3 Pursuant to the provisions of the Regulations Governing Establishment of Internal Control Systems by Public Companies, the Company shall consider the overall operational activities of the Company and its subsidiaries, design and faithfully implement its internal control systems, and review such systems from time to time, to adapt to changes in its internal and external environment and to ensure sustained design and operating effectiveness of the systems.
- In addition to faithfully performing internal reviews, the Board of Directors and the management shall review the result of the voluntary reviews of each department and the report of the internal audit department at least annually. Audit Committee shall also pay attention to and exercise oversight on this matter. Directors should hold regular meetings with internal auditors to review deficiencies in the internal control system, keep records, track and implement improvements, and submit reports to the Board of Directors. The Company shall establish channels of communication between the independent directors, Audit Committee, and internal audit supervisor and mechanisms for communication. The management the Company shall pay special attention to the internal audit department and its personnel, fully empower them and urge them to conduct audits effectively, evaluate problems of the internal audit system and evaluate the efficiency of operations to ensure that such a system can be carried out effectively on a continuous basis, and can assist the Board of Directors and the management to perform their duties effectively so as to ensure a sound corporate governance system. The appointment, dismissal, evaluation, and remuneration of the Company's internal audit personnel should be reported to the Board of Directors or reported by the audit supervisor to the Chairman for approval.
- Article 4 The Company shall have in place, according to its business size, business condition, management needs, qualified corporate governance persons in an appropriate number as the most senior executive for corporate governance matters. Such personnel shall have obtained the qualifications to practice as lawyers or accountants, or have worked in a management position of a legal, compliance, internal audit, financial, stock affairs, or corporate governance-related affairs unit in a securities, financial, or futures-related institution or a public company for more than three years.
- Corporate governance affairs shall cover, at a minimum, the following:
- I. Handling of matters relating to Board of Directors meetings and shareholders' meetings in compliance with law.
 - II. Preparation of minutes of the Board of Directors' meetings and shareholders'

- meetings.
- III. Assistance in onboarding and continuing education of the directors.
- IV. Provision of information required for performance of duties by the directors.
- V. Assistance in the directors' compliance of law.
- VI. Reporting to the Board of Directors of its examination results as to whether the qualifications of independent directors upon their nomination and election and during their tenure conform to applicable laws and regulations.
- VII. Addressing matter pertaining of changes of directors.
- VIII. Other matters described or established in the Articles of Incorporation or under contract.

Chapter II. Protection of Shareholders' Rights and Interests

Section 1 Encouraging Shareholders to Participate in Corporate Governance

- Article 5 When implementing the corporate governance system, the Company shall take into account the protection of shareholders' rights and interests and treat all shareholders fairly.
- The Company shall establish a corporate governance system which ensures shareholders' rights of being fully informed of, participating in and making decisions over important matters of the Company.
- Article 6 The Company shall convene shareholders' meetings in accordance with the Company Act and relevant laws and regulations, and provide comprehensive rules for such meetings. The Company shall faithfully implement resolutions adopted by shareholders' meetings in accordance with the rules for the meetings.
- Resolutions adopted by shareholders' meetings of the Company shall comply with laws, regulations and Articles of Incorporation.
- Article 7 The Board of Directors of the Company shall properly arrange the agenda items and procedures for shareholders' meetings, and formulate the principles and procedures for shareholder nominations of directors and submissions of shareholder proposals. The Board shall also properly handle the proposals duly submitted by shareholders. Arrangements shall be made to hold shareholders' meetings at a convenient location, and preferably with the aid of video conferencing with sufficient time allowed and sufficient numbers of suitable personnel assigned to handle attendance registrations. No arbitrary requirements shall be imposed on shareholders to provide additional evidentiary documents beyond those showing eligibility to attend. Shareholders shall be granted reasonable time to deliberate each proposal and an appropriate opportunity to make statements.
- For a shareholders' meeting called by the Board of Directors, it is advisable that the Chairman of the Board chairs the meeting, that a majority of the directors and convener of the Audit Committee (including at least one independent director) attend in person, and that at least one member of other functional committees attend as representative. Attendance details should be recorded in the shareholders' meeting minutes.
- Article 8 The Company shall encourage its shareholders to actively participate in corporate governance. It is advisable that the Company engage a professional shareholder services agent to handle shareholders' meeting matters, so that shareholders' meetings can proceed on a legal, effective and secure basis. The Company shall seek all ways and means, including fully exploiting technologies for information disclosure and casting votes and uploading notice of shareholders' meeting, meeting handbook and supplemental information both in English and Chinese version, to enhance shareholders' attendance rates at shareholders' meetings and ensure their exercise of rights at such

meetings in accordance with law.

The Company is advised to avoid raising extraordinary motions and amendments to original proposals at a shareholders' meeting.

The Company is advised to arrange for its shareholders to vote on each separate proposal in the shareholders' meeting agenda, and following conclusion of the meeting, to enter the voting results the same day, namely the numbers of votes cast for and against and the number of abstentions, through Market Observation Post System.

Article 9 The Company, in accordance with the Company Act and other applicable laws and regulations, shall record in the shareholders' meeting minutes the date and place of the meeting, the name of the chairperson, the method of adopting resolutions, and a summary of the essential points of the proceedings and the results of the meeting. With respect to the election of directors, the meeting minutes shall record the method of voting adopted therefore and the total number of votes for the elected directors.

The shareholders' meeting minutes shall be properly and perpetually kept by the Company during its legal existence, and should be sufficiently disclosed on the Company's website.

Article 10 The chairperson of the shareholders' meetings shall be fully familiar and comply with the rules governing the proceedings of the shareholders meetings established by the Company. The chairperson shall ensure the proper progress of the proceedings of the meetings and may not adjourn the meetings at will.

In order to protect the interests of most shareholders, if the chairperson declares the adjournment of the meeting in a manner in violation of rules governing the proceedings of the shareholders' meetings, it is advisable for the members of the Board of Directors other than the chairperson to promptly assist the attending shareholders at the shareholders' meeting in electing a new chairperson to continue the proceedings of the meeting, by a resolution to be adopted by a majority of the votes represented by the shareholders attending the said meeting in accordance with the legal procedures.

Article 11 The Company shall place high importance on the shareholder right to know, and shall faithfully comply with applicable regulations regarding information disclosure in order to provide shareholders with regular and timely information on Company financial conditions and operations, insider shareholdings, and corporate governance status through the MOPS or the website established by the Company.

To treat all shareholders equally, it is advisable that the Company concurrently disclose the information under the preceding paragraph in English.

To protect its shareholders' rights and interests and ensure their equal treatment, the Company shall adopt internal rules prohibiting Company insiders from trading securities using information not disclosed to the market.

It is advisable that the rules mentioned in the preceding paragraph include stock trading control measures from the date insiders of the Company become aware of the contents of the Company's financial reports or relevant results. Measures include, without limitation, those prohibiting a director from trading its shares during the closed period of 30 days prior to the publication of the annual financial reports and 15 days prior to the publication of the quarterly financial reports.

Article 12 The shareholders shall be entitled to profit distributions by the Company. In order to ensure the investment interests of shareholders, the shareholders' meeting may, pursuant to Article 184 of the Company Act, examine the statements and books prepared and submitted by the Board of Directors and the reports submitted by the Audit Committee, and may decide profit distributions and deficit off-setting plans by resolution. In order to proceed with the above examination, the shareholders' meeting

may appoint an inspector.

The shareholders may, pursuant to Article 245 of the Company Act, apply with the court to select an inspector in examining the accounting records, assets, particulars, documents and records of specific transaction of the Company.

The Board of Directors, Audit Committee, and managers of the Company shall fully cooperate in the examination conducted by the inspectors in the aforesaid two paragraphs without any circumvention, obstruction or rejection.

Article 13 In entering into material financial and business transactions such as acquisition or disposal of assets, lending funds, and making endorsements or providing guarantees, the Company shall proceed in accordance with the applicable laws and/or regulations and establish operating procedures in relation to these material financial and business transactions which shall be reported to and approved by the shareholders' meeting so as to protect the interests of the shareholders.

When the Company is involved in a merger, acquisition or public tender offer, in addition to proceeding in accordance with the applicable laws and/or regulations, it shall not only pay attention to the fairness, rationality, etc. of the plan and transaction of the merger, acquisition or public tender offer, , but information disclosure and the soundness of the Company's financial structure thereafter.

For the Company's management or major shareholders participating in a merger, a legal opinion should be issued by an independent lawyer for whether the members of the Audit Committee reviewing the merger mentioned in the preceding paragraph comply with Article 3 of the "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies" and the counterparty of the merger transaction must not be a related party or have an interested relationship that is sufficient to affect independence; whether the design, the implementation of relevant procedures, and the disclosed information is in accordance with relevant laws and regulations.

The qualifications of lawyers referred to in the preceding paragraph shall comply with Article 3 of the "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies", and shall not be related to the counterparty of the merger transaction, or have an interested relationship that is sufficient to affect independence.

When handling merger or public acquisitions, the Company's personnel shall pay special attention to conflicts of interest and recusal.

Article 14 In order to protect the interests of the shareholders, it is advisable that the Company designate personnel exclusively dedicated to handling shareholder proposals, inquiries, and disputes.

The Company shall properly deal with any legal action duly instituted by shareholders in which it is claimed that shareholder rights and interests were damaged by a resolution adopted at a shareholders' meeting or a Board of Directors meeting in violation of applicable laws, regulations, or the Company's Articles of Incorporation, or that such damage was caused by a breach of applicable laws, regulations or the Company's Articles of Incorporation by any directors or managers in performing their duties.

It is advisable that the Company adopt internal procedures for appropriate handling of matters referred to in the preceding two paragraphs, and that it keep relevant written records for future reference and incorporate the procedures in its internal control system for management purposes.

Section 2 Corporate Governance Relationships Between the Company and Its Affiliated Enterprises

Article 15 The Company shall clearly identify the objectives and the division of authority and

responsibility between it and its affiliated enterprises with respect to management of personnel, assets, and financial matters, and shall properly carry out risk assessments and establish appropriate firewalls.

Article 16 a director who does anything for himself or on behalf of another person that is within the scope of the Company's business, shall explain to the meeting of shareholders the essential contents of such an act and secure its approval.

Article 17 The Company shall establish sound objectives and systems for management of finance, operations, and accounting in accordance with applicable laws and regulations. It shall further, together with its affiliated enterprises, properly conduct an overall risk assessment of major banks they deal with and customers and suppliers, and implement the necessary control mechanisms to reduce credit risk.

Article 18 When the Company and its affiliated enterprises enter into inter-company business transactions, a written agreement governing the relevant financial and business operations between them shall be made in accordance with the principle of fair dealing and reasonableness. Price and payment terms shall be definitively stipulated when contracts are signed, and non-arm's length transactions shall be prohibited.

The written agreement set forth in the preceding paragraph shall include management procedures for the purchase and sale of goods, the acquisition and disposal of assets, the provision of endorsements and guarantees, and loans of funds, and relevant material transactions shall be submitted to a resolutions passed by Board of Directors and submitted to or reported to the shareholders' meeting for consent.

Article 19 A corporate shareholder having controlling power over the Company shall comply with the following provisions:

- I. It shall bear a duty of good faith to other shareholders and shall not directly or indirectly cause the Company to conduct any business which is contrary to normal business practice or not profitable.
- II. Its representative shall follow the rules implemented by the Company with respect to the exercise of rights and participation of resolution, so that at a shareholders' meeting, the representative shall exercise his/her voting right in good faith and for the best interest of all shareholders and shall exercise the fiduciary duty and duty of care of a director.
- III. It shall comply with relevant laws, regulations and the Articles of Incorporation of the Company in nominating directors and shall not act beyond the authority granted by the shareholders' meeting or Board meeting.
- IV. It shall not improperly intervene in corporate policy making or obstruct corporate management activities.
- V. It shall not restrict or impede the management or production of the Company by methods of unfair competition such as monopolizing corporate procurement or foreclosing sales channels.
- VI. The representative that is designated when a corporate shareholder has been elected as a director shall meet the Company's requirements for professional qualifications. Arbitrary replacement of the corporate shareholder's representative is inappropriate.

Article 20 The Company shall retain at all times a register of major shareholders who own a relatively high percentage of shares and have controlling power, and of the persons with ultimate control over those major shareholders.

The Company shall disclose periodically important information about its shareholders holding more than 10 percent of the outstanding shares of the Company relating to the pledge, increase or decrease of share ownership, or other matters that may possibly

trigger a change in the ownership of their shares.

The major shareholder indicated in the first paragraph refers to those who owns 5 percent or more of the outstanding shares of the Company or the shareholding stake thereof is on the top 10 list, provided however that the Company may set up a lower shareholding threshold according to the actual shareholding stake that may control the Company.

Chapter III. Developing a Sustainable Environment

Section 1 Board Structure

- Article 21 The Board of Directors of the Company shall direct Company strategies, supervise the management, and be responsible to the company and shareholders. The various procedures and arrangements of its corporate governance system shall ensure that, in exercising its authority, the Board of Directors complies with laws, regulations, its articles of incorporation, and the resolutions of its shareholders' meetings.
- The structure of the Company's Board of Directors shall be determined by choosing at least seven members, in consideration of its business scale, the shareholdings of its major shareholders, and practical operational needs.
- The composition of the Board of Directors shall be determined by taking diversity into consideration. It is advisable that an appropriate policy on diversity based on the Company's business operations, operating dynamics, and development needs be formulated and include, without being limited to, the following two general standards:
- I. Basic requirements and values: Gender, age, nationality, and culture; it is advisable that the number of female directors account for at least one-third of all the directors.
 - II. Professional knowledge and skills: A professional background (e.g., law, accounting, industry, finance, marketing, technology), professional skills, and industry experience.
- 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:
- I. Ability to make operational judgments.
 - II. Ability to perform accounting and financial analysis.
 - III. Ability to manage a business.
 - IV. Ability to handle crisis management.
 - V. Knowledge of the industry.
 - VI. An international market perspective.
 - VII. Ability to lead.
 - VIII. Decision-making ability.
- Article 22 The Company shall establish a fair, just, and open procedure for the election of directors and adopt the cumulative voting mechanism pursuant to the Company Act in order to fully reflect shareholders' views.
- Unless the competent authority otherwise grants an approval, a spousal relationship or a familial relationship within the second degree of kinship may not exist among more than half of the directors of the Company.
- When the number of directors falls below seven due to the discharge of a director for any reason, the Company shall hold a by-election for director at the following shareholders' meeting. When the number of directors falls short by one-third of the total number prescribed by the Articles of Incorporation, the Company shall convene an extraordinary

shareholders meeting within 60 days of the occurrence of that fact for a by-election for director(s).

The aggregate shareholding percentage of all of the directors of the Company shall comply with the laws and regulations. Restrictions on the share transfer of each director and the creation, release, or changes of any pledges over the shares held by each director shall be subject to the relevant laws and regulations, and the relevant information shall be fully disclosed.

Article 23 The Company shall specify in its Articles of Incorporation in accordance with the laws and regulations of the competent authorities that it adopts the candidate nomination system for elections of directors, carefully review the qualifications of a nominated candidate and the existence of any other matters set forth in Article 30 of the Company Act, and act in accordance with Article 192-1 of the Company Act.

Section 2 System of Independent Directors

Article 24 The Company shall appoint independent directors in accordance with its Articles of Incorporation. They shall be not less than two in number and advisably not less than one-third of the total number of directors. It is advisable that an independent director serve for not more than three consecutive terms.

Independent directors shall possess professional knowledge and there shall be restrictions on their shareholdings. Applicable laws and regulations shall be observed and, in addition, it is not advisable for an independent director to hold office concurrently as a director (including independent director) of more than five other TWSE/TPEX listed companies. Independent directors shall also maintain independence within the scope of their directorial duties, and may not have any direct or indirect interest in the Company. If the Company and its group enterprises and organizations, and another company and its group enterprises and organizations nominate for each other any director, supervisor or managerial officer as a candidate for an independent director of the other, the Company shall, at the time it receives the nominations for independent directors, disclose the fact and explain the suitability of the candidate for independent director. If the candidate is elected as an independent director, the Company shall disclose the number of votes cast in favor of the elected independent director.

The "group enterprises and organizations" in the preceding paragraph comprise the subsidiaries of the Company, any foundation to which the Company's cumulative direct or indirect contribution of funds exceeds 50 percent of its endowment, and other institutions or juristic persons that are effectively controlled by the Company.

Change of status between independent directors and non-independent directors during their term of office is prohibited.

The professional qualifications, restrictions on both shareholding and concurrent positions held, determination of independence, method of nomination and other requirements with regard to the independent directors shall be set forth in accordance with the Securities and Exchange Act, the Regulations Governing Appointment of Independent Directors and Compliance Matter for Public Companies, and the rules and regulations of the Taiwan Stock Exchange or Taipei Exchange.

Article 25 The Company shall submit the following matters to the board of directors for approval by resolution as provided in the Securities and Exchange Act; When an independent director has a dissenting opinion or qualified opinion, it shall be noted in the minutes of the Board of Directors meeting:

- I. Adoption or amendment of the internal control system pursuant to Article 14-1 of the Securities and Exchange Act.
- II. Adoption or amendment, pursuant to Article 36-1 of the Securities and Exchange

Act, of handling procedures for financial or operational actions of material significance, such as acquisition or disposal of assets, derivatives trading, extension of monetary loans to others, or endorsements or guarantees for others.

- III. A matter bearing on the personal interest of a director.
- IV. A material asset or derivatives transaction.
- V. A material monetary loan, endorsement, or provision of guarantee.
- VI. The offering, issuance, or private placement of any equity-type securities.
- VII. The hiring, discharge, or compensation of an attesting certified public accountant (CPA).
- VIII. The appointment or discharge of a financial, accounting, or internal auditing officer.
- IX. Any other material matter so required by the competent authority.

Article 26 The Company shall stipulate the scope of duties of the independent directors and empower them with manpower and physical support related to the exercise of their power. The Company or other Board members shall not obstruct, reject or circumvent the performance of duties by the independent directors.

The Company shall stipulate the remuneration of the directors according to applicable laws and regulations. The remuneration of the directors shall fully reflect the personal performance and the long-term management performance of the Company, and shall also take the overall operational risks of the Company into consideration. Different but reasonable remuneration from that of other directors may be set forth for the independent directors.

Section 3 Functional Committees

Article 27 For the purpose of developing supervisory functions and strengthening management mechanisms, the Board of Directors of the Company, in consideration of the Company's scale and type of operations and the number of its Board members, may set up functional committees for auditing, remuneration, nomination, risk management or any other functions, and based on concepts of corporate social responsibility and sustainable operation, may set up environmental protection, corporate social responsibility, or other committees, and expressly provide for them in the Articles of Incorporation.

Functional committees shall be responsible to the Board of Directors and submit their proposals to the Board of Directors for approval. Provided that the performance of supervisor's duties by the Audit Committee pursuant to Article 14-4, paragraph 4 of the Securities and Exchange Act shall be excluded.

Functional committees shall adopt an organizational charter to be approved by the Board of Directors. The organizational charter shall contain the numbers, terms of office, and powers of committee members, as well as the meeting rules and resources to be provided by the Company for exercise of power by the committee.

Article 28 The Company shall establish an Audit Committee.

The Audit Committee shall be composed of the entire number of independent directors. It shall not be fewer than three persons in number, one of whom shall be convener, and at least one of whom shall have accounting or financial expertise.

The exercise of power by Audit Committee and independent directors and related matters shall be set forth in accordance with the Securities and Exchange Act, the regulations Governing the Exercise of Powers by Audit Committees of Public Companies, and the rules and regulations of the TPEX.

Article 29 The Company shall establish a Remuneration Committee, and it is advisable that more than half of the committee members be independent directors. The professional qualifications for the committee members, the exercise of their powers of office, the

adoption of the organizational charter, and related matters shall be handled pursuant to the Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Taiwan Stock Exchange or the Taipei Exchange.

Article 30 The Company is advised to establish and announce channels for internal and external whistleblowers and have whistleblower protection mechanisms in place. The unit that handles whistleblowers' reporting shall be independent, provide encrypted protection for the files furnished by whistleblowers, and appropriately restrict access to such files. It shall also formulate internal procedures and incorporate those procedures into the Company's internal control system for management purposes.

Article 31 To improve the quality of its financial reports, the Company shall establish the position of deputy to its principal accounting officer.

To enhance the professional abilities of the deputy accounting officer of the preceding paragraph, the deputy's continuing education shall proceed following the schedule of the principal accounting officer.

Accounting personnel handling the preparation of financial reports shall also participate in relevant professional development courses for 6 hours or more each year. Those courses may be Company internal training activities or may be professional courses offered by professional development institutions for principal accounting officers.

The Company shall select as its external auditor a professional, responsible, and independent attesting CPA, who shall perform regular reviews of the financial conditions and internal control measures of the Company. With regard to any irregularity or deficiency discovered and disclosed in a timely manner by the auditor during the review, and concrete measures for improvement or prevention suggested by the auditor, the Company shall faithfully implement improvement actions. It is advisable that the Company establish channels and mechanisms of communication between the independent directors, the Audit Committee, and the attesting CPA, and to incorporate procedures for that purpose into the Company's internal control system for management purposes.

The Company shall evaluate the independence and suitability of the CPA engaged by the Company regularly, and no less frequently than once annually, by referring to the Audit Quality Indicators (AQIs). In the event that the Company engages the same CPA without replacement for 7 years consecutively, or if the CPA is subject to disciplinary action or other circumstances prejudicial to the CPA's independence, the Company shall evaluate the necessity of replacing the CPA and submit its conclusion to the Board of Directors.

Article 32 It is advisable that the Company engage a professional and competent legal counsel to provide adequate legal consultation services to the Company, or to assist the directors and the management to improve their knowledge of the law, for the purposes of preventing any infraction of laws or regulations by the Company or its staff and ensuring that corporate governance matters proceed pursuant to the relevant legal framework and the prescribed procedures.

When, as a result of performing their lawful duties, directors or the management are involved in litigation or a dispute with shareholders, the Company shall retain a legal counsel to provide assistance as circumstances require.

The Audit Committee or an independent director may retain the service of legal counsel, CPA, or other professionals on behalf of the Company to conduct a necessary audit or provide consultation on matters in relation to the exercise of their power, at the expense of the Company.

Section 4 Rules of Procedure for the Board of Directors' Meetings and its Decision-making Process

- Article 33 The Board of Directors of the Company shall meet at least once every quarter, or convene at any time in case of emergency. To convene a Board meeting, a meeting notice which specifies the purposes of the meeting shall be sent to each director no later than 7 days before the scheduled date. Sufficient meeting materials shall also be prepared and enclosed in the meeting notice. If the meeting materials are deemed inadequate, a director may ask the unit in charge to provide more information or request a postponement of the meeting with the consent of the Board of Directors.
- The Company shall adopt Rules and Procedures for Board of Directors Meetings. It shall follow the Regulations Governing Procedure for Board of Directors Meetings of Public Companies with regard to the content of deliberations, procedures, matters to be recorded in the meeting minutes, public announcements, and other matters for compliance.
- Article 34 Company directors shall exercise a high degree of self-discipline. If a director or a juristic person represented by the director is an interested party with respect to any proposal for a Board meeting, the director shall state the important aspects of the interested party relationship at the meeting. When the relationship is likely to prejudice the interests of the Company, the director may not participate in discussion or voting on that proposal and shall enter recusal during the discussion and voting. The director also may not act as another director's proxy to exercise voting rights on that matter.
- Matters requiring the voluntary recusal of a director shall be clearly set forth in the Rules and Procedures for Board of Directors Meetings.
- Article 35 When a Board meeting is convened to consider any matter submitted to it pursuant to Article 14-3 of the Securities and Exchange Act, an independent director of the Company shall attend the Board meeting in person, and may not be represented by a non-independent director via proxy. When an independent director has a dissenting or qualified opinion, it shall be noted in the minutes of the Board of Directors meeting. An independent director that cannot attend the Board meeting in person to express objections or reservations shall provide a written opinion before the Board meeting, unless there is some legitimate reason to do otherwise, and the opinion shall be specified in the minutes of the Board of Directors meeting.
- In any of the following circumstances, decisions made by the Board of Directors shall be noted in the meeting minutes, and in addition, publicly announced and filed on the MOPS two hours before the beginning of trading hours on the first business day after the date of the Board meeting:
- I. An independent director has a dissenting or qualified opinion which is on record or stated in a written statement.
 - II. The matter was not approved by the Audit Committee (if the Company has set up an Audit Committee), but had the consent of more than two-thirds of all directors.
- During a Board meeting, managers from relevant departments who are not directors may, in view of the meeting agenda, sit in at the meetings, make reports on the current business conditions of the company and respond to inquiries raised by the directors. Where necessary, a CPA, legal counsel, or other professional may be invited to sit in at the meetings to assist the directors in understanding the conditions of the Company for the purpose of adopting an appropriate resolution, provided that they shall leave the meeting when deliberation or voting takes place.
- Article 36 Staff personnel of the Company attending Board meetings shall collect and correctly record the meeting minutes in detail, as well as a summary, the method of resolution, and voting results of all the proposals submitted to the Board meeting in accordance with relevant regulations.

The minutes of the Board of Directors meetings shall be signed by the chairperson and secretary of the meeting and sent to each director within 20 days after the meeting. The director attendance records shall be made part of the meeting minutes, treated as important corporate records, and kept safe permanently during the life of the Company. Meeting minutes may be produced, distributed, and preserved by electronic means.

The Company shall record on audio or video tape the entire proceedings of a Board of Directors meeting and preserve the recordings for at least 5 years, in electronic form or otherwise.

If before the end of the preservation period referred to in the preceding paragraph a lawsuit arises with respect to a resolution of a Board of Directors meeting, the relevant audio or video recordings shall be preserved for a further period, in which case the preceding paragraph does not apply.

Where a Board of Directors meeting is held via teleconference or video conference, the audio or video recordings of the meeting form a part of the meeting minutes and shall be preserved permanently.

When a resolution of the Board of Directors violates laws, regulations, the Articles of Incorporation, or resolutions adopted in the shareholders' meeting, and thus causes an injury to the Company, dissenting directors whose dissent can be proven by minutes or written statements will not be liable for damages.

- Article 37 The Company shall submit the following matters to its Board of Directors for discussion:
- I. Corporate business plans.
 - II. Annual and semi-annual financial reports. With the exception of semi-annual financial reports which, under relevant laws and regulations, need not be CPA audited and attested.
 - III. Adoption or amendment to an internal control system pursuant to Article 14-1 of the Securities and Exchange Act, and evaluation of effectiveness of an internal control system.
 - IV. Adoption or amendment, pursuant to Article 36-1 of the Securities and Exchange Act, of handling procedures for financial or operational actions of material significance, such as acquisition or disposal of assets, derivatives trading, extension of monetary loans to others, or endorsements or guarantees for others.
 - V. The offering, issuance, or private placement of any equity-type securities.
 - VI. The performance assessment and the standard of remuneration of the managerial officers.
 - VII. The structure and system of director's remuneration.
 - VIII. The appointment or discharge of a financial, accounting, or internal auditing officer.
 - IX. A donation to a related party or a major donation to a non-related party. Provided, that a public-interest donation of disaster relief for a major natural disaster may be submitted to the next Board meeting for retroactive recognition.
 - X. Any matter required by Article 14-3 of the Securities and Exchange Act or any other law, regulation, or bylaw to be approved by resolution at a shareholders' meeting or to be approved by resolution at a meeting of the Board of Directors, or any such significant matter as may be prescribed by the competent authority.

Except for matters that must be submitted to the Board of Directors for discussion under the preceding paragraph, when the Board of Directors is in recess, it may delegate the exercise of its power to others in accordance with law, regulations, or its Articles of Incorporation. However, the level of delegation or the content or matters to be delegated shall be clearly specified, and general authorization is not permitted.

Article 38 The Company shall ask the appropriate corporate department or personnel to execute matters pursuant to Board of Directors' resolutions in a manner consistent with the planned schedule and objectives. It shall also follow up on those matters and faithfully review their implementation.

The Board of Directors shall remain informed of the progress of implementation and receive reports in subsequent meetings to ensure the actual implementation of the Board's management decisions.

Section 5 Due Care Obligations and Responsibilities of Directors

Article 39 Members of the Board of Directors shall faithfully conduct corporate affairs and perform the duty of care of a good administrator. In conducting the affairs of the Company, they shall exercise their powers with a high level of self-discipline and prudence. Unless matters are otherwise reserved by law for approval in shareholders' meetings or in the Articles of Incorporation, they shall ensure that all matters are handled according to the resolutions of Board of Directors.

It is advisable that the Company formulate Board of Directors Performance Evaluation Guidelines. Each year, in respect of the Board of Directors and individual directors, it shall conduct regularly scheduled performance assessments through self-assessments or peer-to-peer assessments, and may also do so through outside professional institutions or in any other appropriate manner. A performance assessment of the Board of Directors shall include the following aspects, and appropriate assessment indicators shall be developed in consideration of the Company's needs:

- I. The degree of participation in the Company's operations.
- II. Improvement in the quality of decision-making by the Board of Directors.
- III. The composition and structure of the Board of Directors.
- IV. The election of the directors and their continuing professional education.
- V. Internal control.

The performance assessments of Board members (self-assessments or peer-to-peer assessments) shall include the following aspects, with appropriate adjustments made on the basis of the Company's needs:

- I. Their grasp of the Company's goals and missions.
- II. Their recognition of director's duties.
- III. Their degree of participation in the Company's operations.
- IV. Their management of internal relationships and communication.
- V. Their professionalism and continuing professional education.
- VI. Internal control.

It is advisable that the Company conduct performance assessments of functional committees, covering the following aspects, with appropriate adjustments made on the basis of the Company's needs:

- I. Their degree of participation in the Company's operations.
- II. Their recognition of the duties of the functional committee.
- III. Improvement in the quality of decision-making by the functional committee.
- IV. The composition of the functional committee, and election and appointment of committee members.
- V. Internal control.

The Company is advised to submit the results of performance assessments to the Board of Directors and use them as reference in determining compensation for individual directors, their nomination and additional office term.

Article 40 It is advisable for the Company to establish a succession plan for the management. The development and implementation of such plan shall be periodically evaluated by the

Board of Directors to ensure sustainable operation.

Article 41 The Board of Directors is advised to evaluate and monitor the following aspects of the Company's direction of operation and performance in connection with intellectual properties, to ensure the Company develops an intellectual property regulatory system in accordance with the Plan-Do-Check-Act cycle:

- I. Formulate intellectual property regulatory policies, objectives and systems that are slightly associated with the operational strategies.
- II. Develop, implement and maintain on the basis of scale and form its regulatory systems governing the procurement, protection, maintenance and utilization of intellectual properties.
- III. Identify and provide the necessary resources sufficient to ensure effective implementation and maintenance of the intellectual property regulatory system.
- IV. Observe internally and externally the risks and opportunities that intellectual property regulation may present and adopt corresponding measures.
- V. Plan for and implement a continuous improvement mechanism to ensure the operation and effects of the intellectual property regulatory regime meet the Company's expectations.

Article 42 If a resolution of the Board of Directors violates law, regulations or the company's articles of incorporation, then at the request of shareholders holding shares continuously for a year or an independent director, or at the notice of an independent director to discontinue the implementation of the resolution, members of the Board shall take appropriate measures or discontinue the implementation of such resolution as soon as possible.

Upon discovering a likelihood that the Company would suffer material injury, members of the Board of Directors shall immediately report to the Audit Committee or an independent director member of the Audit Committee in accordance with the foregoing paragraph.

Article 43 The Company shall take out directors liability insurance with respect to liabilities resulting from exercising their duties during their terms of occupancy so as to reduce and spread the risk of material harm to the Company and shareholders arising from the wrongdoings or negligence of a director.

The Company shall report the insured amount, coverage, premium rate, and other major contents of the liability insurance it has taken out or renewed for directors, at the next Board meeting.

Article 44 Members of the Board of Directors are advised to participate in training courses on finance, risk management, business, commerce, accounting, law or corporate social responsibility offered by institutions designated in the Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and TPEX Listed Companies, which cover subjects relating to corporate governance upon becoming directors and throughout their terms of occupancy. They shall also ensure that Company employees at all levels will enhance their professionalism and knowledge of the law.

Chapter IV. Respecting the Stakeholders' Rights and Interests

Article 45 The Company shall maintain channels of communication with its banks, other creditors, employees, consumers, suppliers, community, or other stakeholders of the Company, respect and safeguard their legal rights and interests, and designate a Stakeholders section on its website.

When any of a stakeholder's legal rights or interests is harmed, the Company shall handle the matter in a proper manner and in good faith.

- Article 46 The Company shall provide sufficient information to banks and its other creditors to facilitate their evaluation of the operational and financial conditions of the Company and its decision-making process. When any of their legal rights or interest is harmed, the Company shall respond with a responsible attitude and assist creditors in obtaining compensation through proper means.
- Article 47 The Company shall establish channels of communication with employees and encourage employees to communicate directly with the management or directors so as to reflect employees' opinions about the management, financial conditions, and material decisions of the Company concerning employee welfare.
- Article 48 In developing its normal business and maximizing the shareholders' interest, the Company shall pay attention to consumers' interests, environmental protection of the community, and public interest issues, and shall give serious regard to the Company's social responsibility.

Chapter V. Enhancing Information Transparency

Section 1 Strengthening Information Disclosure

- Article 49 Disclosure of information is a major responsibility of the Company. It shall perform its obligations faithfully in accordance with the relevant laws and the related TPEX rules. The Company shall establish an Internet-based reporting system for public information, appoint personnel responsible for gathering and disclosing the information, and establish a spokesperson system so as to ensure the proper and timely disclosure of information about policies that might affect the decisions of shareholders and stakeholders.
- Article 50 In order to enhance the accuracy and timeliness of the material information disclosed, the Company shall appoint a spokesperson and acting spokesperson(s) who understand thoroughly the Company's financial and business conditions and who are capable of coordinating among departments for gathering relevant information and representing the Company in making statements independently. The Company shall appoint one or more acting spokespersons who shall represent the Company, when the spokesperson cannot perform his/her duties, in making statements independently, provided that the order of authority is established to avoid any confusion. In order to implement the spokesperson system, the Company shall unify the process of making external statements. It shall require the management and employees to maintain the confidentiality of financial and operational secrets and prohibit their disclosure of any such information at will. The Company shall disclose the relevant information immediately whenever there is any change to the position of a spokesperson or acting spokesperson.
- Article 51 In order to keep shareholders and stakeholders fully informed, the Company shall utilize the convenience of the Internet and set up a website containing the information regarding the Company's finances, operations, and corporate governance. It is also advisable for the Company to furnish the financial, corporate governance, and other relevant information in English. To avoid misleading information, the aforesaid website shall be maintained by specified personnel, and the recorded information shall be accurate, detailed and updated on a timely basis.
- Article 52 The Company shall hold an investor conference in compliance with the regulations of the TPEX, and shall keep an audio or video record of the meeting. The financial and business information disclosed in the investor conference shall be disclosed on the Market Observation Post System and provided for inquiry through the website established by the Company, or through other channels, in accordance with the TPEX rules.

Section 2 Disclosures on Corporate Governance

Article 53 The Company shall dedicate a space on its website to disclose and update from time to time the following information regarding corporate governance:

- I. Board of Directors: Such as resumes and authorities and responsibilities of Board members, Board member diversification policy and the implementation thereof.
- II. Functional committees: Such as resumes and authorities and responsibilities of members of each functional committee.
- III. Corporate governance bylaws: such as Articles of Incorporation, procedure of Board of Directors meetings, charter of each functional committee, and other relevant corporate governance bylaws.
- IV. Important corporate governance information: Such as information of establishment of corporate governance executive officers.
- V. Chapter VI. Appendices

Article 54 The Company shall at all times monitor domestic and international developments in corporate governance as a basis for review and improvement of the Company's own corporate governance mechanisms, so as to enhance their effectiveness.

These Principles shall take effect after the approval of the Board of Directors. The same applies to all subsequent amendments.

HWACOM SYSTEMS INC.

Sustainable Best Practice Principles

Chapter I. General Provisions

- Article 1 HWACOM SYSTEMS INC. (hereinafter referred to as the Company) has formulated these Principles with reference to the "Sustainable Development Best Practices Principles for TWSE/TPEX Listed Companies" to fulfill its corporate social responsibility initiatives and to promote economic, environmental, and social advancement for purposes of sustainable development, so as to manage its economic, environmental and social risks and impact.
- Article 2 The Principles apply to the entire operations of the Company and its business group. In the course of its business operations, the Company actively fulfills sustainable development so as to follow international development trends and to contribute to the economic development of the country, to improve the quality of life of employees, the community and society by acting as responsible corporate citizens, and to enhance competitive edges built on sustainable development.
- Article 3 In promoting sustainable development initiatives, the Company shall, in its corporate management guidelines and business operations, give due consideration to the rights and interests of stakeholders and, while pursuing sustainable operations and profits, also give due consideration to the environment, society and corporate governance.
The Company shall, in accordance with the materiality principle, conduct risk assessments of environmental, social and corporate governance issues pertaining to Company operations and establish the relevant risk management policy or strategy.
- Article 4 To implement sustainable development initiatives, the Company is advised to follow the principles below:
I. Exercise corporate governance.
II. Foster a sustainable environment.
III. Preserve public welfare.
IV. Enhance disclosure of corporate sustainable development information.
- Article 5 The Company shall take into consideration the correlation between the development of domestic and international sustainable development issues and corporate core business operations, and the effect of the operation of the Company and its business group as a whole on stakeholders, in establishing their policies, systems or relevant management guidelines, and concrete promotion plans for sustainable development programs, which shall be approved by the Board of Directors and then reported to the shareholders' meeting.
When a shareholder proposes a motion involving sustainable development, the Company's Board of Directors is advised to review and consider including it in the shareholders' meeting agenda.

Chapter II. Exercising Corporate Governance

- Article 6 The Company has followed the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies, the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies, and the Code of Ethical Conduct for TWSE/TPEX Listed Companies to establish effective corporate governance frameworks and relevant ethical standards so as to enhance corporate governance.
- Article 7 The directors of the Company shall exercise the due care of good administrators to urge

the Company to perform its sustainable development initiatives, examine the results of the implementation thereof from time to time and continually make adjustments so as to ensure the thorough implementation of its sustainable development policies.

The board of directors of the Company is advised to give full consideration to the interests of stakeholders, including the following matters, in the Company's furtherance of its sustainable development objectives:

- I. Identifying the Company's sustainable development mission or vision, and declaring its sustainable development policy, systems or relevant management guidelines.
- II. Making sustainable development the guiding principle of the Company's operations and development, and ratifying concrete promotional plans for sustainable development initiatives.
- III. Enhancing the timeliness and accuracy of the disclosure of sustainable development information.

The Board of Directors shall appoint executive-level positions with responsibility for economic, environmental, and social issues resulting from the business operations of the Company, and to report the status of the handling to the Board of Directors. The handling procedures and the responsible person for each relevant issue shall be concrete and clear.

Article 8 The Company shall, on a regular basis, organize education and training on the promotion of sustainable development initiatives, including promotion of the matters prescribed in paragraph 2 of the preceding article.

Article 9 For the purpose of managing sustainable development initiatives, the Company is advised to create a governance structure for promotion of sustainable development, and establish an exclusively (or concurrently) dedicated unit to be in charge of proposing and enforcing the sustainable development policies, systems, or relevant management guidelines, and concrete promotional plans and to report on the same to the Board of Directors on a periodic basis.

The Company is advised to adopt reasonable remuneration policies, to ensure that remuneration arrangements support the strategic aims of the organization, and align with the interests of stakeholders.

It is advised that the employee performance evaluation system be combined with sustainable development policies, and that a clear and effective incentive and discipline system be established.

Article 10 The Company shall, based on respect for the rights and interests of stakeholders, identify stakeholders of the Company, and establish a designated section for stakeholders on the Company website. The Company shall understand the reasonable expectations and demands of stakeholders through proper communication with them, and adequately respond to the important sustainable development issues which they are concerned about.

Chapter III. Developing a Sustainable Environment

Article 11 The Company shall follow relevant environmental laws, regulations and international standards to properly protect the environment and shall endeavor to promote a sustainable environment when engaging in business operations and internal management.

Article 12 The Company shall endeavor to utilize energy more efficiently and use renewable materials which have a low impact on the environment to improve sustainability of natural resources.

Article 13 The Company is advised to establish proper environment management systems based on the characteristics of their industries. Such systems shall include the following tasks:

- I. Collecting sufficient and up-to-date information to evaluate the impact of the company's business operations on the natural environment.
 - II. Establishing measurable goals for environmental sustainability, and examining whether the development of such goals should be maintained and whether it is still relevant on a regular basis.
 - III. Adopting enforcement measures such as concrete plans or action plans, and examining the results of their operation on a regular basis.
- Article 14 The Company shall establish a dedicated unit or assign dedicated personnel for drafting, promoting, and maintaining relevant environment management systems and concrete action plans, and should hold environment education courses for their managerial officers and other employees on a periodic basis.
- Article 15 The Company shall take into account the effect of business operations on ecological efficiency, promote and advocate the concept of sustainable consumption, and conduct research and development, procurement, production, operations, and services in accordance with the following principles to reduce the impact on the natural environment and human beings from their business operations:
- I. Reduce resource and energy consumption of their products and services.
 - II. Reduce emission of pollutants, toxins and waste, and dispose of waste properly.
 - III. Improve recyclability and reusability of raw materials or products.
 - IV. Maximize the sustainability of renewable resources.
 - V. Enhance the durability of products.
 - VI. Improve efficiency of products and services.
- Article 16 To improve water use efficiency, TWSE/TPEX listed companies shall properly and sustainably use water resources and establish relevant management measures.
TWSE/TPEX listed companies shall construct and improve environmental protection treatment facilities to avoid polluting water, air and land. And use their best efforts to reduce adverse impact on human health and the environment by adopting the best practical pollution prevention and control measures.
- Article 17 The Company shall assess the current and future potential risks and opportunities that climate change may present to enterprises and to adopt related measures.
The Company is advised to adopt standards or guidelines generally used in Taiwan and abroad to enforce corporate greenhouse gas inventory and to make disclosures thereof, the scope of which shall include the following:
- I. Direct greenhouse gas emissions: Emissions from operations that are owned or controlled by the Company.
 - II. Indirect greenhouse gas emissions: Emissions resulting from the utilization of energy such as imported electricity, heating, or steam.
 - III. Other indirect emissions: Emissions resulting from corporate activities that are not indirect emissions from energy, but are from other sources of emissions owned or controlled by the Company.
- The Company is advised to compile statistics on greenhouse gas emissions, volume of water consumption and total weight of waste and to establish policies for energy conservation, carbon and greenhouse gas reduction, reduction of water consumption or management of other wastes. The Company's carbon reduction strategies should include obtaining carbon credits and be promoted accordingly to minimize the impact of its business operations on climate change.

Chapter IV. Preserving Public Welfare

- Article 18 The Company shall comply with relevant laws and regulations on human rights and put

forward a corporate human rights policy or statement that complies with the International Bill of Human Rights, with respect to rights such as gender equality, the right to work, and prohibition of discrimination, the freedom of association, the right of collective bargaining, caring for vulnerable groups, prohibiting the use of child labor, eliminating all forms of forced labor, and eliminating recruitment and employment discrimination.

The Company shall ensure that its human resource policies do not contain differential treatments based on gender, race, socioeconomic status, age, or marital and family status, so as to achieve equality and fairness in employment, hiring conditions, remuneration, benefits, training, evaluation, and promotion opportunities.

The Company shall provide an effective and appropriate grievance mechanism with respect to matters adversely impacting the rights and interests of the labor force, in order to ensure equality and transparency of the grievance process. Channels through which a grievance may be raised shall be clear, convenient, and unobstructed. The Company shall respond to any employee's grievance in an appropriate manner.

Article 19 The Company shall provide information for its employees so that the employees have knowledge of the labor laws and the rights they enjoy in the countries where the Company has business operations.

Article 20 The Company shall provide safe and healthful work environments for its employees, including necessary health and first-aid facilities and shall endeavor to curb dangers to employees' safety and health and to prevent occupational accidents.

The Company is advised to organize training on safety and health for its employees on a regular basis.

Article 21 The Company shall create an environment conducive to the development of its employees' careers and establish effective training programs to foster career skills.

The Company shall establish and implement reasonable employee welfare measures (including remuneration, leave and other welfare etc.) and appropriately reflect the business performance or achievements in the employee remuneration, to ensure the recruitment, retention, and motivation of human resources, and achieve the objective of sustainable operations.

Article 22 The Company shall establish a platform to facilitate regular two-way communication between the management and the employees for the employees to obtain relevant information on and express their opinions on the Company's operations, management and decisions.

The Company shall respect the employee representatives' rights to bargain for the working conditions, and shall provide the employees with necessary information and hardware equipment, in order to improve the negotiation and cooperation among employers, employees and employee representatives.

The Company shall, by reasonable means, inform employees of operation changes that might have material impacts.

The Company is advised to treat customers or consumers of its products or services in a fair and reasonable manner, including according to the following principles: fairness and good faith in contracting, duty of care and fiduciary duty, truthfulness in advertising and soliciting, fitness of products or services, notification and disclosure, commensuration between compensation and performance, protection of the right to complain, professionalism of salespersons etc. The Company shall also develop the relevant strategies and specific measures for implementation.

Article 23 The Company shall take responsibility for its products and services, and take marketing ethics seriously. In the process of research and development, procurement, production,

operations, and services, the Company shall ensure the transparency and safety of its products and services. It further shall establish and disclose policies on consumer rights and interests, and enforce them in the course of business operations, in order to prevent the products or services from adversely impacting the rights, interests, health, or safety of consumers.

Article 24 The Company shall ensure the quality of its products and services by following the laws and regulations of the government and relevant standards of its industry.

The Company shall follow relevant laws, regulations and international guidelines in regard to customer health and safety and customer privacy involved in, and marketing and labeling of, its products and services and shall not deceive, mislead, commit fraud or engage in any other acts which would betray consumers' trust or damage consumers' rights or interests.

Article 25 The Company shall evaluate and manage all types of risks that could cause interruptions in operations, so as to reduce the impact on consumers and society.

The Company shall provide a clear and effective procedure for accepting consumer complaints to fairly and timely handle consumer complaints, shall comply with laws and regulations related to the Personal Information Protection Act for respecting consumers' rights of privacy and shall protect personal data provided by consumers.

Article 26 The Company shall assess the impact its procurement has on society as well as the environment of the community that it is procuring from, and shall cooperate with its suppliers to jointly implement the corporate social responsibility initiative.

The Company establish supplier management policies and request suppliers to comply with rules governing issues such as environmental protection, occupational safety and health or labor rights. Prior to engaging in commercial dealings, the Company shall assess whether there is any record of a supplier's impact on the environment and society, and avoid conducting transactions with those against corporate social responsibility policy.

When the Company enters into a contract with any of its major suppliers, the content should include terms stipulating mutual compliance with corporate social responsibility policy. The contract may be terminated or rescinded any time if the supplier has violated such policy and has caused significant negative impact on the environment and society of the community of the supply source.

Article 27 The Company shall evaluate the impact of its business operations on the community, and adequately employ personnel from the location of the business operations, to enhance community acceptance.

The Company shall, through equity investment, commercial activities, endowments, volunteering service or other charitable professional services etc., dedicate resources to organizations that commercially resolve social or environmental issues, participate in events held by citizen organizations, charities and local government agencies relating to community development and community education to promote community development. The Company shall dedicate resources to cultural and art activities or the cultural and creative industry constantly through donations, sponsorships, investments, procurements, strategic cooperation, corporate volunteering of technical support, or other supporting means, to promote cultural development.

Chapter V. Enhancing Disclosure of Sustainable Development Information

Article 28 The Company shall disclose information according to relevant laws, regulations and the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies, and shall fully disclose relevant and reliable information relating to its sustainable development initiatives to improve information transparency.

Relevant information relating to sustainable development which the Company shall disclose includes:

- I. The policy, systems or relevant management guidelines, and concrete promotion plans for sustainable development initiatives, as resolved by the Board of Directors.
- II. The risks and the impact on the corporate operations and financial condition arising from exercising corporate governance, fostering a sustainable environment and preserving social public welfare.
- III. Goals and measures for promoting the sustainable development initiatives established by the Company, and performance in implementation.
- IV. Major stakeholders and their concerns.
- V. Disclosure of information on major suppliers' management and performance with respect to major environmental and social issues.
- VI. Other information relating to sustainable development initiatives.

Article 29 The Company shall adopt internationally widely recognized standards or guidelines when producing sustainability reports, to disclose the status of its implementation of the sustainable development policy. It also is advisable to obtain a third-party assurance or verification for reports to enhance the reliability of the information in the reports.

The reports are advised to include:

- I. The policy, system, or relevant management guidelines and concrete promotion plans for implementing sustainable development initiatives.
- II. Major stakeholders and their concerns.
- III. Results and a review of the exercising of corporate governance, fostering of a sustainable environment, preservation of public welfare and promotion of economic development.
- IV. Future improvements and goals.

Chapter VI. Appendices

Article 30 The Company shall at all times monitor the development of domestic and foreign sustainable development standards and the change of business environment so as to examine and improve its established sustainable development framework and to obtain better results from the promotion of the sustainable development policy.

These Principles shall take effect after the approval of the Board of Directors. The same applies to all subsequent amendments.

<Attachment 6> CPA Review Opinion Report

HWACOM SYSTEMS INC. CPA Review Opinion Report

HWACOM SYSTEMS INC. (hereinafter referred to as "the Company") intends to adjust and extend the useful lives of some machinery and equipment, office equipment, computer software and other intangible assets. The nature of the estimated changes, the reasons why the estimated changes can provide reliable and more relevant information, the estimated impact of the new useful lives on the profit and loss of the current period, and the rationality and necessity of changing accounting estimates after the beginning of the fiscal year have been reviewed and completed by this CPA in accordance with Article 6 of the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" (hereinafter referred to as the "Regulations"), and are explained as follows:

- I. In accordance with the provisions of IAS 16 "Property, Plant and Equipment" and IAS 38 "Intangible Assets", the Company reviews the residual value, useful life and depreciation and amortization methods of assets at the end of each fiscal year. If the expected value is different from the previous estimate, the change should be treated as a change in accounting estimate. Based on the actual usage of its machinery and equipment, office equipment, computer software and other intangible assets and with reference to the experience of its industry peers, the Company has evaluated and concluded that the actual useful lives of some of its machinery and equipment, office equipment, computer software and other intangible assets exceeded the originally stipulated useful lives. In order to reflect the actual useful lives and to reasonably allocate costs, it intends to adjust and extend the useful lives of such machinery and equipment, office equipment, computer software and other intangible assets.
- II. The Company has appointed Wau Yuan Property Appraisal Co., Ltd. to conduct a useful life assessment on its machinery and equipment, office equipment, computer software and other intangible assets whose useful lives that it intends to extend. According to the appraisal report issued by Wau Yuan Property Appraisal Co., Ltd. on February 25, 2025, it is estimated that the useful lives of such machinery and equipment, office equipment, computer software and other intangible assets can be extended based on the analysis of comprehensive industrial characteristics, functionality, and economy.

The summary of the useful lives of the relevant assets before and after the change is as follows:

Asset category	Asset item	Previous useful life	New useful life
Property, plant and equipment	Machinery and equipment	1 to 5 years	3 to 15 years
	Office equipment	1 to 8 years	3 to 20 years
Intangible assets	Computer software	1 to 3 years	2 to 10 years
	Other intangible assets	2.2 to 3 years	3 to 10 years

- III. Based on the above assessment results, the Company will change the useful lives of such machinery and equipment, office equipment, computer software and other intangible assets starting from January 1, 2025. In accordance with IAS No. 8 "Accounting Policies, Changes in Accounting Estimates and Errors", this change in accounting estimates should be deferred. This change in estimates is expected to reduce depreciation and amortization expenses in 2025 by a total of NT\$20,905,538.

The impact of the change in the useful lives of the relevant assets from January 1, 2025 on the depreciation and amortization expenses recognized in 2025 is as follows:

Asset category	Asset item	Depreciation expense (existing)	Depreciation expense (new)	Change
Property, plant and equipment	Machinery and equipment	2,095,189	650,134	1,445,055
	Office equipment	11,480,557	4,498,057	6,982,500
Total depreciation expense		13,575,746	5,148,191	8,427,555

Asset category	Asset item	Amortization expense (existing)	Amortization expense (new)	Change
Intangible assets	Computer software	15,004,950	4,056,265	10,948,685
	Other intangible assets	2,229,808	700,510	1,529,298
Total amortization expense		17,234,758	4,756,775	12,477,983

Asset category	Total depreciation and amortization expenses (existing)	Total depreciation and amortization expense (new)	Change
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Property, plant and equipment	13,575,746	5,148,191	8,427,555
Intangible assets	17,234,758	4,756,775	12,477,983
Total expense	30,810,504	9,904,966	20,905,538

- IV. The CPA has performed the necessary evaluation procedures on the valuation report on the useful lives of the above-mentioned machinery and equipment, office equipment, computer software and other intangible assets in accordance with Articles 11 and 12 of TWSA 620, and has not found any major abnormalities.
- V. In accordance with the provisions of IAS 16 "Property, Plant and Equipment" and IAS 38 "Intangible Assets", the Company reviews the residual value, useful life, depreciation and amortization methods of assets at the end of each fiscal year. During the closing of the 2025 financial statements, it was assessed that the expected useful life of some machinery and equipment, office equipment, computer software and other intangible assets was different from the previous estimate, and has commissioned an external third-party asset appraisal agency, Wau Yuan Property Appraisal Co., Ltd., to conduct an appraisal.

Therefore, starting from January 1, 2025, this change will be treated as a change in accounting estimate. According to the review results of the CPA, the reasons why the Company changed its accounting estimates after the beginning of the fiscal year are reasonable and necessary.

In summary, the CPA did not find any significant unreasonableness in the extension of the useful life of certain asset items such as machinery and equipment, office equipment, computer software and other intangible assets by the Company.

KPMG Taiwan

Geraltine Huang

Certified public accountant (CPA):

Leo Chi

March 12, 2025

Independent Auditors' Report

To the Board of Directors of HWACOM SYSTEMS INC.:

Opinion

We have audited the financial statements of HWACOM SYSTEMS INC.(“the Company”), which comprise the balance sheet as of December 31, 2024 , the statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the financial statements, including a summary of material accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2024 , and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Financial Statements Audit and Attestation Engagements of Certified Public Accountants and Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matters to be communicated in our report.

1. Revenue Recognition

Please refer to Note 4(n) for the accounting principles on revenue recognition and Note 6(s) for the description on revenue recognition.

(a) Description of key audit matter:

The Company service projects include a variety of commodity service types, such as computers, peripheral devices, software, and maintenance, it is necessary to determine the performance obligation and the applicable methods of revenue recognition. Therefore, the test of revenue recognition is one of the key audit matters.

(b) Audit procedures performed

- Understanding and testing the design and implementation of internal controls for the sale cycle.
- Sampling the original order or contract and the documents that can confirm the transfer of control, reviewing the transaction terms in order to evaluate whether the revenue recognition complies with the relevant standards.
- Performing a reconciliation of various vouchers before and after the balance sheet date in order to determine the appropriate period for sales revenue recognizing in the financial statements.

2. Inventory valuation

Please refer to Note 4(g) for the accounting principles on inventory valuation and Note 6(d) for the description on inventory.

(a) Description of the key audit matter:

The Company is a system integration supplier of telecommunication media and internet information, the proportion of inventory value to total assets is relatively large, and the valuation of inventory involves management's estimation uncertainty. If the net realizable value assessment is inappropriate, it will result in the financial statements being risks of misstatement. Therefore, the test of inventory valuation is one of the key audit matters.

(b) Audit procedures performed:

- Obtain and review the inventory aging report, analyze the changes in inventory aging; obtain the assessment data of the net realizable value of inventory, and evaluate the reasonableness of the basis used to calculate the net realizable value of inventory.
- Perform sampling procedures to verify the accuracy of the inventory aging and the detailed list of net realizable value of inventory.
- Evaluate whether the management's disclosure regarding inventory valuation is appropriate.

Other Matter

The financial statements of the Company as of and for the year ended December 31, 2023, were audited by other auditors and issued unmodified opinions at March 7, 2024.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Standards on Auditing of the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the Standards on Auditing of the Republic of China, we exercise professional judgment and professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of the investment in other entities accounted for using the equity method to express an opinion on this financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Huang, Hsin-Ting and Chih, Shih-Chin.

KPMG

Taipei, Taiwan (Republic of China)
March 12, 2025

Notes to Readers

The accompanying parent company only financial statements are intended only to present the statement of financial position, financial performance and cash flows in accordance with the accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such parent company only financial statements are those generally accepted and applied in the Republic of China.

The auditors' report and the accompanying parent company only financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language auditors' report and parent company only financial statements, the Chinese version shall prevail.

(English Translation of Parent Company Only Financial Statements and Report Originally Issued in Chinese)
HWACOM SYSTEMS INC.

Non-Consolidated Balance Sheets

December 31, 2024 and 2023

(Expressed in Thousands of New Taiwan Dollar)

		December 31, 2024		December 31, 2023				December 31, 2024		December 31, 2023	
Assets		Amount	%	Amount	%	Liabilities and Equity		Amount	%	Amount	%
Current assets:						Current liabilities:					
1100	Cash and cash equivalents (Note 6(a))	\$ 931,593	15	1,077,603	21	2100	Short-term borrowings (Note 6(i))	\$ 1,036,990	17	326,996	7
1110	Financial assets at fair value through profit or loss, current	17,313	-	8,175	-	2110	Short-term notes and bills payable	50,000	1	-	-
1136	Financial assets measured at amortized cost, current (Note 6(a))	-	-	100,000	2	2130	Contract liabilities, current (Note 6(s))	938,038	15	737,465	14
1140	Contract assets, current (Note 6(s))	48,376	1	47,481	1	2170	Accounts payable (Notes 6(j) and 7)	976,070	16	1,142,675	22
1150	Notes receivable, net (Notes 6(c) and (s))	157	-	442	-	2200	Other payables (Notes 6(k) and 7)	321,579	5	271,731	5
1170	Accounts receivable, net (Notes 6(c), (s) and 7)	1,570,857	26	1,241,496	24	2230	Current tax liabilities (Note 6(o))	15,644	-	16,974	-
1200	Other receivables	1,408	-	25,658	-	2250	Provisions, current	-	-	14,667	-
130X	Inventories (Note 6(d))	1,892,300	31	1,085,634	21	2280	Lease liabilities, current	26,165	1	24,489	1
1410	Prepayments (Note 6(e))	336,952	6	182,604	4	2300	Other current liabilities	17,159	-	33,443	1
1470	Other current assets (Notes 6(h) and 8)	302,212	5	338,279	7	2322	Long-term borrowings, current portion (Note 6(l))	5,278	-	5,226	-
Total current assets		5,101,168	84	4,107,372	80	Total current liabilities		3,386,923	55	2,573,666	50
Non-current assets:						Non-Current liabilities:					
1517	Financial assets at fair value through other comprehensive income, non-current (Note 6(b))	156,473	3	139,392	2	2540	Long-term borrowings (Note 6(l))	16,026	-	21,300	-
1550	Investments accounted for using equity method (Note 6(f))	100,318	2	100,245	2	2550	Provisions, non-current (Note 9)	12,283	-	12,283	-
1600	Property, plant and equipment(Notes 6(g) and 8)	247,155	4	265,230	5	2570	Deferred tax liabilities (Note 6(o))	23,681	1	19,645	-
1755	Right-of-use assets	42,638	-	46,355	1	2580	Lease liabilities, non-current	17,022	-	22,469	1
1780	Intangible assets	46,000	1	40,573	1	2600	Other non-current liabilities (Note 6(n))	97,894	2	98,430	2
1840	Deferred tax assets (Note 6(o))	34,890	-	34,453	1	Total non-current liabilities		166,906	3	174,127	3
1900	Other non-current assets (Notes 6(h) and 8)	364,265	6	427,121	8	Total liabilities		3,553,829	58	2,747,793	53
Total non-current assets		991,739	16	1,053,369	20	Equit (Notes 6(p) and (q)):					
						3100	Common stock	1,410,502	23	1,410,502	27
						3200	Capital surplus	412,622	7	402,974	8
						Retained earnings:					
						3310	Legal reserve	130,690	2	123,877	3
						3350	Unappropriated earnings	501,187	8	418,000	8
							Total retained earnings	631,877	10	541,877	11
						3400	Other equity	84,077	2	70,842	1
						3500	Treasury shares	-	-	(13,247)	-
						Total equity		2,539,078	42	2,412,948	47
Total assets		\$ 6,092,907	100	5,160,741	100	Total liabilities and equity		\$ 6,092,907	100	5,160,741	100

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)

HWACOM SYSTEMS INC.

Non-Consolidated Statements of Comprehensive Income

For the years ended December 31, 2024 and 2023

(Expressed in Thousands of New Taiwan Dollar , except for Earnings Per Share)

		2024		2023	
		Amount	%	Amount	%
4000	Operating revenues (Notes 6(s) and 7)	\$ 5,418,861	100	5,211,993	100
5000	Operating costs (Notes 6(d), (n) and 7)	4,241,012	78	4,172,982	80
5910	Unrealized profit (loss) from sales	-	-	(45)	-
5920	Realized profit (loss) on from sales	45	-	-	-
5950	Gross profit	<u>1,177,894</u>	<u>22</u>	<u>1,038,966</u>	<u>20</u>
6000	Operating expenses (Notes 6(c), (n), (q) and (t)):				
6100	Selling expenses	653,392	12	757,248	15
6200	Administrative expenses	280,564	5	224,526	4
6300	Research and development expenses	66,671	1	53,551	1
6450	Expected credit losses (reversal)	9,583	-	(8,870)	-
	Total operating expenses	<u>1,010,210</u>	<u>18</u>	<u>1,026,455</u>	<u>20</u>
6900	Net operating income	<u>167,684</u>	<u>4</u>	<u>12,511</u>	<u>-</u>
7000	Non-operating income and expenses (Notes 6(f) and (u)):				
7100	Interest income	11,616	-	9,440	-
7010	Other income	62,167	1	74,396	1
7020	Other gains and losses	(52,573)	(1)	(14,567)	-
7050	Finance costs	(18,293)	-	(12,295)	-
7070	Share of profit (loss) of subsidiaries, associates and joint ventures accounted for using equity method	(1,695)	-	1,358	-
	Total non-operating income and expenses	<u>1,222</u>	<u>-</u>	<u>58,332</u>	<u>1</u>
7900	Profit before tax	<u>168,906</u>	<u>4</u>	<u>70,843</u>	<u>1</u>
7950	Less: Income tax expenses (Note 6(o))	<u>38,326</u>	<u>1</u>	<u>13,223</u>	<u>-</u>
8200	Net income	<u>130,580</u>	<u>3</u>	<u>57,620</u>	<u>1</u>
8300	Other comprehensive income:				
8310	Items that may not be reclassified subsequently to profit or loss				
8311	Losses on remeasurements of defined benefit plans	1,807	-	4,755	-
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	17,081	-	14,403	-
8330	Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using equity method, components of other comprehensive income that will not be reclassified	(564)	-	221	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	3,929	-	2,710	-
	Total items that may not be reclassified subsequently to profit or loss	<u>14,395</u>	<u>-</u>	<u>16,669</u>	<u>-</u>
8360	Items that may be reclassified subsequently to profit or loss				
8361	Exchange differences on translation of foreign financial statements	286	-	(166)	-
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss	-	-	-	-
	Total items that may be reclassified subsequently to profit or loss	<u>286</u>	<u>-</u>	<u>(166)</u>	<u>-</u>
8300	Other comprehensive income	<u>14,681</u>	<u>-</u>	<u>16,503</u>	<u>-</u>
8500	Total comprehensive income	<u>\$ 145,261</u>	<u>3</u>	<u>74,123</u>	<u>1</u>
	Earnings per share (NT dollars) (Note 6(r))				
9750	Basic earnings per share	<u>\$ 0.93</u>		<u>0.42</u>	
9850	Diluted earnings per share	<u>\$ 0.92</u>		<u>0.41</u>	

See accompanying notes to parent company only financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)

HWACOM SYSTEMS INC.

Non-Consolidated Statements of Changes in Equity

For the years ended December 31, 2024 and 2023

(Expressed in Thousands of New Taiwan Dollar)

	Share capital		Retained Earnings		Other Equity				
	Common Stock	Capital Surplus	Legal Reserve	Unappropriated Earnings	Exchange Differences on Translation of Foreign Operations Financial Statements	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	Total other equity	Treasury shares	Total Equity
Balance on January 1, 2023	\$ 1,337,776	359,937	109,359	406,213	(680)	65,523	64,843	(13,247)	2,264,881
Net income for the year ended December 31, 2023	-	-	-	57,620	-	-	-	-	57,620
Other comprehensive income for the year ended December 31, 2023	-	-	-	3,804	(166)	12,865	12,699	-	16,503
Total comprehensive income for the year ended December 31, 2023	-	-	-	61,424	(166)	12,865	12,699	-	74,123
Appropriation and distribution of retained earnings:									
Legal reserve	-	-	14,519	(14,519)	-	-	-	-	-
Cash dividends of common stock	-	-	-	(41,818)	-	-	-	-	(41,818)
Other changes in capital surplus:									
Stock option recognized by issuance of convertible bonds	-	(5,058)	-	-	-	-	-	-	(5,058)
Transfer of corporate bonds payables to ordinary shares	72,726	48,095	-	-	-	-	-	-	120,821
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	6,700	-	(6,700)	(6,700)	-	-
Other	-	-	(1)	-	-	-	-	-	(1)
Balance on December 31, 2023	1,410,502	402,974	123,877	418,000	(846)	71,688	70,842	(13,247)	2,412,948
Net income for the year ended December 31, 2024	-	-	-	130,580	-	-	-	-	130,580
Other comprehensive income for the year ended December 31, 2024	-	-	-	1,446	286	12,949	13,235	-	14,681
Total comprehensive income for the year ended December 31, 2024	-	-	-	132,026	286	12,949	13,235	-	145,261
Appropriation and distribution of retained earnings:									
Legal reserve	-	-	6,812	(6,812)	-	-	-	-	-
Cash dividends of common stock	-	-	-	(42,027)	-	-	-	-	(42,027)
Treasury shares transferred to employees	-	9,648	-	-	-	-	-	13,247	22,895
Other	-	-	1	-	-	-	-	-	1
Balance on December 31, 2024	\$ 1,410,502	412,622	130,690	501,187	(560)	84,637	84,077	-	2,539,078

See accompanying notes to parent company only financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)

HWACOM SYSTEMS INC.

Statements of Non-Consolidated Cash Flows

For the years ended December 31, 2024 and 2023

(Expressed in Thousands of New Taiwan Dollar)

	2024	2023
Cash flows from (used in) operating activities:		
Profit before tax	\$ 168,906	70,843
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	83,088	78,189
Amortization expense	33,655	24,563
Expected credit loss (reversal)	9,583	(8,870)
Net gain on financial assets or liabilities at fair value through profit or loss	(9,138)	(3,634)
Interest expense	18,293	12,295
Interest income	(11,616)	(9,440)
Dividend income	(1,143)	(1,283)
Share of profit of subsidiaries, associates and joint ventures accounted for using equity method	1,695	(1,358)
Gain on disposal of property, plan and equipment	(243)	(144)
Gain on disposal of intangible assets	(4)	-
Unrealized profit (loss) from sales	-	45
Realized loss (profit) on from sales	(45)	-
Share-based payments	11,369	-
Total adjustments to reconcile profit (loss)	135,494	90,363
Changes in operating assets and liabilities:		
Increase in contract assets	(895)	(17,066)
Decrease (increase) in notes receivable	285	(17)
(Increase) decrease in accounts receivable	(338,944)	841,881
Decrease (increase) in other receivables	24,729	(24,281)
(Increase) decrease in inventories	(809,812)	73,404
(Increase) decrease in prepayments	(154,348)	74,717
Decrease (increase) in other current assets	92,633	(127,294)
Increase (decrease) in contract liabilities	200,573	(160,091)
(Decrease) increase in accounts payable	(166,605)	59,802
Increase (decrease) in other payables	55,609	(16,038)
(Decrease) increase in provisions	(14,667)	14,667
(Decrease) increase in receipts in advance	(17,137)	17,405
Increase (decrease) in other current liabilities	853	(1,085)
(Decrease) increase in net define benefit liabilities	(1,008)	707
Total adjustments	(993,240)	827,074
Cash inflow generated from operations	(824,334)	897,917
Interest received	11,137	9,062
Dividends received	1,143	1,283
Interest paid	(17,647)	(11,467)
Income taxes paid	(39,987)	(15,274)
Net cash flows from (used in) operating activities	(869,688)	881,521

See accompanying notes to parent company only financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)

HWACOM SYSTEMS INC.

Statements of Non-Consolidated Cash Flows (CONT' D)

For the years ended December 31, 2024 and 2023

(Expressed in Thousands of New Taiwan Dollar)

	2024	2023
Cash flows from (used in) investing activities:		
Disposal of financial assets at fair value through other comprehensive income	-	7,121
Acquisition of financial assets measured at amortized cost	(118,236)	(100,000)
Disposal of financial assets measured at amortized cost	218,236	-
Acquisition of investments accounted for using equity method	(2,000)	(51,414)
Acquisition of property, plant and equipment	(38,488)	(85,220)
Disposal of property, plant and equipment	578	1,586
(Increase) decrease in other current assets	(56,566)	2,247
Increase in refundable deposits	(386,167)	(613,770)
Decrease in refundable deposits	441,701	515,784
Acquisition of intangible assets	(39,175)	(42,108)
Disposal of intangible assets	97	9
Increase in prepayments for equipment	-	(92,256)
Decrease in prepayments for equipment	7,322	103,405
Net cash flows from (used in) investing activities	27,302	(354,616)
Cash flows from (used in) financing activities:		
Increase in short-term borrowings	2,271,124	968,637
Decrease in short-term borrowings	(1,561,130)	(1,062,959)
Increase in short-term notes and bills payable	250,000	-
Decrease in short-term notes and bills payable	(200,000)	-
Repayments of corporate bonds	-	(400)
Repayments of long-term borrowings	(5,222)	(5,175)
Increase in guarantee deposits received	7,029	1,295
Decrease in guarantee deposits received	(4,749)	(3,648)
Payment of lease liabilities	(30,175)	(30,672)
Cash dividends paid	(42,027)	(41,818)
Treasury shares sold to employees	11,526	-
Net cash flows from (used in) financing activities	696,376	(174,740)
Net (decrease) increase in cash and cash equivalents	(146,010)	352,165
Cash and cash equivalents at beginning of period	1,077,603	725,438
Cash and cash equivalents at end of period	\$ 931,593	1,077,603

See accompanying notes to parent company only financial statements.

Representation Letter

The entities that are required to be included in the combined financial statements of HWACOM SYSTEMS INC. as of and for the year ended December 31, 2024 under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with International Financial Reporting Standards No. 10, "Consolidated Financial Statements." endorsed by the Financial Supervisory Commission of Republic of China. In addition, the information required to be disclosed in the consolidated financial statements is included in the consolidated financial statements. Consequently, HWACOM SYSTEMS INC. and Subsidiaries do not prepare a separate set of combined financial statements.

Company name: HWACOM SYSTEMS INC.

Chairman: Chen, Kuo Chang

Date: March 12, 2025

Independent Auditors’ Report

To the Board of Directors of HWACOM SYSTEMS INC.:

Opinion

We have audited the consolidated financial statements of HWACOM SYSTEMS INC. and its subsidiaries (“the Group”), which comprise the consolidated balance sheet as of December 31, 2024 , the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of material accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2024 and 2023, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards (“IFRSs”), International Accounting Standards (“IASs”), Interpretations developed by the International Financial Reporting Interpretations Committee (“IFRIC”) or the former Standing Interpretations Committee (“SIC”) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Financial Statements Audit and Attestation Engagements of Certified Public Accountants and Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditors’ Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matters to be communicated in our report.

1. Revenue Recognition

Please refer to Note 4(n) for the accounting principles on revenue recognition and Note 6(s) for the description on revenue recognition.

(a) Description of the key audit matter:

The Group service projects include a variety of commodity service types, such as computers, peripheral devices, software, and maintenance, it is necessary to determine the performance obligation and the applicable methods of revenue recognition. Therefore, the test of revenue recognition is one of the key audit matters.

(b) Audit procedures performed:

- Understanding and testing the design and implementation of internal controls for the sale cycle.
- Sampling the original order or contract and the documents that can confirm the transfer of control, reviewing the transaction terms in order to evaluate whether the revenue recognition complies with the relevant standards.
- Performing a reconciliation of various vouchers before and after the balance sheet date in order to determine the appropriate period for sales revenue recognizing in the financial statements.

2. Inventory valuation

Please refer to Note 4(g) for the accounting principles on inventory valuation and Note 6(g) for the description on inventory.

(a) Description of the key audit matter:

The Group is a system integration supplier of telecommunication media and internet information, the proportion of inventory value to total assets is relatively large, and the valuation of inventory involves management's estimation uncertainty. If the net realizable value assessment is inappropriate, it will result in the financial statements being risks of misstatement. Therefor, the test of inventory valuation is one of the key audit matters.

(b) Audit procedures performed:

- Obtain and review the inventory aging report, analyze the changes in inventory aging; obtain the assessment data of the net realizable value of inventory, and evaluate the reasonableness of the basis used to calculate the net realizable value of inventory.
- Perform sampling procedures to verify the accuracy of the inventory aging and the detailed list of net realizable value of inventory.
- Evaluate whether the management's disclosure regarding inventory valuation is appropriate

Other Matter

The financial statements of the Group as of and for the year ended December 31, 2023, were audited by other auditors and issued unmodified opinions at March 7, 2024.

HWACOM SYSTEMS INC. has additionally prepared its parent-company-only financial statements as of and for the years ended December 31, 2024 and 2023. We have issued an unmodified opinion with an Other Matter paragraph for the years ended December 31, 2024, and the other auditor issued an unmodified opinion for the years ended December 31, 2023.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the IFRSs, IASs, IFRIC, SIC endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Standards on Auditing of the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the Standards on Auditing of the Republic of China, we exercise professional judgment and professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Huang, Hsin-Ting and Chih, Shih-Chin.

KPMG

Taipei, Taiwan (Republic of China)
March 12, 2025

Notes to Readers

The accompanying consolidated financial statements are intended only to present the consolidated statement of financial position, financial performance and cash flows in accordance with the accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such consolidated financial statements are those generally accepted and applied in the Republic of China.

The auditors' report and the accompanying consolidated financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language auditors' report and consolidated financial statements, the Chinese version shall prevail.

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)
HWACOM SYSTEMS INC. AND SUBSIDIARIES

Consolidated Balance Sheets

December 31, 2024 and 2023

(Expressed in Thousands of New Taiwan Dollar)

		<u>December 31, 2024</u>		<u>December 31, 2023</u>				<u>December 31, 2024</u>		<u>December 31, 2023</u>	
		<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>			<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
Assets						Liabilities and Equity					
Current assets:						Current liabilities:					
1100	Cash and cash equivalents (Note 6(a))	\$ 986,557	16	1,171,807	23	2100	Short-term borrowings (Note 6(h))	\$ 1,036,990	17	326,996	7
1110	Financial assets at fair value through profit or loss, current	17,312	-	8,175	-	2110	Short-term notes and bills payable	50,000	1	-	-
1136	Financial assets at amortised cost, current (Note 6(a))	28,040	-	110,040	2	2130	Contract liabilities, current (Note 6(r))	940,043	15	741,156	14
1140	Contract assets current (Note 6(r))	48,376	1	47,481	1	2170	Accounts payable (Notes 6(i) and 7)	1,001,063	16	1,152,612	22
1150	Notes receivable, net (Notes 6(c) and (r))	157	-	442	-	2200	Other payables (Note 6(j))	336,611	6	281,223	5
1170	Accounts receivable, net (Notes 6(c), (r) and 7)	1,608,607	26	1,245,969	24	2230	Current tax liabilities (Note 6(n))	16,294	-	17,260	-
1200	Other receivables	1,820	-	25,506	-	2250	Provisions, current	-	-	14,667	-
130X	Inventories (Note 6(d))	1,903,064	31	1,093,014	21	2280	Less liabilities, current	28,283	1	26,691	1
1410	Prepayments (Note 6(e))	337,604	6	183,020	3	2300	Total other current liabilities	17,539	-	33,652	1
1470	Other current assets (Notes 6(g) and 7)	302,270	5	338,368	7	2322	Long-term borrowings, current portion (Note 6(k))	5,278	-	5,226	-
Total current assets		<u>5,233,807</u>	<u>85</u>	<u>4,223,822</u>	<u>81</u>	Total current liabilities		<u>3,432,101</u>	<u>56</u>	<u>2,599,483</u>	<u>50</u>
Non-current assets:						Non-Current liabilities:					
1517	Financial assets at fair value through other comprehensive income, non-current (Note 6(b))	157,315	3	140,798	3	2540	Long-term borrowings (Note 6(k))	16,026	-	21,300	-
1600	Property, plant and equipment(Notes 6(h) and 8)	248,549	4	266,903	5	2550	Provisions, non-current (Note 9)	12,283	-	12,283	-
1755	Right-of-use assets	45,750	1	50,876	1	2570	Deferred tax liabilities (Note 6(n))	23,681	1	19,645	-
1780	Total intangible assets	48,157	1	41,811	1	2580	Lease liabilities, non-current	18,058	-	24,817	1
1840	Deferred tax assets (Note 6(n))	36,788	-	36,558	1	2600	Other non-current liabilities (Note 6(m))	97,989	2	98,525	2
1900	Other non-current assets (Notes 6(g) and 8)	368,850	6	428,233	8	Total non-current liabilities		<u>168,037</u>	<u>3</u>	<u>176,570</u>	<u>3</u>
Total non-current assets		<u>905,409</u>	<u>15</u>	<u>965,179</u>	<u>19</u>	Total liabilities		<u>3,600,138</u>	<u>59</u>	<u>2,776,053</u>	<u>53</u>
						Equity (Notes 6(o) and (p)):					
						3100	Common stock	1,410,502	23	1,410,502	27
						3200	Capital surplus	412,622	7	402,974	8
						Retained earnings:					
						3310	Legal reserve	130,690	2	123,877	3
						3350	Unappropriated earnings	501,187	8	418,000	8
						Total retained earnings		<u>631,877</u>	<u>10</u>	<u>541,877</u>	<u>11</u>
						3400	Other equity	84,077	1	70,842	1
						3500	Treasury shares	-	-	(13,247)	-
						Total equity		<u>2,539,078</u>	<u>41</u>	<u>2,412,948</u>	<u>47</u>
Total assets		<u>\$ 6,139,216</u>	<u>100</u>	<u>5,189,001</u>	<u>100</u>	Total liabilities and equity		<u>\$ 6,139,216</u>	<u>100</u>	<u>5,189,001</u>	<u>100</u>

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

HWACOM SYSTEMS INC. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the years ended December 31, 2024 and 2023

(Expressed in Thousands of New Taiwan Dollar , except for Earnings Per Share)

		2024		2023	
		Amount	%	Amount	%
4000	Operating revenue (Notes 6(r) and 7)	\$ 5,503,771	100	5,252,732	100
5000	Operating costs (Notes 6(d) and 7)	4,280,969	78	4,182,705	80
5950	Gross profit	1,222,802	22	1,070,027	20
6000	Operating expenses (Notes 6(c), (m), (p) and (s)):				
6100	Selling expenses	693,225	13	784,684	15
6200	Administrative expenses	288,969	5	227,242	4
6300	Research and development expenses	66,161	1	53,284	1
6450	Expected credit loss (reversal)	9,583	-	(8,871)	-
	Total operating expenses	1,057,938	19	1,056,339	20
6900	Net operating income	164,864	3	13,688	-
7000	Non-operating income and expenses (Note (t)):				
7100	Total interest income	12,354	-	9,782	-
7010	Total other income	61,604	1	74,523	1
7020	Other gains and losses	(50,677)	(1)	(14,497)	-
7050	Finance costs	(18,374)	-	(12,356)	-
	Total non-operating income and expenses	4,907	-	57,452	1
7900	Profit before tax	169,771	3	71,140	1
7950	Less: Income tax expenses (Note 6(n))	39,191	1	13,520	-
8200	Net income	130,580	2	57,620	1
8300	Other comprehensive income:				
8310	Items that may not be reclassified subsequently to profit or loss				
8311	Losses on remeasurements of defined benefit plans	1,807	-	4,755	-
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	16,517	-	14,624	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	(3,929)	-	(2,710)	-
	Total items that may not be reclassified subsequently to profit or loss	14,395	-	16,669	-
8360	Items that may be reclassified subsequently to profit or loss				
8361	Exchange differences on translation of foreign financial statements	286	-	(166)	-
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss	-	-	-	-
	Total items that may be reclassified subsequently to profit or loss	286	-	(166)	-
8300	Other comprehensive income	14,681	-	16,503	-
8500	Total comprehensive income	\$ 145,261	2	74,123	1
	Earnings per share (NT dollars) (Note 6(q))				
9750	Basic earnings per share	\$ 0.93		0.42	
9850	Diluted earnings per share	\$ 0.92		0.41	

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

HWACOM SYSTEMS INC. AND SUBSIDIARIES

Consolidated Statements of Changes in Equity

For the years ended December 31, 2024 and 2023

(Expressed in Thousands of New Taiwan Dollar)

	Share capital	Retained Earnings			Other Equity				
	Common Stock	Capital Surplus	Special Reserve	Unappropriated Earnings	Exchange Differences on Translation of Foreign Operations Financial Statements	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	Total other equity	Treasury shares	Total Equity
Balance on January 1, 2023	\$ 1,337,776	359,937	109,359	406,213	(680)	65,523	64,843	(13,247)	2,264,881
Net income	-	-	-	57,620	-	-	-	-	57,620
Other comprehensive income	-	-	-	3,804	(166)	12,865	12,699	-	16,503
Total comprehensive income	-	-	-	61,424	(166)	12,865	12,699	-	74,123
Appropriation and distribution of retained earnings:									
Legal reserve	-	-	14,519	(14,519)	-	-	-	-	-
Cash dividends of common stock	-	-	-	(41,818)	-	-	-	-	(41,818)
Other changes in capital surplus:									
Stock option recognized by issuance of convertible bonds	-	(5,058)	-	-	-	-	-	-	(5,058)
Transfer of corporate bonds payables to ordinary shares	72,726	48,095	-	-	-	-	-	-	120,821
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	6,700	-	(6,700)	(6,700)	-	-
	-	-	(1)	-	-	-	-	-	(1)
Balance on December 31, 2023	1,410,502	402,974	123,877	418,000	(846)	71,688	70,842	(13,247)	2,412,948
Net income	-	-	-	130,580	-	-	-	-	130,580
Other comprehensive income	-	-	-	1,446	286	12,949	13,235	-	14,681
Total comprehensive income	-	-	-	132,026	286	12,949	13,235	-	145,261
Appropriation and distribution of retained earnings:									
Legal reserve	-	-	6,812	(6,812)	-	-	-	-	-
Cash dividends of common stock	-	-	-	(42,027)	-	-	-	-	(42,027)
Treasury shares transferred to employees	-	9,648	-	-	-	-	-	13,247	22,895
Others	-	-	1	-	-	-	-	-	1
Balance on December 31, 2024	\$ 1,410,502	412,622	130,690	501,187	(560)	84,637	84,077	-	2,539,078

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

HWACOM SYSTEMS INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the years ended December 31, 2024 and 2023

(Expressed in Thousands of New Taiwan Dollar)

	<u>2024</u>	<u>2023</u>
Cash flows from (used in) operating activities:		
Profit before tax	\$ 169,771	71,140
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	86,713	80,369
Amortization expense	34,309	24,687
Expected credit loss (reversal)	9,583	(8,870)
Net gain on financial assets or liabilities at fair value through profit or loss	(9,138)	(3,634)
Interest expense	18,374	12,356
Interest income	(12,354)	(9,782)
Dividend income	(1,143)	(1,283)
Gain on disposal of property, plan and equipment	(273)	(215)
Gain on disposal of intangible assets	(4)	-
Share-based payments	11,369	-
Total adjustments to reconcile profit (loss)	<u>137,436</u>	<u>93,628</u>
Changes in operating assets and liabilities:		
Increase in Contract assets	(895)	(17,066)
Decrease (Increase) in notes receivable	285	(17)
(Increase) decrease in accounts receivable	(372,221)	840,074
Decrease (Increase) in other receivables	24,660	(24,078)
(Increase) decrease inventories	(809,962)	71,045
(Increase) decrease in prepayments	(154,584)	73,741
Decrease (Increase) in other current assets	92,664	(127,382)
Increase (decrease) in contract liabilities	198,887	(161,485)
(Decrease) increase in accounts payable	(151,549)	72,030
Increase (Decrease) in other payables	61,128	(10,489)
(Decrease) increase in provisions	(14,667)	14,667
(Decrease) increase in receipts in advance	(17,137)	17,405
Increase (decrease) in net defined benefit liabilities	1,025	(1,114)
(Decrease) increase in ther operating liabilities	(1,008)	707
Total adjustments	<u>(1,005,938)</u>	<u>841,666</u>
Cash inflow generated from operations	(836,167)	912,806
Interest received	11,547	9,388
Dividends received	1,143	1,283
Interest paid	(17,727)	(11,528)
Income taxes paid	(40,447)	(15,296)
Net cash flows from (used in) operating activities	<u>(881,651)</u>	<u>896,653</u>

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

HWACOM SYSTEMS INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows (CONT' D)

For the years ended December 31, 2024 and 2023

(Expressed in Thousands of New Taiwan Dollar)

	2024	2023
Cash flows from (used in) investing activities:		
Disposal of financial assets at fair value through other comprehensive income	-	7,121
Acquisition of financial assets measured at amortized cost	(130,150)	(110,040)
Disposal of financial assets measured at amortized cost	212,150	-
Acquisition of property, plant and equipment	(42,579)	(86,205)
Disposal of property, plant and equipment	615	1,844
(Increase) decrease in other current assets	(56,566)	2,247
Increase in refundable deposits	(396,610)	(616,287)
Decrease in refundable deposits	448,848	519,095
Acquisition of intangible assets	(40,748)	(43,377)
Disposal of intangible assets	97	21
Increase in prepayments for equipment	-	(92,756)
Decrease in prepayments for equipment	7,145	103,402
Net cash flows from (used in) investing activities	2,202	(314,935)
Cash flows from (used in) financing activities:		
Increase in short-term borrowings	2,271,124	968,637
Decrease in short-term borrowings	(1,561,130)	(1,062,959)
Increase in short-term notes and bills payable	250,000	-
Decrease in short-term notes and bills payable	(200,000)	-
Repayments of corporate bonds	-	(400)
Repayments of long-term borrowings	(5,222)	(5,175)
Increase in guarantee deposits received	7,029	1,295
Decrease in guarantee deposits received	(4,749)	(3,648)
Payment of lease liabilities	(32,637)	(32,005)
Cash dividends paid	(42,027)	(41,818)
Treasury shares sold to employees	11,526	-
Net cash flows from (used in) financing activities	693,914	(176,073)
Effect of exchange rate changes on cash and cash equivalents	285	(166)
Net increase (decrease) in cash and cash equivalents	(185,250)	405,479
Cash and cash equivalents at beginning of period	1,171,807	766,328
Cash and cash equivalents at end of period	\$ 986,557	1,171,807

See accompanying notes to consolidated financial statements.

HWACOM SYSTEMS INC.

Rules of Procedure for Shareholders' Meetings

- Article 1 To establish a strong governance system and sound supervisory capabilities for the Company's Shareholders' Meetings, and to strengthen management capabilities, these Rules are adopted pursuant to Article 5 of the Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies.
- Article 2 The rules of procedures for this Company's shareholders' meetings, except as otherwise provided by law, regulation, or the Articles of Incorporation, shall be as provided in these Rules.
- Article 3 Unless otherwise provided by law or regulation, the Company's Shareholders' Meetings shall be convened by the Board of Directors.

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

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

Election or dismissal of directors or supervisors, amendments to the articles of incorporation, reduction of capital, application for the approval of ceasing its status as a public company, approval of competing with the company by directors, surplus profit distributed in the form of new shares, reserve distributed in the form of new shares, the dissolution, merger, or demerger of the company, or any matter under

Article 185, paragraph 1 of the Company Act, Articles 26-1 and 43-6 of the Securities Exchange Act, Articles 56-1 and 60-2 of the Regulations Governing the Offering and Issuance of Securities by Securities Issuers shall be set out and the essential contents explained in the notice of the reasons for convening the Shareholders' Meeting. None of the above matters may be raised by an extraordinary motion. The essential contents may be posted on the website designated by the competent authority in charge of securities affairs or and a designated website, and such website shall be indicated in the above notice.

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

A shareholder holding one percent or more of the total number of issued shares may submit to the Company a written proposal for discussion at a general Shareholders' Meeting. The number of items so proposed, however, is limited to one only, and no proposal containing more than one item will be included in the meeting agenda, provided a shareholder proposal for urging the Company to promote public interests or fulfill its social responsibilities may still be included in the agenda by the Board of Directors. In addition, when the circumstances of any subparagraph of Article 172-1, paragraph 4 of the Company Act apply to a proposal put forward by a shareholder, the Board of Directors may exclude it from the agenda.

Prior to the book closure date before a General Shareholders' Meeting is held, the Company shall publicly announce its acceptance of shareholder proposals in writing or electronically, and the location and time period for their submission; the period for submission of shareholder proposals may not be less than 10 days.

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

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

Article 4 For each Shareholders' Meeting, a shareholder may appoint a proxy to attend the meeting by providing the proxy form issued by the Company and stating the scope of

the proxy's authorization.

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

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

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

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

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

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

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

Article 7 If a Shareholders' Meeting is convened by the Board of Directors, the meeting shall be

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

It is advisable that Shareholders' Meetings convened by the Board of Directors be chaired by the chairperson of the board in person and attended by a majority of the directors, at least one supervisor in person, and at least one member of each functional committee on behalf of the committee. The attendance shall be recorded in the meeting minutes.

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

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

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

Article 9 Attendance at Shareholders' Meetings shall be calculated based on numbers of shares. The number of shares in attendance shall be calculated according to the shares indicated by the attendance book and sign-in cards handed in, plus the number of shares whose voting rights are exercised by correspondence or electronically.

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

If the quorum is not met after two postponements as referred to in the preceding paragraph, but the attending shareholders represent one third or more of the total number of issued shares, a tentative resolution may be adopted pursuant to Article 175, paragraph 1 of the Company Act; all shareholders shall be notified of the tentative resolution and another Shareholders' Meeting shall be convened within one month.

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

Article 10 If a Shareholders' Meeting is convened by the Board of Directors, the meeting agenda shall be set by the Board of Directors. Votes shall be cast on each separate proposal in the agenda (including extraordinary motions and amendments to the original proposals set out in the agenda). The meeting shall proceed in the order set by the agenda, which may not be changed without a resolution of the Shareholders' Meeting.

The provisions of the preceding paragraph apply *mutatis mutandis* to a Shareholders' Meeting convened by a party with the power to convene that is not the Board of Directors.

The chair may not declare the meeting adjourned prior to completion of deliberation on the meeting agenda of the preceding two paragraphs (including extraordinary motions), except by a resolution of the Shareholders' Meeting. If the chair declares the meeting adjourned in violation of the rules of procedure, the other members of the Board of Directors shall promptly assist the attending shareholders in electing a new chair in accordance with statutory procedures, by agreement of a majority of the votes represented by the attending shareholders, and then continue the meeting.

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

Article 11 Before speaking, an attending shareholder must specify on a speaker's slip the subject of the speech, his/her shareholder account number (or attendance card number), and account name. The order in which shareholders speak will be set by the chair.

A shareholder in attendance who has submitted a speaker's slip but does not actually

speech shall be deemed to have not spoken. When the content of the speech does not correspond to the subject given on the speaker's slip, the spoken content shall prevail.

Except with the consent of the chair, a shareholder may not speak more than twice on the same proposal, and a single speech may not exceed five minutes. If the shareholder's speech violates the rules or exceeds the scope of the agenda item, the chair may terminate the speech.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Vote monitoring and counting personnel for the voting on a proposal shall be

appointed by the chair, provided that all monitoring personnel shall be shareholders of the Company.

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

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

The ballots for the election referred to in the preceding paragraph shall be sealed with the signatures of the monitoring personnel and kept in proper custody for at least one year. However, if a lawsuit has been instituted by any shareholder in accordance with the provisions of Article 189 hereof, the recording shall be kept by the Company until the legal proceedings of the foregoing lawsuit have been concluded.

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

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

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

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

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

Article 17 Staff handling administrative affairs of a Shareholders' Meeting shall wear

identification cards or arm bands.

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

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

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

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

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

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

Article 19 These Rules shall take effect after having been submitted to and approved by a Shareholders' Meeting. Subsequent amendments thereto shall be effected in the same manner.

Articles of Incorporation of HwaCom Systems Inc.

Chapter I General Provisions

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

Article 2: The Company engages in the following businesses:

1. CA02010 Manufacture of Metal Structure and Architectural Components.
2. CB01010 Mechanical Equipment Manufacturing.
3. CB01030 Pollution Controlling Equipment Manufacturing.
4. CB01990 Other Machinery Manufacturing.
5. CC01010 Manufacture of Power Generation, Transmission and Distribution Machinery.
6. CC01020 Electric Wires and Cables Manufacturing.
7. CC01030 Electrical Appliances and Audiovisual Electronic Products Manufacturing.
8. CC01040 Lighting Equipment Manufacturing.
9. CC01060 Wired Communication Mechanical Equipment Manufacturing.
10. CC01070 Wireless Communication Mechanical Equipment Manufacturing.
11. CC01080 Electronics Components Manufacturing.
12. CC01101 Controlled Telecommunications Radio-Frequency Devices and Materials Manufacturing
13. CC01110 Computer and Peripheral Equipment Manufacturing.
14. CC01120 Data Storage Media Manufacturing and Duplicating.
15. CC01990 Other Electrical Engineering and Electronic Machinery Equipment Manufacturing.
16. CD01020 Rail Vehicle and Parts Manufacturing.
17. CD01060 Aircraft and Parts Manufacturing.
18. CD01990 Other Transport Equipment and Parts Manufacturing.
19. E502010 Fuel Catheter Installation Engineering.
20. E599010 Piping Engineering.
21. E601010 Electric Appliance Construction.
22. E601020 Electric Appliance Installation.
23. E603010 Cable Installation Engineering.
24. E603040 Fire Safety Equipment Installation Engineering.
25. E603050 Automatic Control Equipment Engineering.
26. E603080 Traffic Signs Installation Engineering.
27. E603090 Lighting Equipments Construction.
28. E603100 Electric Welding Engineering.
29. E604010 Machinery Installation.
30. E605010 Computer Equipment Installation.
31. E701010 Telecommunications Engineering.
32. E701020 Satellite Television KU Channels and Channel C Equipment Installation.
33. E701030 Controlled Telecommunications Radio-Frequency Devices Installation Engineering.
34. E701040 Simple Telecommunications Equipment Installation.
35. E801010 Indoor Decoration.
36. E901010 Painting Engineering.
37. EZ05010 Instrument and Meters Installation Engineering.
38. EZ06010 Traffic Marking Engineering.
39. EZ15010 Warming and Cooling 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. G202010 Parking area Operators.
79. I103060 Management Consulting.
80. I301010 Information Software Services.
81. I301020 Data Processing Services.
82. I301030 Electronic Information Supply Services.
83. I401010 General Advertisement Service.
84. I501010 Product Designing.
85. IE01010 Telecommunications Service Number Agencies.
86. IG02010 Research and Development Service.
87. IG03010 Energy Technical Services.
88. IZ03010 Clipping.
89. IZ12010 Manpower Dispatched.
90. IZ13010 Internet Certificates Service.
91. IZ15010 Market Research and Public Opinion Polling.
92. JA02010 Electric Appliance and Electronic Products Repair.
93. JE01010 Rental and Leasing.

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

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

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

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

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

Chapter II. Shares

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

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

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

Article 5-3: In issuance of new shares, employees who subscribe for shares may include employees of the controlling or subsidiary companies, and the specific conditions and recipients shall be deliberated by the Board of Directors in

accordance with the Company Act.

Article 5-4: The recipients of the restricted stock awards issued by the Company may include employees of the controlling or subsidiary companies, and the specific conditions and recipients shall be deliberated by the Board of Directors in accordance with the Company Act.

Article 6: Deleted.

Article 7: Share certificates of the Company are all registered in form, which shall be signed or affixed with seal by more than three directors as well as duly attested before they can be issued. After the public issuance of the Company's shares, the issued shares may be exempted from the printing of physical stock certificates. When issuing new shares, the Company may combine the printing of the total number of shares for that particular issuance, but it should be registered or stored at the TDCC.

Article 8: The transfer of stock ownership shall be suspended within sixty days prior to the General Shareholders' Meeting, within thirty days prior to the Extraordinary Shareholders' Meeting, or within five days prior to the record date for the distribution of dividends, bonuses, or other benefits, as determined by the Company.

Chapter III. Shareholders

Article 9: Shareholders' Meetings of the Company are of two kinds: general meetings and extraordinary meetings. General meetings shall be convened once within six months after the end of every fiscal year, by the Board of Directors and in accordance with applicable laws and regulations. Extraordinary meetings shall be convened whenever necessary according to the laws and regulations.

Article 10: For each Shareholders' Meeting, a shareholder may appoint a proxy to attend the Meeting in his/her/its behalf by executing a power of attorney by providing the proxy form issued by the Company and stating the scope of the proxy's authorization. The Shareholders' Meeting may be held using video conferencing or other methods announced by the central competent authority.

Article 11: Each shareholder of the Company shall be entitled to one vote for each share held, except when the shares are restricted shares or are deemed non-voting shares under Article 179 of the Company Act.

Article 12: Resolutions at a Shareholders' Meeting shall, unless otherwise provided for in the Company Act, be adopted by a majority vote of the shareholders present, who represent more than one-half of the total number of voting shares.

Chapter IV. Directors and the Audit Committee

Article 13: The Company shall have seven to nine directors, and at least two of whom shall be independent directors. The election of directors adopts a candidate

nomination system, with a term of office of three years. Directors are elected at the Shareholders' Meeting from among persons of legal capacity. Directors are eligible for re-election.

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

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

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

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

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

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

Chapter V. Managers

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

Chapter VI Accounting

Article 18: After the end of each fiscal year, (1) a business report, (2) financial statements, and (3) a compilation of statements concerning the appropriation of net profits

or making up losses shall be prepared by the Board of Directors, and shall be submitted to the general Shareholders' Meeting for ratification in accordance with the law.

Article 19: Deleted.

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

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

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

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

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

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

Chapter VII. Appendices

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

Article 22: The Articles of Incorporation was established on April 25, 1994.
The 1st amendment was on August 4, 1997.
The 2nd amendment was on September 8, 1997.

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

HWACOM SYSTEMS INC.

Regulations Governing the Election of Directors and Supervisors

- I. The elections of directors and supervisors shall be conducted in accordance with these Regulations.
- II. The nominee cumulative voting method shall be used for election of the directors and supervisor at the Company. The Board of Directors shall prepare the ballots. The number of voting rights associated with each ballot shall be specified on the ballots, which shall then be distributed to the attending shareholders at the Shareholders' Meeting. Attendance card numbers printed on the ballots may be used instead of recording the names of voting shareholders. Each share will have voting rights in number equal to the directors and supervisors to be elected, and may be cast for a single candidate or split among multiple candidates.
- III. The number of directors and supervisors will be as specified in the Company's Articles of Incorporation. Those receiving ballots representing the highest numbers of voting rights will be elected sequentially according to their respective numbers of votes. When two or more persons receive the same number of votes, thus exceeding the specified number of positions, they shall draw lots to determine the winner. The chair draws lots on behalf of any person not in attendance. If the same person was elected as both director and supervisor, he/she will be at his/her own discretion to determine whether to serve as a director or a supervisor. Among the elected directors and supervisors, if there are any discrepancies in personal information after verification, or the election becomes invalid according to the Regulations, the vacancy will be filled by the candidate with the second highest number of votes.
- IV. Before the election begins, the chair shall appoint a number of persons with shareholder status to perform the respective duties of vote monitoring and counting personnel.
- V. If a candidate is a shareholder, a voter must enter the candidate's account name and shareholder account number in the "candidate" column of the ballot; for a non-shareholder, the voter shall enter the candidate's full name and identity card number. However, when the candidate is a corporate shareholder, the name of the corporate shareholder and the name of its representative shall be entered in the column for the candidate's account name.
- VI. A ballot is invalid under any of the following circumstances:
 - (I) The ballot used does not align with the regulation of these Procedures.
 - (II) Other words or marks are entered in addition to the candidate's account name or shareholder account number (or identity card number).

- (III) The writing is unclear and indecipherable.
 - (IV) The candidate's account name and shareholder account number do not conform with those given in the shareholder register.
 - (V) The name of the candidate entered in the ballot is identical to that of another shareholder, but no shareholder account number or identity card number is provided in the ballot to identify such individual.
 - (VI) The number of candidates entered exceeds the stipulated number of positions to be elected.
 - (VII) A ballot that has not been placed into the ballot box or a blank ballot is placed in the ballot box.
- VII. After all the ballots are placed into the ballot box, it shall be opened by the vote monitoring personnel.
- VIII. If there are any doubts about a ballot, it shall be verified by the vote monitoring personnel to determine if it is invalid. The invalidated ballots should be set aside separately. After the completion of vote counting, the number of invalid votes and their representing voting rights are calculated, and the vote monitoring personnel shall endorse the invalidation of the ballots with signatures and seals.
- IX. After verifying the total of valid and invalid votes without any discrepancies, the vote monitoring personnel will enter the number of valid and invalid vote counts, and their corresponding voting rights, into a record sheet separately. The list of persons elected as directors or supervisors and their respective shareholder account number, shall be announced by the chair on the site. For any incompliance with the provision of Article 26-3, Paragraph 4 of the Securities and Exchange Act, the election result will be deemed invalid.
- X. Matters not provided for in these Regulations, shall be handled in accordance with the regulations of the Company.

These Regulations, and any amendments hereto, shall be implemented after approval by a Shareholders' Meeting.

<Appendix 4>

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

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

<Appendix 5>

HWACOM SYSTEMS INC.

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

- I. In accordance with Article 26 of the Securities and Exchange Act, the Company's directors shall at least hold a total of 8,521,814 shares. As of April 22, 2025, the entire directors of the Company held 34,151,187 shares.
- II. The Company has established an Audit Committee; the requirements for shareholding by supervisors are not applicable.
- III. Shares held by Independent Directors are not counted towards the shares held by all directors.
- IV. Shareholding facts by all Directors: The record (base) date is the date on which transfer is suspended, i.e., April 22, 2025.

Book closure date: April 22, 2025

Title	Name or name of corporate shareholder	Date when elected	Term in office	Number of shares held on the book closure date	
				Number of shares	Percentage (%)
Chairman	Gary Chen	2022.6.23	3 years	6,363,097	4.48%
Director	Advantech Investment Co., Ltd. Representative: Michael Huang	2022.6.23	3 years	24,575,000	17.30%
Director	Lutain Investment Co., Ltd. Representative: Alex Yang	2022.6.23	3 years	3,008,427	2.12%
Director	Alex Huang	2022.6.23	3 years	169,975	0.12%
Director	Ellen Weng	2022.6.23	3 years	34,688	0.02%
Independent Director	Jason Lee	2022.6.23	3 years	0	0.00%
Independent Director	Li Ming-juinn	2022.6.23	3 years	0	0.00%
Independent Director	Chorng-Shyong Ong	2022.6.23	3 years	0	0.00%
Independent Director	Cllin Lin	2023.6.30	2 year	0	0.00%
Total				34,151,187	24.04%