

Elite Material Co., Ltd.

Year 2023 Annual Shareholders' Meeting

Meeting Agenda (Translation)

Date: 31 May 2023

Time: 9:00am Taipei time

Place: No. 18, Datong 1st Road,
Guanyin District, Taoyuan City
Taiwan

Method of convening: Entity shareholders' meeting

Table of Contents

A. Meeting agenda	-3
B. Reporting Items	-4
I. To report Year 2022 business operations and financial statements	4
II. Review report by the Audit Committee	22
III. Information of employees' compensation and Directors' remuneration in Year 2022	23
IV. Year 2022 earnings distribution cash dividend situation report	23
V. Year 2022 fund raising corporate bonds report	23
C. Approval Items	-24
I. To accept the Year 2022 business report and financial statements	24
II. To approve the proposal for distribution of 2022 profits	24
D. Extemporary motion	-25
E. Appendix	-26
I. Articles of Incorporation of Elite Material Co., Ltd.	26
II. Meeting rules of stockholders of Elite Material Co., Ltd	32
III. Current shareholding of Directors and Independent Directors	35

**Meeting Agenda
for
2023 Annual General Shareholders' Meeting
of
Elite Material Co., Ltd.**

- A. Call the meeting to order**
- B. Chairperson takes chair**
- C. Chairperson remarks**
- D. Report items**
- E. Proposed resolutions**
- F. Extemporaneous motion**
- G. Meeting adjourned**

Reporting Items

1. To report Year 2022 business operations and financial statements

Year 2022 Business report

I. Year 2022 business results

Unit: NT\$ thousands

Items	Year 2022	Year 2021	% change
Revenue	38,672,549	38,500,026	0.45%
Gross profit	9,710,062	10,068,554	-3.56%
Operating profit	6,225,247	6,922,620	-10.07%
Income before tax	6,296,055	6,911,896	-8.91%
Net income	5,076,240	5,500,157	-7.71%

Note: The net income of year 2022 includes NT\$3,366 thousand belongs to the minority interests.

Execution results of business plan

- Guanyin/Hsinchu production site of Taiwan: Monthly production capacity has achieved 650,000 sheets.
- Kunshan production site of Jiangsu Province, China: Monthly production capacity has achieved 1.35 million sheets. (Expected capacity of 1.65 million/Month in 1Q23)
- Zhongshan production site of Guangdong Province, China: Monthly production capacity has achieved 950,000 sheets.
- Huangshi production site of Hubei Province, China: Monthly production capacity has achieved 900,000 sheets.

ii. Summary of cash flow statements

Unit: NT\$ thousands

Items	Year 2022
Net cash provided by operating activities	7,498,208
Net cash used in investing activities	6,595,595
Net cash used in financing activities	2,687,468
Effects of changes in foreign exchange rate on cash and cash equivalents	211,468
Increase in cash in reporting period	3,801,549

iii. Analysis of profitability

Items	Year 2022	Year 2021
Return on assets (%)	12.70	17.26
Return on equities (%)	24.26	30.11
Percentage of paid-in capital (%)	Operating profit	186.99
	Income before tax	207.94
Net margin (%)	189.12	207.62
Earnings per share (NT Dollar)	13.13	14.29
	15.24	16.50

iv. Results of research and development:

EMC is the world's largest supplier of halogen-free and Prepreg laminate material, among which the market share of HDI/SLP laminate materials for handheld devices has ranked number one in the world for several consecutive years, and among high-speed related application products such as servers and switches, global market share also rises from nothing to the top three, and the company's long-term development and growth can be expected.

In addition to continuing to focus on the development of halogen-free laminate materials for handheld and high-speed related applications, the company also extends the development of laminate materials for other applications, in year 2022, the company successfully developed a non-PTFE high-frequency laminate material, which can meet the processability of general PCB wet process and meet the needs of base station antennas and self-driving cars for the Internet of Things; The development of substrate is another key focus, at present, it has been mass-produced, and has been qualified by many customers for its quality, achieving localized supply, breaking the situation that Japanese manufacturers monopolized, and EMC's market share is rapidly increasing.

The development of substrate materials is also a major focus. At present, products with X, Y-CTE < 6ppm/°C have been developed and promoted to customers for certification, so as to improve the localized supply against the exclusive Japanese manufacturers substrate material for packaging.

New products successfully developed by the Company in 2022:

1. RCC material adopted in 5G high-end handheld device has been certified by many customers and is actively preparing for mass production.
2. Non PTFE high frequency laminate material for Self-driving Radar and Antenna has been mass produced.
3. PCIe 5 II and PCIe 6 high speed data transmission material qualified by various customers and continuously gain market share.
4. 800GHz Switch material verified and pilot run by global brand companies and ready for mass production.

In addition to product innovation and commercialization, the competitiveness of the company, intellectual property is also an indispensable item. EMC has been developing innovative products with its own technology, and has been constantly protecting its own technology property rights through patent applications. The foil laminate material industry ranks No. 1 in Taiwan and No. 4 in the world. In the future, it will continue to apply for patents to improve the company's technological value and competitiveness.

II. Summary of Year 2023 business plan

- i. Planning of sales and production
 - a. Promote eco-friendly laminate material
 - b. Capacity expansion
 - c. Balancing sales and production, flexible inventory adjustment and active cash management
- ii. Operating strategy
 - a. 5G infrastructure servers and switch laminate materials continue to be introduced into high-end HDI processes, and EMC has stabilized its top three material suppliers in the infrastructure market.
 - b. The substrate material is an extension of its own substrate material technology. It has been mass-production and shipped, and its quality has been recognized by customers. It will continue to develop this market.
 - c. To maintain lion's share in high end HDI segment.
 - d. To penetrate into LEO market, aggressively seize the growth of market share.
 - e. To develop laminate material for high end vehicle market.
- iii. Sales volume target
 - a. Expected sales volume target:

Copper clad laminates (CCLs):	43 million sheets/year
Prepreg (PP):	960 thousand rolls/year
Mass Lam (M/L):	1.05 million panels/year

III. Effects from changes in competitions, regulations, and business environment on the future development strategy of the company

i. Future development strategy of EMC:

- a. To develop high speed/ high frequency and low loss materials
- b. To solidify the leading position of EMC's materials consumed by HDI PCBs in the global market.
- c. Enlarge offshore market, diversify risks.

ii. Perfectness of Internal control, enhance management efficiency

iii. Effects from changes in competitions, regulations, and business environment:

Due to the outbreak of Covid-19 in those two years, the company and all sites have been strictly following the quarantine protocol to make sure that the company still operates on the track.

Looking forward, although the overall economic environment is full of uncertainties, technological innovation is still the only way for enterprises to grow. The requirements for the speed and quality of information transmission are getting higher and higher, and the trend of enterprise product specification upgrades will not change. The market share in server and switch products has increased generation by generation with the launch of new generations of products; 5G mobile phone shipments will continue to grow due to the rapid increase in penetration rate. EMC continues to improve self-competitiveness and has a positive view toward the future operating prospects.

Chairman: Dong Ding-Yu

President: Guan En-Xiang

Director of Accounting Department: Sara Yen

**In case of any discrepancy between this English translation and the Chinese text of this document, the Chinese text shall prevail.*

2. Year 2022 financial statements

1. Balance Sheet of year 2021 and 2022
2. Income statement of year 2021 and 2022
3. Statement of changes in Equity of year 2021 and 2022
4. Statement of cash flow of year 2021 and 2022

The full financial reports prepared and audited by KPMG can be viewed and downloaded at the company website: <https://www.emctw.com/en-global/report/index>; or at the website of MOPS operated by the Taiwan Stock Exchange: <http://mops.twse.com.tw>



安侯建業聯合會計師事務所

KPMG

台北市110615信義路5段7號68樓(台北101大樓)
68F., TAIPEI 101 TOWER, No. 7, Sec. 5,
Xinyi Road, Taipei City 110615, Taiwan (R.O.C.)

電話 Tel + 886 2 8101 8666
傳真 Fax + 886 2 8101 8667
網址 Web kpmg.com/tw

Independent Auditors' Report

To the Board of Directors of ELITE MATERIAL CO., LTD.:

Opinion

We have audited the financial statements of ELITE MATERIAL CO., LTD. ("the Company"), which comprise the statement of financial position as of December 31, 2022 and 2021, and the statement of comprehensive income, changes in equity and cash flows for the years ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2022 and 2021, and its financial performance and its cash flows for the year ended December 31, 2022 and 2021 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and the Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Norm of Professional Ethics for Certified Public Account of Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirement. 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.

1. Revenue recognition

Please refer to Note 4(n) "Revenue" and Note 6(o) "Revenue" of the consolidated financial statements.

Description of key audit matter:

The recognition of revenue is based on the fact that the Company has transferred all its ownership and the significant risk of its products to the customers. The judgment on the arrival date of the products involves uncertainty under the FOB destination which is stated in the sales contracts between the Company and the customers. The Company still needs to take the risk of the products before they are delivered to customers.

Therefore, the recognition of revenue was considered to be one of the key audit matters in the audit.

How the matter was addressed in our audit:

In relation to the key audit matter above, we have performed certain key audit procedures that included: assessing the accounting policies on the recognition timing of sales revenue and the appropriateness of related internal controls; testing the effectiveness of implementation of internal control ; performing cut-off test for recognition of revenue on the period before and after the reporting date to assess the rationality to the recognition timing of sales revenue.

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 Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs, IASs, interpretation as well as related guidance endorsed 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 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 are responsible for overseeing the Company's financial reporting process.

Auditor's 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 auditor's 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 auditor's 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 appropriate audit evidence regarding the financial information of the investment in other entities accounted for using the equity method to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit.

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 Yi-Chun Chen and Hsiao-Ling Chiang.

KPMG

Taipei, Taiwan (Republic of China)
February 23, 2023

Notes to Readers

The accompanying parent company only financial statements are intended only to present the 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 independent auditors' audit 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 independent auditors' audit report and parent company only financial statements, the Chinese version shall prevail.

Balance Sheets

December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

- 11 -

ELITE MATERIAL CO., LTD.

Statements of Comprehensive Income

For the Years Ended December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

		2022		2021	
		Amount	%	Amount	%
4000	Operating revenue (Notes (6)(o) and (7))	\$ 9,202,695	100	9,189,939	100
5000	Operating costs (Notes (6)(d) and (7))	(7,007,937)	(76)	(7,104,396)	(77)
	Gross profit from operations	2,194,758	24	2,085,543	23
5910	Less: Unrealized profit from sales	(8,391)	-	(9,316)	-
5920	Add: Realized profit on from sales	9,316	-	4,051	-
	Gross profit from operations	2,195,683	24	2,080,278	23
	Operating expenses:				
6100	Total selling expenses	(380,669)	(4)	(339,529)	(4)
6200	Total administrative expenses	(618,693)	(7)	(673,876)	(7)
6300	Total research and development expenses	(411,425)	(4)	(327,147)	(4)
6450	Expected credit loss	(330)	-	(41)	-
6300	Total operating expenses	(1,411,117)	(15)	(1,340,593)	(15)
	Net operating income	784,566	9	739,685	8
	Non-operating income and expenses:				
7100	Total interest income (Note (6)(q))	3,520	-	920	-
7020	Other gains and losses, net (Note (6)(q))	168,832	2	(45,584)	-
7370	Share of profit of associates and joint ventures accounted for using equity method	4,629,006	50	5,365,858	58
7050	Finance costs (Note (6)(q))	(32,447)	-	(9,041)	-
	Total non-operating income and expenses	4,768,911	52	5,312,153	58
	Profit from continuing operations before tax	5,553,477	61	6,051,838	66
7950	Less: Income tax expenses (Note (6)(l))	(480,603)	(5)	(558,620)	(6)
	Profit	5,072,874	56	5,493,218	60
8300	Other comprehensive income:				
8310	Components of other comprehensive income that will not be reclassified to profit or loss				
8311	Losses on remeasurements of defined benefit plans	19,737	-	(1,945)	-
8316	Unrealized losses from investments in equity instruments measured at fair value through other comprehensive income	(22,173)	-	(15,335)	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	(3,947)	-	389	-
	Components of other comprehensive income that will not be reclassified to profit or loss	(6,383)	-	(16,891)	-
8360	Components of other comprehensive income (loss) that will be reclassified to profit or loss				
8361	Exchange differences on translation of foreign financial statements	470,990	5	(164,604)	(2)
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss	(94,198)	(1)	32,921	-
	Components of other comprehensive income that will be reclassified to profit or loss	376,792	4	(131,683)	(2)
8300	Other comprehensive income, net	370,409	4	(148,574)	(2)
	Total comprehensive income	\$ 5,443,283	60	\$ 5,344,644	58
	Basic earnings per share (Note (6)(n))(dollars)	\$ 15.24		\$ 16.50	
	Diluted earnings per share (Note (6)(n))(dollars)	\$ 14.86		\$ 16.46	

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)
ELITE MATERIAL CO., LTD.

Statements of Changes in Equity

For the Years Ended December 31, 2022 and 2021
(Expressed in Thousands of New Taiwan Dollars)

	Total other equity interest				
	Unrealized gains (losses) on equity instruments at fair value				Total equity
	Share capital	Retained earnings	Exchange Differences on Translation of Foreign Statements	Unappropriated Retained Earnings	
	Ordinary Shares	Capital Surplus	Legal Reserve	Special Reserve	
Balance at January 1, 2021	3,329,183	1,868,661	2,035,014	833,393	16,738,630
Profit for the year ended December 31, 2021	-	-	-	-	5,493,218
Other comprehensive income for the year ended December 31, 2021	-	-	-	-	(148,574)
Total comprehensive income for the year ended December 31, 2021	-	-	-	-	5,344,644
Earnings distribution:					
Legal reserve	-	-	368,954	-	(368,954)
Special reserve reversal	-	-	-	(75,502)	75,502
Cash dividends on ordinary share	-	-	-	-	(2,330,428)
Balance at December 31, 2021	3,329,183	1,868,661	2,403,968	756,891	19,752,846
Profit for the year ended December 31, 2022	-	-	-	-	5,072,874
Other comprehensive income for the year ended December 31, 2022	-	-	-	-	(22,173)
Total comprehensive income for the year ended December 31, 2022	-	-	-	-	5,050,701
Earnings distribution:					
Legal reserve	-	-	549,166	-	(549,166)
Special reserve	-	-	-	147,018	(147,018)
Cash dividends on ordinary share	-	-	-	-	(3,329,183)
Due to recognition of equity component of convertible bonds (preference share) issued	-	207,618	-	-	207,618
Balance at December 31, 2022	3,329,183	2,076,279	2,953,134	903,909	22,074,564

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)
ELITE MATERIAL CO., LTD.

Statements of Cash Flows
For the Years Ended December 31, 2022 and 2021
(Expressed in Thousands of New Taiwan Dollars)

	2022	2021
Cash flows from (used in) operating activities:		
Profit before tax	\$ 5,553,477	6,051,838
Adjustments:		
Adjustments to reconcile profit :		
Depreciation expense	205,123	198,379
Amortization expense	15,012	9,269
Expected credit loss	330	41
Net gain on financial assets or liabilities at fair value through profit or loss	13,861	-
Interest expense	7,953	9,041
Interest income	(3,520)	(920)
Share of loss of subsidiaries, associates and joint ventures accounted for using equity method	(4,629,006)	(5,365,858)
Gain on disposal of property, plant and equipment	-	(338)
Amortized discounted corporate bonds payable-interest expense	24,494	-
Total adjustments to reconcile profit	(4,365,753)	(5,150,386)
Changes in operating assets and liabilities:		
Changes in operating assets:		
Notes receivable	25,890	91,917
Accounts receivable	89,290	(604,530)
Accounts receivable due from related parties	125,630	(49,488)
Other receivable	(136,002)	(221,869)
Inventories	141,069	(123,797)
Deferred revenues	(924)	5,723
Other current assets	203	(16,481)
Other assets	33,262	(51,287)
Total changes in operating assets	278,418	(969,812)
Changes in operating liabilities:		
Accounts payable	(429,908)	528,959
Other payable	(17,333)	348,299
Other payable to related parties	193,386	32,286
Other current liabilities	(28,219)	13,958
Net defined benefit liability	(8,486)	(12,810)
Total changes in operating liabilities	(290,560)	910,692
Total changes in operating assets and liabilities	(12,142)	(59,120)
Total adjustments	(4,377,895)	(5,209,506)
Cash inflow generated from operations	1,175,582	842,332
Interest received	3,535	974
Dividends received	3,295,244	2,151,776
Interest paid	(8,029)	(9,151)
Income taxes paid	(620,080)	(561,921)
Net cash flows from (used in) operating activities	3,846,252	2,424,010
Cash flows from investing activities:		
Acquisition of investments accounted for using equity method	(20,368)	-
Acquisition of property, plant and equipment	(2,485,690)	(135,259)
Proceeds from disposal of property, plant and equipment	-	338
Increase in refundable deposits	(90)	(2,226)
Acquisition of intangible assets	(14,594)	(32,344)
Net cash flows used in investing activities	(2,520,742)	(169,491)
Cash flows from financing activities:		
(Decrease) increase in short-term loans	(516,927)	152,123
(Decrease) increase in short-term notes and bills payable	(200,000)	200,000
Proceeds from issuing bonds	3,499,953	-
Proceeds from long-term debt	100,000	750,000
Repayments of long-term debt	(950,000)	(700,000)
(Decrease) increase in guarantee deposits received	(1,083)	4,467
Cash dividends paid	(3,329,183)	(2,330,428)
Net cash flows used in financing activities	(1,397,240)	(1,923,838)
Net increase in cash and cash equivalents	(71,730)	330,681
Cash and cash equivalents at beginning of period	1,292,713	962,032
Cash and cash equivalents at end of period	\$ 1,220,983	1,292,713



安侯建業聯合會計師事務所
KPMG

台北市110615信義路5段7號68樓(台北101大樓)
68F., TAIPEI 101 TOWER, No. 7, Sec. 5,
Xinyi Road, Taipei City 110615, Taiwan (R.O.C.)

電話 Tel	+ 886 2 8101 6666
傳真 Fax	+ 886 2 8101 6667
網址 Web	kpmg.com/tw

Independent Auditors' Report

To the Board of Directors of Elite Material Co., Ltd.:

Opinion

We have audited the consolidated financial statements of Elite Material Co., Ltd. and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as of December 31, 2022 and 2021, and the consolidated statement of comprehensive income, changes in equity and cash flows for the year ended December 31, 2022 and 2021, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for the year ended December 31, 2022 and 2021 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 Auditing and Attestation of Financial Statements by Certified Public Accountants and the Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Norm of Professional Ethics for Certified Public Account of Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirement. 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.

1. Revenue recognition

Please refer to Note (4)(o) "Revenue" and Note (6)(r) "Revenue" of the consolidated financial statements.

Description of key audit matter:

The recognition of revenue is based on the fact that the Group has transferred all its ownership and the significant risk of its products to the customers. The judgment on the arrival date of the products involves uncertainty under the FOB destination which is stated in the sales contracts between the Group and the customers. The Group still needs to take the risk of the products before they are delivered to customers.

Therefore, the recognition of revenue was considered to be one of the key audit matters in the audit.

How the matter was addressed in our audit:

In relation to the key audit matter above, we have performed certain key audit procedures that included: assessing the accounting policies on the recognition timing of sales revenue and the appropriateness of related internal controls; testing the effectiveness of implementation of internal control ; performing cut-off test for recognition of revenue on the period before and after the reporting date to assess the rationality to the recognition timing of sales revenue.

Other Matter

Elite Material Co., Ltd. has additionally prepared its parent company only financial statements as of and for the years ended December 31, 2022 and 2021, on which we have issued an unqualified opinion.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs, IASs, interpretation as well as related guidance endorsed 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 are responsible for overseeing the Group's financial reporting process.

Auditor's 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 auditor's 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 auditor's 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 appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the group financial statements. We are responsible for the direction, supervision and performance of the group audit.

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 Yi-Chun Chen and Hsiao-Ling Chiang.

KPMG

Taipei, Taiwan (Republic of China)
February 23, 2022

Notes to Readers

The accompanying consolidated financial statements are intended only to present the consolidated 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 independent auditors' audit 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 independent auditors' audit report and consolidated financial statements, the Chinese version shall prevail.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

		2022.12.31		2021.12.31		LIABILITIES AND STOCKHOLDERS' EQUITY	
		Amount	%	Amount	%	Amount	%
ASSETS							
Current Assets:							
1100	Cash and cash equivalents (Note (6)(a))	\$ 10,443,618	24	6,642,069	18	2100	Short-term borrowings (Note (6)(h))
1150	Notes receivable, net (Note (6)(b))	212,623	1	146,612	-	2110	Short-term notes payable (Note (6)(i))
1170	Accounts receivable, net (Note (6)(b) and (7))	11,470,512	26	13,127,064	36	2170	Accounts payable
1200	Other receivables, net (Note (6)(c) and (7))	49,423	-	97,758	-	2200	Other payables (Note (7))
1310	Inventories (Note (6)(d))	4,235,908	10	5,465,411	15	2230	Current tax liabilities
1479	Other current assets, others	160,478	-	364,830	1	2280	Current lease liabilities (Note (6)(l))
1220	Current tax assets	7,395	-	-	-	2322	Long-term borrowings, current portion (Note (6)(j))
		26,579,957	61	25,843,744	70	2399	Other current liabilities, others
Non-Current Assets:							
1600	Property, plant and equipment (Note (6)(f))	14,679,878	34	8,468,582	23	Non-Current liabilities:	
1755	Right-of-use assets (Note (6)(g))	609,176	1	600,189	2	2500	Non-current financial liabilities at fair value through profit or loss
1780	Intangible assets	744,784	2	669,410	2	(Note (6)(k))	
1840	Deferred tax assets (Note (6)(o))	192,172	1	281,368	1	2530	Bonds payable (Note (6)(k))
1900	Other non-current assets	464,196	1	625,368	2	2540	Long-term borrowings (Note (6)(j))
1920	Guarantee deposits paid (Note (8))	69,482	-	61,781	-	2570	Deferred tax liabilities (Note (6)(o))
1975	Net defined benefit asset, non-current (Note (6)(n))	42,842	-	14,619	-	2580	Non-current lease liabilities (Note (6)(l))
		16,802,530	39	10,721,317	30	2600	Other non-current liabilities (Note (6)(m))
Total liabilities							
Equity attributable to owners of parent (Note (6)(p)):							
	Capital stock	3100		3100			
	Capital surplus	3200		3200			
	Retained earnings:						
	Legal reserve	3310		3310			
	Special reserve	3320		3320			
	Unappropriated retained earnings	3350		3350			
	Other equity interest	3400		3400			
	Total equity attributable to owners of parent:						
	Non-controlling interests	36XX		36XX			
Total equity							
Total liabilities and equity							
Total assets		\$ 43,382,487	100	36,565,061	100		

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

ELITE MATERIAL CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the Years Ended December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

		2022		2021	
		Amount	%	Amount	%
4000	Operating revenue (Note (6)(r) and (7))	\$ 38,672,549	100	38,500,026	100
5000	Operating costs (Note (6)(d) and (7))	(28,962,487)	(75)	(28,431,472)	(74)
	Gross profit from operations	9,710,062	25	10,068,554	26
	Operating expenses:				
6100	Total selling expenses	(1,227,895)	(3)	(1,114,301)	(3)
6200	Total administrative expenses	(1,303,681)	(3)	(1,264,567)	(3)
6300	Total research and development expenses	(953,132)	(3)	(770,530)	(2)
6450	Impairment (loss) gain (Note (6)(b))	(107)	-	3,464	-
	Total operating expenses	(3,484,815)	(9)	(3,145,934)	(8)
	Net operating income	6,225,247	16	6,922,620	18
	Non-operating income and expenses (Note (6)(f)):				
7100	Total interest income	62,410	-	52,252	-
7020	Other gains and losses, net	192,521	-	23,291	-
7050	Finance costs, net	(184,123)	-	(76,323)	-
7770	Share of loss of associates and joint ventures accounted for using equity method	-	-	(9,944)	-
	Total non-operating income and expenses	70,808	-	(10,724)	-
7900	Profit from continuing operations before tax	6,296,055	16	6,911,896	18
7950	Less: Income tax expenses (Note (6)(o))	(1,219,815)	(3)	(1,411,739)	(4)
8200	Profit	5,076,240	13	5,500,157	14
	Other comprehensive income:				
8310	Components of other comprehensive income that will not be reclassified to profit or loss				
8311	Gains (losses) on remeasurements of defined benefit plans	19,737	-	(1,945)	-
8316	Unrealized losses from investments in equity instruments measured at fair value through other comprehensive income	(22,173)	-	(15,335)	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	(3,947)	-	389	-
	Components of other comprehensive income that will not be reclassified to profit or loss	(6,383)	-	(16,891)	-
8360	Components of other comprehensive income (loss) that will be reclassified to profit or loss				
8361	Exchange differences on translation of foreign financial statements	471,646	1	(164,772)	-
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss	(94,198)	-	32,921	-
	Components of other comprehensive income that will be reclassified to profit or loss	377,448	1	(131,851)	-
	Other comprehensive income	371,065	1	(148,742)	-
	Total comprehensive income	\$ 5,447,305	14	\$ 5,351,415	14
	Loss attributable to:				
	Owners of the parent company	\$ 5,072,874	13	5,493,218	14
	Non-controlling interests	3,366	-	6,939	-
		\$ 5,076,240	13	\$ 5,500,157	14
	Comprehensive income attributable to:				
	Owners of the parent company	\$ 5,443,283	14	5,344,644	14
	Non-controlling interests	4,022	-	6,771	-
		\$ 5,447,305	14	\$ 5,351,415	14
	Earnings per share (Note (6)(q))				
	Basic earnings per share (dollars)	\$ 15.24		16.50	
	Diluted earnings per share (dollars)	\$ 14.86		16.46	

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the Years Ended December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

	Equity attributable to owners of parent										Total other equity interest	
	Share capital	Retained earnings				Exchange Differences on Translation of Foreign Statements	Unrealized gains (losses) on available for sale financial assets	Total Equity Attributable to Owners of Parent	Non-controlling Interests	Total equity		
		Ordinary Shares	Capital Surplus	Legal Reserve	Special Reserve						Unappropriated Retained Earnings	
Balance at January 1, 2021	\$ 3,329,183	1,868,661	2,035,014	832,393	9,430,270	(756,453)	(438)	16,738,630	16,879	16,755,509		
Profit for the year ended December 31, 2021	-	-	-	-	5,493,218	-	-	5,493,218	6,939	5,500,157		
Other comprehensive income for the year ended December 31, 2021	-	-	-	-	(1,556)	(131,683)	(15,335)	(148,574)	(168)	(148,742)		
Total comprehensive income for the year ended December 31, 2021	-	-	-	-	5,491,662	(131,683)	(15,335)	5,344,644	6,771	5,351,415		
Earnings distribution:												
Legal reserve	-	-	368,954	-	(368,954)	-	-	-	-	-		
Special reserve reversal	-	-	-	(75,502)	75,502	-	-	-	-	-		
Cash dividends on ordinary share	-	-	-	-	(2,330,428)	-	-	(2,330,428)	-	(2,330,428)		
Changes in non-controlling interests	-	-	-	-	-	-	-	-	(2,609)	(2,609)		
Balance at December 31, 2021	3,329,183	1,868,661	2,403,968	756,891	12,298,052	(888,136)	(15,773)	19,752,846	21,041	19,773,887		
Profit for the year ended December 31, 2022	-	-	-	-	5,072,874	-	-	5,072,874	3,366	5,076,240		
Other comprehensive income for the year ended December 31, 2022	-	-	-	-	15,790	376,792	(22,173)	370,409	656	371,065		
Total comprehensive income for the year ended December 31, 2022	-	-	-	-	5,088,664	376,792	(22,173)	5,443,283	4,022	5,447,305		
Earnings distribution:												
Legal reserve	-	-	549,166	-	(549,166)	-	-	-	-	-		
Special reserve	-	-	-	147,018	(147,018)	-	-	-	-	-		
Cash dividends on ordinary share	-	-	-	-	(3,329,183)	-	-	(3,329,183)	-	(3,329,183)		
Due to recognition of equity component of convertible bonds (preference share) issued	-	207,618	-	-	-	-	-	207,618	-	207,618		
Changes in non-controlling interests	-	-	-	-	-	-	-	-	(25,063)	(25,063)		
Balance at December 31, 2022	\$ 3,329,183	2,076,279	2,953,134	903,909	13,361,349	(511,344)	(37,946)	22,074,564	-	22,074,564		

ELITE MATERIAL CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

	2022	2021
Cash flows from (used in) operating activities:		
Profit before tax	\$ 6,296,055	6,911,896
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	730,251	690,156
Amortization expense	44,232	29,238
Expected credit loss(gain)	107	(3,464)
Net loss on financial assets or liabilities at fair value through profit or loss	13,861	-
Interest expense	159,629	76,323
Interest income	(62,410)	(52,252)
Share of loss of associates and joint ventures accounted for using equity method	-	9,944
Loss on disposal of property, plant and equipment	699	540
Amortized discounted corporate bonds payable-interest expense	24,494	-
Dividend income	-	(24,243)
Total adjustments to reconcile profit (loss)	910,863	726,242
Changes in operating assets and liabilities:		
Changes in operating assets:		
Notes receivable	(65,691)	144,696
Accounts receivable	1,842,422	(3,523,108)
Other receivable	70,498	(92,635)
Inventories	1,304,734	(1,783,772)
Other current assets	221,208	(230,475)
Other operating assets	168,524	(56,045)
Total changes in operating assets	3,541,695	(5,541,339)
Changes in operating liabilities:		
Accounts payable	(1,728,200)	2,318,681
Other payable	63,042	539,398
Other current liabilities	(72,177)	8,735
Other non-current liabilities	26,516	402,345
Total changes in operating liabilities	(1,710,819)	3,269,159
Total changes in operating assets and liabilities	1,830,876	(2,272,180)
Total adjustments	2,741,739	(1,545,938)
Cash inflow generated from operations	9,037,794	5,365,958
Interest received	69,824	60,664
Dividends received	-	24,243
Interest paid	(148,044)	(74,417)
Income taxes paid	(1,461,366)	(1,354,926)
Net cash flows from operating activities	7,498,208	4,021,522
Cash flows from (used in) investing activities:		
Acquisition of financial assets at fair value through other comprehensive income	(20,670)	-
Net cash flow from acquisition of subsidiaries	(24,741)	-
Acquisition of property, plant and equipment	(6,492,914)	(2,470,150)
Proceeds from disposal of property, plant and equipment	-	7,942
Acquisition of intangible assets	(50,858)	(44,622)
Acquisition of right-of-use assets	-	(74,843)
Increase in refundable deposits	(6,412)	(36,681)
Other investing activities	-	227
Net cash flows used in investing activities	(6,595,595)	(2,618,127)
Cash flows from (used in) financing activities:		
Increase in short-term loans	2,574,933	1,983,991
(Decrease) increase in short-term notes and bills payable	(200,000)	200,000
Proceeds from issuing bonds	3,499,953	-
Proceeds from long-term debt	1,114,834	750,000
Repayments of long-term debt	(957,956)	(1,014,529)
Increase in guarantee deposits received	1,313	5,179
Payment of lease liabilities	(12,459)	(11,362)
Cash dividends paid	(3,333,150)	(2,333,037)
Net cash flows from (used in) financing activities	2,687,468	(419,758)
Effect of exchange rate changes on cash and cash equivalents	211,468	(73,430)
Net increase in cash and cash equivalents	3,801,549	910,207
Cash and cash equivalents at beginning of period	6,642,069	5,731,862
Cash and cash equivalents at end of period	\$ 10,443,618	6,642,069

2.Review report by the Audit Committee

To the 2023 General Shareholders' Meeting of Elite Material Co., Ltd.,

In accordance with Article 219 of the Company Act, we have examined the Business Report, the Resolution for Allocation of Surplus Profit, the Financial Statements submitted by the Board of Directors for the year ending 2022 which had been audited by independent auditors, Ms. Chen, Yi-Chun and Ms. Chiang, Hsiao-Ling of KPMG, and the auditing report signed by the said independent auditors, and found them in order. We thereby submit the report.



Cheng, Duen-Chian

Convener of the Audit Committee of Elite Material Co., Ltd.

23 Feb 2023

**In case of any discrepancy between this English translation and the Chinese text of this document, the Chinese text shall prevail.*

3.Information of employees' compensation and Directors' remuneration in Year 2022

Unit: NT\$ Dollar		Year 2022
Earnings before tax, employee's compensation, and Directors' remuneration	\$	5,763,857,571
Accumulated losses		-
Distributable earnings to employees and Directors		
Employees' compensation (3% of the distributable earnings)	\$	172,915,727
Directors' remuneration (0.65% of the distributable earnings)	\$	37,465,074

The said employees' compensation and Directors' remuneration will be distributed in cash.

4. Year 2022 earnings distribution cash dividend situation report

1. In accordance with Article 36 of the company's articles of association, if all or part of the dividends and bonuses distributed by the company or the statutory surplus reserve and capital reserve are distributed in cash, the board of directors shall be authorized by two-thirds or more of the directors. The meeting shall be attended by more than half of the directors present, and shall be reported to the shareholders' meeting.
2. The total amount of cash dividends for the year 2022 earnings distribution is NT\$2,829,805,542, and NT\$8.5 is distributed per share, calculated up to yuan, and rounded up; the total amount of abnormal payments is included in other income of the company.
3. This proposal was approved by the board of directors on February 23, 2023, and authorized the chairman to set another ex-dividend base date, distribution date and other related matters. When the total share counts changes, impacting the outstanding shares, the chairman is also authorized to deal with it in accordance with the company law or other relevant laws and regulations.

5. Year 2022 fund raising corporate bonds report

Name of Bond: Elite Materials Co., Ltd.'s fifth domestic unsecured conversion of corporate bonds.

Use of funds: purchase of real estate, factory buildings and repayment of bank loans.

Total denomination issued: NT\$3,465,300,000.

Issue date: April 25, 2022.

Expiration date: April 25, 2027

Duration: 5 years

Coupon rate: Fixed 0%

**In case of any discrepancy between this English translation and the Chinese text of this document, the Chinese text shall prevail.*

Approval Items

1. To accept the Year 2022 business report and financial statements

The Board of Directors proposes and recommends that each shareholder vote FOR the acceptance of the Year 2022 business report and financial statements.

Explanatory Notes:

- i. EMC's Year 2022 business report and financial statements, including balance sheet, income statement, statement of changes in shareholders' equity, and statement of cash flows, have been resolved to accept by the board meeting in February 23rd, 2023, and have been examined by and determined to be correct and accurate by the Audit Committee of EMC. We thereby submit this report.
- ii. Please approve the aforesaid business report and financial statements

2. To approve the proposal for distribution of 2022 profits

The Board of Directors proposes and recommends that each shareholder vote FOR the distribution of 2022 profits.

Explanatory Notes:

- i. Net income of year 2022 is NT\$ 5,072,874,461.

Elite Material Co., Ltd. Profit Allocation Proposal of Year 2022

Unit: NTD	
Beginning of 2022, unappropriated earnings.	8,272,685,499
Plus:	
Other (actuarial adjustment of defined benefit)	15,789,158
Net income of 2022	5,072,874,461
Special reserve of earnings	354,619,195
Less:	
10% legal reserve	508,866,362
Earnings available for distribution as of 31 December 2022	13,207,101,951
Distribution items:	
Cash dividends to common share holders (Cash dividend per common share is calculated based on a total number of shares outstanding of 332,918,299)	2,829,805,542
Total distribution	2,829,805,542
Unappropriated earnings	10,377,296,409

Note:

The priority of earnings distribution is unappropriated earnings of 2022.

Chairman: Dong Ding-Yu

President: Guan En-Xiang

Director of Accounting Department: Sara, Yen

Extemporaneous motion:

APPENDIX

I. Articles of Incorporation of Elite Material Co., Ltd.

As last amended on 26 May 2022

Chapter 1. General Provisions

Article 1 The Company is duly incorporated under the provisions of the Company Act of the Republic of China, and shall be called “台光電子材料股份有限公司” and “ELITE MATERIAL CO., LTD.” In English.

Article 2 The Company's businesses are as follows:

- 1) CC01080 Manufacturing of electronic components
- 2) CB01020 Manufacturing of business machines
- 3) CC01110 Manufacturing of computers and the peripherals
- 4) C801010 Basic chemical industry
- 5) C801990 Manufacturing of other chemical materials
- 6) C901990 Manufacturing of other non-metallic mineral products
- 7) F401010 International commerce
- 8) ZZ99999 Except where permits are required, to run operations not forbidden or limited by laws and regulations

Article 3 The Company may, where it businesses require, provide guarantee subject to approval of the Board of Directors.

Article 4 When the Company is required to invest in another company and become a limited liability partner, the total amount of all investment shall not exceed the limit of 40 percent of the share capital received under Article 13 of the Company Law, and the relevant transfer of investment shall be handled by resolution of the Board of Directors.

Article 5 The headquarters of the Company is located in Taoyuan City, and may, depending on the actual needs of domestic and foreign appropriate locations to set up branches.

Article 6 Deleted.

Chapter 2. Shares

Article 7 The Total Capital of the Company is set at NT\$6 billion, divided into NT\$600 million of shares, NT\$10 per share, and unissued shares shall be issued by the Board of Directors in sub-issues at a later date as necessary. Out of the above total capital amount, One Hundred and Fifty Million New Taiwan Dollar (NT\$150,000,000) shall be divided into 15,000,000 shares of NT\$10 each, to be issued as stock options for employees to subscribe.

Article 7-1 The Company may issue employees' stock options with an exercise price lower than the prevailing market price of the ordinary shares, provided such issue is approved by a resolution of the Shareholders' Meeting, and the resolution shall be made with more than half of the total amount of shareholders with issued share present, and with the agreement of more than two third of the agreement of the shareholders present. The issue of the employees' stock options can be carried out at different stages within one year effective from the day proposal resolved by the Shareholders' Meeting.

Article 7-2 Should the Company buy back shares, it may resell those shares to employees at an price lower than the average buy-back price, provided, the resell shall be approved by a resolution at the upcoming Shareholders' Meeting, and the resolution shall be made with more than half of the total amount of shareholders with issued share presented, and with the agreement of more than two third of the agreement of the shareholders presented.

- Article 8 Shares issued by the Company may be exempted from being printed, but should be contacted with the TDCC for stock registration.
- Article 8-1 Deleted.
- Article 9 The company's stock affairs are handled in accordance with the " Regulations Governing the Administration of Shareholder Services of Public Companies " and other relevant laws and regulations.
- Article 10 Deleted.
- Article 11 Deleted.
- Article 12 Deleted.
- Article 13 Registration of share transfer shall be closed within sixty (60) days prior to General Shareholders' Meeting, or within thirty (30) days prior to Extraordinary Shareholders' Meeting or within five (5) days prior to the record date on which Company distributes the dividends or bonuses.

Chapter 3. Shareholders' Meeting

- Article 14 The Company's Shareholders' Meeting is divided into two types: ordinary and extraordinary meetings. The ordinary meeting is convened at least once every year in compliance with the regulation within six months after the end of the every fiscal year. The extraordinary meeting shall be convened when necessary. While the company holds the shareholders' meeting, it may be carried out by video conference or other ways announced by the central authority.
- Article 15 The procedure and execution matters at the Shareholders' Meeting are the following:
- 1) Formulation and amendment of the Articles of Incorporation.
 - 2) Election of Directors.
 - 3) The review and examination of the reports prepared by the Board of Directors and the auditing report prepared by the Audit Committee.
 - 4) The decision to increase or decrease capital.
 - 5) Resolution to allocate earnings and dividends.
 - 6) Resolution of other important matters.
- Article 16 Notices of General Shareholders' Meeting shall be in writing and delivered to the shareholders along with a public notice thirty (30) days before the General Shareholders' Meeting and fifteen (15) days before the Extraordinary Shareholders' Meeting. The said notices shall specify the date, place and reasons for calling the Shareholders' Meeting.
- Article 17 Unless otherwise stipulated by the Company Act, a quorum shall be present at the Shareholders' Meeting if shareholders representing more than half of the shares issued by the Company are in attendance, and resolutions at the said assembly shall be passed if approved by a majority of the shareholders in attendance. Pursuant to the regulations of the competent authority, the Company's shareholders may exercise the voting right via electronic transmission, and shall be deemed to have attended the said shareholders' meeting in person. Matters about electronic voting shall comply with all relevant laws and regulations. When the number of shareholders present does not constitute the quorum prescribed in this article, but those present represent one-third or more of the total number of issued shares, a tentative resolution may be passed by a majority of those present. A notice of such tentative resolution shall be given to each of the shareholders, and reconvene a Shareholders' Meeting within one month. In the aforesaid meeting of shareholders, if the tentative resolution is again adopted by a majority of those present who represent one-third or more of the total number of issued shares, such tentative resolution shall be deemed to be an officially approved resolution.
- Article 18 Except in the circumstances set forth in Article 179 of the Company Act, a shareholder shall have one voting power in respect of each share in his/her/its possession.

Article 19 When a shareholder entrusts an agent to attend a shareholders' meeting, he shall issue a power of attorney issued by the Company, which shall be delivered to the Company five days before the shareholders' meeting, and a shareholder shall issue a power of attorney and entrust one person to a limit. Where the power of attorney is duplicated, it shall prevail to the person who served first, but the principal before the declaration is revoked shall not be limited to this limit. Except for a trust business or a share transfer agency and registrar approved by the securities authority, when a person is entrusted by two or more shareholders at the same time, the voting power of his agent shall not exceed three percent of the total number of shares issued, and his voting power shall not be calculated if it exceeds that amount. The method of entrusting shareholders to attend shall, unless otherwise provided in the Company Law, be handled in accordance with the Rules on the Use of Power of Attorney by TDCC to attend shareholders' meetings.

Article 20 During the shareholders' meeting, except Company Law and these Articles of Association, it shall be handled in accordance with the rules of procedure of the shareholders' meeting of the Company.

Article 21 The resolutions of the shareholders' meeting shall be made into a meeting minutes, signed or sealed by the Chairman, and distributed to the shareholders within 20 days after the meeting. The minutes shall record the year, month, day, place, name of the Chairman and the method of resolution of the meeting, and shall record the keys of the proceedings and their results, and shall be kept in the Company with the signature sheet of the shareholders present and the power of attorney for the attendance of the agent. The distribution of the minutes shall be made in such a manner of public announcement.

Chapter 4. Directors

Article 22 The Company has seven to nine directors, all of which are appointed by the Shareholders' meeting with a capacity for conduct. Of the aforementioned directorships, there shall be at least three independent directors and no less than 1/5 of board seats.

Article 22-1 In compliance with Article 14-4 of Securities and Exchange Act, the Company shall establish the Audit Committee comprising of all Independent Directors. The Committee, to substitute Supervisors, shall perform the duties specified in the Company Act, the Securities and Exchange Act, and other laws and regulations. Matters about members, powers and authorities, and other relevant functional procedures of the Audit Committee shall comply with relevant laws, regulations, and the Company's Articles and Procedures. The rules of organization of the Audit Committee shall be established otherwise by the Board of Directors.

Article 23 The respective appointments of Directors are for a period of 3 years. They may be reappointed following their re-election. In case no election of new Directors is effected after expiration of the term of office of existing directors, the term of office of out-going Directors shall be extended until the time new Directors have been elected and assumed their office. However, the competent authority may, ex officio, order the company to elect new directors within a given time limit; and if no re-election is effected after expiry of the given time limit, the out-going directors shall be discharged ipso facto from such expiration date.

Article 24 The authorities that the Board of Directors may exercise and the business it may conduct are as follows:

- 1) Resolve to propose amendment of the Articles of Incorporation and to approve important procedures and rules.
- 2) To approve the establishment and abolition of business branch(es).
- 3) The approval of annual financial budget, the examination of financial statements, and the review, supervision and implementation of the annual business plan.
- 4) Resolve to propose earnings distribution, loss make-up, capital increase, or capital reduction.
- 5) Resolve to approve the investment on other businesses by the Company, and the acquisition of equity shares of others.
- 6) To appoint and discharge the certified public accountants of the Company.

- 7) To propose the transfer of the right of lien, selling, rental, pledge, mortgage or any other action to the whole or material parts of the Company's property or business.
- 8) To approve the financing application from, providing guarantee to, make acceptance payment to, make capital lending to or borrowing from financial institutions and any other third parties with a total amount of NT\$ Twenty Million or more. When the total dollar amount is less than NT\$ Twenty Million for the aforesaid business activities, the person-in-charge may execute in advance; however, shall report to the most upcoming meeting of the Board of Directors. Any monetary payment for a single purpose shall not be divided and made directly to avoid the examination of the Board of Directors.
- 9) To approve the capital expenditure, being included in the annual budget, of which the total amount is NT\$ Fifty Million or more and the capital expenditure, not being included in the annual budget, of which the total amount is NT\$ Ten Million or more. For capital expenditure of which the total amount is more than NT\$ Five Million and less than NT\$ Ten Million, the person-in-charge may make the payment in advance; however, shall report to the most upcoming meeting of the Board of Directors. Any capital expenditure payment made for a single purpose shall not be divided and made directly to avoid the examination of the Board of Directors.
- 10) To approve the endorsement/guarantee provided and make acceptance payment in the name of the Company, of which the total amount is NT\$ Ten Million or more.
- 11) To approve the signing of contracts of which the validness will sustain for one year or more and of which the total contemplated amount is NT\$ Fifty Million or more.
- 12) To approve major transactions between the Company and the related parties including affiliated enterprises.
- 13) To hire and dismiss the managerial personal with a level of Vice General Manager or higher for the Company.
- 14) To approve the acquisition, transfer, and authorization of the proprietary technologies, patents, trademarks, and copyrights, and to approve, amend, and terminate the contracts for technology cooperation.
- 15) Other powers and duties being authorized by laws, the Articles of Incorporation, and resolutions of the Shareholders' Meetings.

Article 25 The Board of Directors of the Company shall comprise all directors. A Chairman and a Vice Chairman to externally represent the Company shall be elected from among the Directors by a majority vote at a meeting attended by over two-thirds of the Directors. The duties and powers of Chairman and Vice Chairman shall comply with laws, the Articles of Incorporation, and resolutions of Board of Directors meetings and Shareholders' Meetings.

Article 26 Meetings of the Board of Directors shall be convened in compliance with the Company Act. A written notice of convening meetings shall be given to each Director by mail, fax, or electronic transmission. The Chairman of the Board of Directors shall internally preside the meeting of the Board of Directors. In case the Chairman of the Board of Directors is on leave or absent or cannot exercise his power and authority for any cause, the Vice Chairman shall act on his behalf. Where the Vice Chairman is also unavailable, the Chairman shall appoint a Director to act on his behalf, failing which the Board of Directors shall nominate from among them a person to act on behalf of the Chairman of the Company.

Article 27 Unless otherwise stipulated by the Company Act, a quorum shall be present at the Board of Directors if it is attended by more than half of the Directors, and a resolution passed if approved by a majority of the Directors in attendance.

When the number of vacancies in the Board of Directors of a company equals to one third of the total number of Directors, the Board of Directors shall call, within sixty (60) days, a special meeting of shareholders to elect succeeding Directors to fill the vacancies.

Article 28 When a Director is unable to personally attend the meeting of the Board of Directors, s/he may entrust another Director to represent her/him with a written proxy and therein the scope of authority with reference to the subjects to be discussed at the meeting is stated. A Director may accept the appointment to act as the proxy referred to in the paragraph of one other Director only. In case a meeting of the board of directors is proceeded via visual communication network, then the directors taking part in such a visual communication meeting shall be deemed to have attended the meeting in person.

Article 29 Deleted.

Article 30 Deleted.

Article 31 The remunerations of Chairman, Vice Chairman, and Directors who conduct the Company businesses are authorized the Board of Directors to determine, with reference to the levels of similar domestic and international industries.

Article 32 Upon the request of the Board of Directors, managerial personnel may attend meetings of the Board of Directors. Except Directors, attendees of meetings of the Board of Directors may not have voting rights.

Article 32-1 Liability insurance programs covering the Chairman, the Vice Chairman, and each Director may be purchased by the Company.

Chapter 5. Managers

Article 33 The Company may have managerial personnel. The appointment, dismissal, and compensation of managerial personnel shall comply with Article 29 of the Company Act.

Article 34 The President and General Managers of the Company shall not do anything for himself/herself/themselves or on behalf of another person that is within the scope of the company's business.

Chapter 6. Accounting

Article 35 At the end of fiscal year of the Company, the Board of Directors shall in accordance with law furnish 1) business reports; 2) financial statements; 3) profits distribution or loss makeup proposal and various documents and statements, and the same shall be submitted for approval at the General Shareholders' Meeting.

Article 36 The distribution of dividends shall take into consideration the changes in the outlook for the Company's businesses, the financial situation and the return on shareholders' equity that have an impact on future capital needs and taxation. Dividends shall be distributed at the ratio as set forth in these Articles of Incorporation aimed at maintaining the stability of dividend distributions. Save for the purposes of improving the financial structure, reinvestments, production expansion or other capital expenditures in which capital is required, when distributing dividends, the cash dividends shall not be less than twenty per cent (20%) of the aggregate sum of dividends distributed in the same year. During the year losses occur, the Company may choose not to pay dividends.

Apart from paying all its income taxes in the case where there are profits at the end of the year, the Company shall make up for accumulated losses in past years. Where there is still balance, ten per cent (10%) of which shall be set aside by the Company as legal reserve. The Company shall also set aside certain portion of the profits as special reserve as required by Article 41 of the Securities and Stock Exchange Act, or by resolutions of Shareholders' Meetings.

While the Company distributes earnings to the shareholders, the paid-out amount shall be more than ten per cent (10%) but less than seventy per cent (70%) of the distributable earnings, which equals to earnings realized after deducting legal, special and all other required reserves, but together with undistributed profits from previous years.

Depending on the business operating results, the earnings to be distributed to shareholders shall be proposed by the Board of Directors, and submitted to the Shareholders' Meeting and decided by the resolution from in the Shareholder's Meeting.

Dividends distributed by the company, if paid in cash, are authorized by the board of directors to do so in the presence of more than two-thirds of the directors and with the consent of a majority of the directors, and to report at the shareholders' meeting.

Article 36-1 In case the Company makes profits for the year, three per cent (3%) shall be allocated for the employees compensation, and no more than one point two per cent (1.2%) for the remuneration of Directors. However, in case there are accumulated losses carried on the accounting book of the Company, profits shall be reserved for the make-up of accumulated losses before distribution.

In case shares or cash is distributed as employees' compensation, those employees can be distributed shall include the employees of affiliated enterprises meeting certain criteria. The distribution method shall otherwise be formed by the Board of Directors.

Chapter 7. Supplementary

Article 37 All matters not covered herein shall be undertaken in accordance with the Company Act of the Republic of China and the other relevant law and regulations.

Article 38 This Charter was amended with the existing provisions (slightly) on February 25, 1992 by unanimous agreement of all the promoters. The 1st to 24rd amendments were the same as current clause (Omitted). The 25th amendment was made on May 26, 2022.

First amendment on March 12th, 1992, Second amendment on January 5th, 1993,
Third amendment on July 7th, 1993, Fourth amendment on January 23rd, 1995,
Fifth amendment on December 15th, 1995, Sixth amendment on May 17th, 1996,
Seventh amendment on May 30th, 1997, Eighth amendment on July 30th, 1997,
Ninth amendment on May 28th, 1999, Tenth amendment on May 16th, 2000,
Eleventh amendment on May 25th, 2001, Twelfth amendment on June 11th, 2002,
Thirteenth amendment on November 12th, 2003, Fourteenth amendment on November 12th, 2004,
Fifteenth amendment on June 29th, 2005, Sixteenth amendment on June 15th, 2006,
Seventeenth amendment on June 13th, 2007, Eighteenth amendment on June 13th, 2008,
Nineteenth amendment on June 16th, 2009, Twentieth amendment on June 14th, 2010,
Twenty-first amendment on June 13th, 2012, Twenty-second amendment on June 15th, 2015
Twenty-third amendment on June 13th, 2016, and Twenty-four amendment on July 1, 2021.
Twenty-five amendment on May 26, 2022.

**In case of any discrepancy between this English translation and the Chinese text of this document, the Chinese text shall prevail.*

II. Meeting Rules of Stockholders of Elite Material Co., Ltd.

As last amended on 26 May 2022

1. Purpose: The meeting rules of stockholders (hereinafter as “Rules”) is to specify related matters for the Annual General Shareholders’ Meetings and the Extraordinary Shareholders’ Meetings.
2. Scope of application: General Shareholders’ Meeting and Extraordinary Shareholders’ Meetings.
3. Rules of Procedure:
 - 1) The Company’s Shareholders’ Meeting shall follow these “Rules” unless it is otherwise regulated by law and regulations.
 - 2) A signature book shall be provided for the shareholders who attend the Shareholders’ Meeting for signature, or the shareholders who attend the Shareholders Meeting shall hand in signed attendance cards in replacement of the signature. The number of attending shares shall be calculated with the signature book or the attendance cards. When Shareholders’ Meeting is convened, the voting power of a shareholder may be exercised in writing or by way of electronic transmission, provided, however, that the method for exercising the voting power shall be described in the shareholders' meeting notice to be given to the shareholders if the voting power will be exercised in writing or by way of electronic transmission. A shareholder who exercises his/her/its voting power at a Shareholders Meeting in writing or by way of electronic transmission as set forth in this Paragraph shall be deemed to have attended the said Shareholders' Meeting in person, but shall be deemed to have waived his/her/its voting power in respective of any extemporary motion(s) and/or the amendment(s) to the contents of the original proposal(s) at the said Shareholders' Meeting.

The attendance of the shareholders at the meeting shall be calculated on the basis of shares. The total number of attending shares shall be calculated with the number of shares represented by attendance cards together with the number of shares of which shareholders exercising voting power via the electronic transmission.

- 3) The shareholder’s presence and voting shall be calculated with the number of shares. The total number of attending shares shall be calculated with the number of shares represented by attendance cards together with the number of shares of which shareholders exercising voting power via the electronic transmission.
- 4) The location for Stockholders’ Meeting shall be the Company’s place of business or a place convenient for attendance by stockholders (or by proxies) that is suitable to holding of this meeting. The meeting shall be held between 9:00AM and 3:00PM.

For a Shareholders’ Meeting convened by the Board of Directors, the Chairman of the Board of Directors shall preside at the meeting. If the Chairman of the Board of Directors is on leave or unable to exert the rights, the Vice Chairman of the Board of Directors shall preside instead. If the position of Vice Chairman is vacant or the Vice Chairman is on leave or unable to exert the rights, the Chairman of the Board of Directors shall designate a Managing Director to preside at the meeting. If the position of Managing Director is vacant, the Chairman shall designate a Director to preside at the meeting. If no director is so designated, the Chairman of the meeting shall be elected by the Board of Directors from among themselves.

For a Shareholders’ Meeting convened by any other person having the convening right, he/she shall act as the chairman of that meeting.

- 5) The Company may appoint lawyers, accountants or related personnel to attend the Shareholders’ Meeting.

The personnel in charge of handling the affairs of the meeting shall wear identification badge or armband.

- 6) The complete processes of the meeting shall be recorded by voice and video recorders and all the records shall be kept by the Company for a minimum period of at least one year.
- 7) The chairperson shall announce starting of the meeting when the attending stockholders (or proxies) represent more than half of the total shares issued in public. The chairperson may announce postponement of meeting if the legal quorum is not present after the designated meeting time. Such postponement is limited to two times and the aggregated postponed time shall not exceed one hour. If quorum is still not present after two postponements but the attending stockholders (or proxies) represent more than one third of the total shares issued in public, tentative resolution/s may be passed with respect to ordinary resolution/s by a majority of those present, according to Paragraph 1 of Article 175 of the Company Act.

According to Article 174 of the Company Act, after proceeding with the aforesaid tentative resolutions, the chairperson may put the tentative resolutions for re-voting over the meeting if and when the shares represented by the attending stockholders (or proxies) reached the legal quorum.

- 8) If the Shareholders' Meeting is convened by the Board of Directors, the agenda shall be designated by the Board of Directors. The meeting shall proceed in accordance with the designated agenda and shall not be amended without resolutions.

If the meeting is convened by person, other than the Board of Directors, having the convening right, the provision set out in the preceding paragraph shall apply mutatis mutandis.

Except with stockholders' resolution, the chairperson shall not declare adjournment of the meeting before the first two matters set out in the agendas (including extemporary motions) are concluded.

When the meeting is adjourned by resolution, the stockholders shall not elect another chairperson to continue the meeting at the same location or another venue. During the meeting, if the chairperson declares adjournment of the meeting in violation of the Rules, a new chairperson may be elected by a resolution to be adopted by a majority of the voting rights represented by the shareholders attending the said meeting to continue the proceedings of the meeting.

- 9) The stockholders (or proxies) shall complete statement slip setting out the number of his/her attendance card, name and statement brief before speaking, and the chairperson will designate the order in which each person is to speak during the session.

No statement will be considered to have been made if the stockholder (or proxies) merely completes the statement slip without speaking at the meeting. If there are any discrepancies between the content of the statement slip and the speech made, the statement to be adopted shall be the statement confirmed.

When a stockholder (or proxy) is speaking, other stockholder (or proxy) shall not interrupt without consent of the chairperson and the speaking stockholder (or proxy). Any disobedient of the preceding rule shall be prohibited by the chairperson.

- 10) For the same proposal, each person shall not speak more than two (2) times. The lasting period for the said person to speak each time shall be limited to 5 minutes. The chairperson may restrain stockholders (or proxies) from speaking if that stockholders (or proxies) speak overtime, speak beyond the allowed frequency or content of the speech is beyond the scope of the proposal.
- 11) When a juristic person is a stockholder, only one representative shall be appointed to attend the meeting. If more than two representatives were appointed to attend the meeting, only one representative is allowed to speak for the same proposal.

- 12) After speaking by the attending stockholder (or proxy), the chairperson may reply in person or assign relevant officer to reply.
- 13) Over the proposal discussion, the chairperson may conclude the discussion in a timely manner and where necessary announce discussion is closed. For proposal in which discussion has been concluded or closed, the chairperson shall submit it for voting.
- 14) The personnel responsible for overseeing and counting of the votes for resolutions shall be appointed by the chairperson. The person responsible for vote overseeing shall be of the stockholder status. The results of voting shall be reported on the spot and kept for records.
- 15) During the meeting, the chairperson may at his/her discretion declare time for break.
- 16) In regards to the resolution of proposals, unless otherwise provided for in the relevant law and regulation or Company's Articles of Incorporation, resolution shall be passed by a majority of the voting rights represented by the stockholders (or proxies) attending the meeting.

When proposals are put to vote, the Chairman may decide to adopt to vote-by-case, or vote at one or different stages and counted respectively for each of the items (including the election).
- 17) If there are amendments or substitute proposals for the same proposal, the sequence of which to be put to vote shall be decided by the chairperson. If one of the two proposals has been approved, the other shall be deemed rejected without requirement to put it to vote.
- 18) The chairperson may maintain the meeting order by instructing the security guards. The security guards shall wear the armband for identification when helping maintaining the venue order.
- 19) The Rules herein take effect after approval at the Shareholders' Meeting, the same applies for any amendments.

**In case of any discrepancy between this English translation and the Chinese text of this document, the Chinese text shall prevail.*

III. Current shareholding of Directors and Independent Directors

Book closure date: 2 April 2023

Position	Name of persons or companies	Date elected	Term (Years)	Shareholding when elected		Current shareholding	
				Share	%	Share	%
Chairman	Dong, Ding-Yu	26 May 2022	3	5,265,766	1.58	5,265,766	1.58
Vice Chairman	Yu Chang Investment Co., Ltd. Representative appointed: Tsai, Fei Liang	26 May 2022	3	25,471,477	7.65	25,471,477	7.65
				447,244	0.13	500,244	0.15
Director	Yu Chang Investment Co., Ltd. Representative appointed: Lee, Wen Shiung	26 May 2022	3	25,471,477	7.65	25,471,477	7.65
				0	0.00	0	0
Director	Hsieh, Mon Chong	26 May 2022	3	0	0.00	0	0.00
Independent Director	Shen, Bing	26 May 2022	3	0	0.00	0	0.00
Independent Director	Cheng, Duen-Chian	26 May 2022	3	0	0.00	0	0.00
Independent Director	Chen, Hsi-Chia	26 May 2022	3	0	0.00	0	0.00