

HEADWAY ADVANCED MATERIALS INC.

Procedures for 2025 Annual Shareholders' Meeting

1. Call the Meeting to Order
2. Chariman's Address
3. Reports
4. Proposal
5. Discussion
6. Extemporary Motions
7. Adjournment

Headway Advanced Materials Inc.

Agenda for 2025 Annual Shareholders' Meeting

1. Time: 10:00 am (Taipei time) on Tuesday, 27 May 2025
2. Place: 3F, No. 77, Xianzheng 8th St., Zhubei City, Hsinchu County, Taiwan (R.O.C.)
3. Call the Meeting to Order
4. Chairman's Address
5. Reports
 - (1) 2024 Annual Business Report
 - (2) 2024 Audit Committee Review Report
 - (3) 2024 Employee and Director Compensation Distribution Report
 - (4) Amendments to Board Meeting Rules and Procedures
6. Proposal
 - (1) Proposal for 2024 Annual Business Report and Financial Statements
 - (2) Proposal for 2024 Earnings Distribution
7. Discussion
 - (1) Amendments to Articles of Incorporation
8. Extemporaneous Motions
9. Adjournment

【Reports】

1. Report on the 2024 annual business report.

Description: Report on the company's 2024 annual business report, please refer to Attachment 1(P.5~8 of the handbook).

2. Report on the 2024 Audit Committee Review Report.

Description: The Audit Committee has reviewed the financial statements and annual report for the year 2024, please refer to Attachment 2 (P. 9 of the handbook).

3. Report on the 2024 Employee and Director Compensation Distribution.

Description: (1) The Board of Directors resolved on March 5, 2025, to distribute employee compensation of NTD 2,655,499 and director compensation of NTD 1,593,299 for the year 2024, and to fully distribute them in cash.

(2) The estimated accrued employee compensation payable on the books is NTD 2,655,499, and the accrued director compensation payable is NTD 1,593,299, which is the same as the distribution amount.

4. Report on the amendments to Board Meeting Rules and Procedures

Description: In accordance with the Financial Supervisory Commission's Order No. 1120383996 issued on January 11, 2024, amending the Board Meeting Rules and Procedures of the company, please refer to Attachment 3 (P.10~11 of the handbook) for the comparison table of amended articles.

【Proposal】

Proposal 1 (Proposed by the Board of Directors)

Subject: 2024 Business Report and Financial Statements proposal for ratification.

Description:(1) The parent company only financial statements and consolidated financial statements of the Company for the fiscal year 2024 have been approved by the Board of Directors on March 5,2025, and have been audited by the accounting firm Deloitte & Touche, including the auditors Su Li Fang and Tung hui Yeh. The financial statements, together with the annual business report, have been submitted to the Audit Committee for review.

(2) Please refer to Attachment 1 and Attachment 4 for the annual business report and financial statements (P.5~8 and P. 12~31 of the handbook).

(3) Please acknowledge the proposal.

Resolut:

Proposal 2 (Proposed by the Board of Directors)

Subject: 2024 Earnings Distribution proposal for ratification.

- Description:(1) The proposed earnings distribution plan for the fiscal year 2024 of the Company is to distribute a cash dividend of NTD 48,085,562 to the shareholders, which is NTD 0.8 per share. The dividend payout ratio for this fiscal year may be subject to adjustment by the Board of Directors with the authorization of the shareholders' meeting if there are changes to the number of outstanding shares due to cash capital increase or other reasons, that may affect the dividend payout ratio before the the ex-dividend record date.
- (2) The ex-dividend record date is set for June 21, 2025. The ex-dividend trading date is June 13, 2025. According to Article 165 of the Company Act, the share transfer books of the Company will be closed from June 17, 2025, to June 21, 2025, with the last date before book closure being June 16, 2025. The cash dividend is scheduled to be distributed on July 3, 2025.
- (3) The cash dividends will be rounded down to the nearest whole dollar, and any fraction of less than one dollar will be disregarded. The total amount of these fractions will be allocated in descending order of the decimal portion and in order of shareholders' account number, until the total amount matches the total cash dividends to be distributed.
- (4) For the 2024 Earnings Distribution Table, please refer to Attachment 5 (P.32 of the handbook).
- (5) Please acknowledge the proposal.

Resolut:

【Discussion】

Proposal 1 (Proposed by the Board of Directors)

Subject: Amendments to Articles of Incorporation

- Description:(1) According to Article 14 Paragraph 6 of the Securities and Exchange Act, when a company whose stock is listed for trading on a stock exchange shall specify in its articles of incorporation that a certain percentage of its annual earnings shall be allocated for salary adjustments or compensation distributions for its non-executive employees. To comply with regulatory requirements, the Company intends to amend its Articles of Incorporation.
- (2) please refer to Attachment 6 (P.33 of the handbook) for the comparison table of amended articles.
- (3) Please acknowledge the proposal.

Resolut:

【Extemporary Motions】

【Adjournment】

Ladies and gentlemen, dear shareholders:

Looking back to 2024, market confidence has gradually recovered under the adjustment of the US interest rate cut policy. With the growth of global investment and consumption demand, especially the recovery of the Asian market, it has provided us with new growth opportunities. Under such external environment, the company's operating income increased slightly compared with the previous year.

Looking ahead to the new year, the Trump administration may restart certain policies, such as lowering corporate tax rates and strengthening protectionist stance on foreign trade. These measures are likely to further exacerbate global trade tensions, especially the relationship between the United States and major economies such as China and the European Union. But at the same time, these policies may also stimulate economic growth in the United States, promote investment and employment, and have certain positive impacts on the global economy.

Although 2025 is facing an unstable global market environment, we will continue to promote innovation and technology upgrades, market expansion and internationalization, cost control and efficiency improvement, and create certain opportunities for our business to achieve better performance and create greater value for shareholders. Thank you to all shareholders for your continued support and trust. We will continue to work hard as always to create a better future together.

1. 2024 Operating Result:

(1) Results of Operating Plan Implementation:

Unit: NTD in Thousand

Year Item	2024	2023	Increase (Decrease) %
Sales revenue	1,240,041	1,206,897	2.75
Gross profit	224,583	183,905	22.12
Gross profit ration	18%	15%	20.00

Year Item	2024	2023	Increase (Decrease) %
Profit (loss)	40,248	29,956	34.36

The Company's consolidated Sales revenue for 2024 was NTD 1,240,041 thousand, an increase of 2.75% compared to 2023. Gross profit increased by 22.12% from the previous year. The Company's consolidated net profit after tax for 2024 was NT\$40,248 thousand, an increase of 34.36% compared to 2023, mainly due to an increase of sales revenue.

(2) Execution of budget: The company has not released any financial forecast; therefore, it is not applicable.

(3) Financial solvency and profitability analysis:

Unit: NTD in Thousand

Year Item	2024	2023	Increase (Decrease) %
Net sales revenue	1,240,041	1,206,897	2.75
Gross profit	224,583	183,905	22.12
Interest income	16,530	24,659	(32.97)
Interest expense	7,891	9,536	(17.25)
Profit (loss)	40,248	29,956	34.36
Return on assets (%)	2.77	2.16	28.24
Return on equity (%)	4.00	2.85	40.35
Net income margin	3.25	2.48	31.05
EPS(NTD)	0.78	0.39	100.00

(4) Research & Development:

1) The combined R&D expenses invested by the parent company and subsidiaries in 2024 were NT\$22,711 thousand.

2) Research and development achievements in 2024 :

A. PUR (solvent-free reactive hot melt adhesive PU)

a) PUR for sheet/film lamination

b) Bluesign certified fabric bonding PUR

B. The development of solvent-free hydrolysis resistant agent can be applied to yellowing water-based paint/glue, plastic additives

(PET, TPU), etc.

C. Water-based PU product

- a) Water-based high gloss soft resin
- b) Water-based Wood Coating Resins

D. Solvent -based PU product

- a) Fluorine-free water-repellent cloth adhesive resin
- b) Breathable and waterproof bottom fabric (Southeast Asian market)
- c) Food packaging ink (Southeast Asian market)

2. Summary of the 2025 Operating Plan:

(1) Operating policy:

- A. Strengthen the promotion of high-value-added PU resin products.
- B. Develop environmental protection and green materials.

(2) Expected Sales Quantity and Basis:

A. Expected Sales Quantity:

The company expects to sell approximately 15,000 tons of PU resin and 3,000 tons of TPU pellets.

B. Basis:

The expected sales quantity is based on the sales situation in 2024 and an estimation of the overall economic situation in 2025.

(3) Important Production and Sales Policies:

- A. Actively develop PUR products for use in furniture and building materials as a driving force for sales growth.
- B. Improve the production efficiency and capacity of water-based products to enhance market competitiveness and supply capacity and meet customer needs.
- C. Actively expand the South Asian and Southeast Asian markets.

3. Future Development Strategies of the Company:

- (1) Focus on the development of the urethanes industry.
- (2) Continuously expand product applications and develop high value-added and diversified application materials, making the Company a leading manufacturer of urethanes applications.

- (3) Strengthen investment in expanding emerging market countries in the Asia-Pacific region.
- (4) Develop green and recyclable products.
- (5) Deepen clean production and sustainable management.

4. Impact of External Competitive Environment, Regulatory Environment, and Macroeconomic Environment:

With the recovery of the global economy, market competition will become more intense. Leading enterprises and emerging companies in various industries will engage in fierce competition through technological innovation, product quality, and service level, vying for market share. This will put certain pressure on our market position and profit margin.

In the face of these challenges, the company will use its own R&D innovation energy and new market development capabilities to respond. First, we will increase investment in R&D, enhance product and technology innovation, continuously optimize product performance, and meet market demand for products. In addition, the company will actively develop new markets and expand the application areas and market size of products. We will closely monitor industry development trends and changes in market demand, respond quickly to market changes, launch new products and services that meet market demand, seize market opportunities, and expand market share. In terms of Regulatory Compliance, we will establish a sound regulatory compliance system, strengthen internal management and risk control, ensure that the company's business activities comply with relevant regulatory requirements, and avoid the impact on the company due to regulatory risks.

Chairman :
Charge :
Liou, Han-Yin

Manager :
Chao, Wei-Chun

Accountant in
Liao, Pei-Hung

HEADWAY ADVANCED MATERIALS INC.
Audit Committee's Review Report
2024

To 2025 shareholders' meeting of Headway Advanced Materials Inc.:

The Board of Directors has prepared and submitted the Company's 2024 annual business report, financial statements and the earnings distribution proposal, among which the financial statements had been audited by the accounting firm Deloitte & Touche, who also provided an independent auditor's report. The above annual business report, financial statements and the earnings distribution proposal have been reviewed by the Audit Committee to be without any discrepancies. This report is prepared in accordance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act. Please review and approve the same.

The Convener of the Audit Committee:

Chien Yuan Chen

March 26, 2025

HEADWAY ADVANCED MATERIALS INC.

Comparison Table of Amended Articles of
The Board Meeting Rules and Procedures

Article	After Amendment	Before Amendment	Note
Article 8	When the board of directors of the company is convened, the unit responsible for handling the affairs of the board meetings shall prepare relevant information for the attending directors to refer to at any time. When convening a board meeting, relevant personnel from related departments or subsidiaries may be notified to attend the meeting according to the content of the proposal. When necessary, accountants, lawyers, or other professionals may also be invited to attend the meeting and provide explanations. However, they shall leave the room during discussions and voting. When the chairman of the board of directors has reached the scheduled meeting time and more than half of the directors are present, the meeting shall be announced. If, at the scheduled meeting time, less than half of the directors are present, the chairman may announce a postponement of the meeting <u>on the same day</u>, which shall be limited to two postponements. If the number of present directors is still less than half after two postponements, the chairman may reconvene the meeting in accordance with the procedures specified in Article 3, paragraph 2. The term "all directors" referred to in the preceding paragraph and in Article 16, paragraph 2, subparagraphs shall be calculated based on the actual number of directors.	When the board of directors of the company is convened, the unit responsible for handling the affairs of the board meetings shall prepare relevant information for the attending directors to refer to at any time. When convening a board meeting, relevant personnel from related departments or subsidiaries may be notified to attend the meeting according to the content of the proposal. When necessary, accountants, lawyers, or other professionals may also be invited to attend the meeting and provide explanations. However, they shall leave the room during discussions and voting. When the chairman of the board of directors has reached the scheduled meeting time and more than half of the directors are present, the meeting shall be announced. If, at the scheduled meeting time, less than half of the directors are present, the chairman may announce a postponement of the meeting, which shall be limited to two postponements. If the number of present directors is still less than half after two postponements, the chairman may reconvene the meeting in accordance with the procedures specified in Article 3, paragraph 2. The term "all directors" referred to in the preceding paragraph and in Article 16, paragraph 2, subparagraphs shall be calculated based on the actual number of directors.	In accordance with the government regulations, it is being Amended

Article 11	The board of directors of the company shall follow the agenda as set forth in the meeting notice. However, the agenda may be changed with the consent of a majority of the attending directors. The chairman may not adjourn the meeting without the consent of a majority of the attending directors. If the number of directors present does not constitute a majority during the board meeting, and a motion is made by a present director, the chairman shall adjourn the meeting temporarily and the provisions of Article 8, paragraph 3 shall apply. <u>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 Article 7, paragraph 2 shall apply mutatis mutandis to the selection of the deputy to act in place thereof.</u>	The board of directors of the company shall follow the agenda as set forth in the meeting notice. However, the agenda may be changed with the consent of a majority of the attending directors. The chairman may not adjourn the meeting without the consent of a majority of the attending directors. If the number of directors present does not constitute a majority during the board meeting, and a motion is made by a present director, the chairman shall adjourn the meeting temporarily and the provisions of Article 8, paragraph 3 shall apply.	In accordance with the government regulations, it is being Amended
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INDEPENDENT AUDITOR'S REPORT

To Headway Advanced Materials Inc.:

Opinion

We have audited the accompanying financial statements of Headway Advanced Materials Inc. (the Company) and the subsidiaries, which comprise the consolidated balance sheets as of December 31, 2024, and 2023, and the statements of consolidated comprehensive income, changes in consolidated equity, consolidated cash flows from January 1 to December 31, 2024, and 2023, and the notes to the consolidated financial statements (including a summary of significant accounting policies).

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company and the subsidiaries as of December 31, 2024, and 2023, and the consolidated financial performance and consolidated cash flows from January 1 to December 31, 2024, and 2023 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, International Financial Reporting Standards recognized and announced by the Financial Supervisory Commission with validity, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and Auditing Standards generally accepted in 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 and the subsidiaries in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were most significant in our audit of the 2024 consolidated financial statements of Headway Advanced Materials Inc. and its subsidiaries. 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 the matters.

Key audit matters for the 2024 consolidated financial statements of Headway Advanced Materials Inc. and the subsidiaries are stated as follows:

Revenue Recognition

The revenue of Headway Advanced Materials Inc. and its subsidiaries primarily comes from the sales of PU resins, TPU. Considering that revenue recognition inherently carries a higher risk of fraud and that management may face pressure to meet expected financial targets, the auditor has identified the authenticity of sales revenue for certain customers, where sales growth compared to the same period last year is notable, as a key audit matter.

The auditor performed the following key audit procedures to address the authenticity of sales revenue for these customers:

1. Understanding and evaluating the design and operational effectiveness of the internal controls and procedures related to the sales transaction cycle.
2. Obtaining sales details, selecting samples for substantive testing, reviewing documents such as orders, shipping documents, export declarations, and sales invoices, and examining whether there are any abnormalities in the collection of payments from customers to confirm the authenticity of revenue recognition.

Other Matters

Headway Advanced Materials Inc. has prepared the 2024 and 2023 parent company only financial statements with the auditor report expressing an unqualified opinion, archived for reference.

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

Management is responsible for the preparation of and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, International Financial Reporting Standards recognized and announced by the Financial Supervisory Commission with validity, International Accounting Standards, the consolidated financial statements explaining and the consolidated financial statements prepared with explanation with fair expression, 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 and error.

In preparing the consolidated financial statements, management is responsible for assessing the ability of Headway Advanced Materials Inc. and the subsidiaries to continue as a going concern, disclosing, applicable, matters related to going concern and using the going concern basis of accounting unless management

either intends to liquidate Headway Advanced Materials Inc. and the subsidiaries or to cease operations, or has a realistic alternative but to do so.

The governance unit (including the Audit Committee) of Headway Advanced Materials Inc. and its subsidiaries is responsible for monitoring the financial report process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives aim 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 auditing standards generally accepted 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 auditing standards generally accepted, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of Headway Advanced Materials Inc. and the subsidiaries.
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 and subsidiaries' ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or

conditions may cause Headway Advanced Materials Inc. and subsidiaries to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the consolidated financial statements (including the relevant notes), and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities formed in Headway Advanced Materials Inc. and its subsidiaries to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of Headway Advanced Materials Inc. and subsidiaries audit. We remain solely responsible for our audit opinion.

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

We provide those charged with governance with a statement that we have complied with The Norm of the Professional Ethics for Certified Public Accountant regarding the independence of personnel from our firm, 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 2024 consolidated financial statements of Headway Advanced Materials Inc. and are therefore the audit key matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosures 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.

Deloitte & Touche
Taipei, Taiwan Republic of China
March 25, 2025

Auditor Su Li Fang
Securities and Futures
Commission Approval Document No.
Jin-Guang-Zheng—Sheng-Zi
No. 0940161384

Auditor Tung Hui Yeh
Securities and Futures
Commission Approval Document No.
Jin-Guang-Zheng—Sheng-Zi
No. 0980032818

Headway Advanced Materials Inc. and Subsidiaries
Consolidated Balance Sheets
December 31, 2024 & 2023

Unit: In NTD Thousand

Code	Assets	December 31, 2024		December 31, 2023	
		Amount	%	Amount	%
	Current Assets				
1100	Cash and cash equivalents (Note 4 & 6)	\$ 469,981	28	\$ 387,330	23
1136	Current financial assets at amortized cost (Note 4 & 9)	118,639	7	138,360	8
1150	Notes receivable, net (Note 4, 11 & 30)	46,934	3	40,797	2
1170	Accounts receivable, net (Note 4, 11, 23 & 30)	286,589	17	316,935	19
1220	Current tax assets (Note 4 & 25)	116	-	7,359	1
130X	Inventories (Note 4 & 12)	275,834	16	271,446	16
1476	Other financial assets – current (Note 10 & 31)	30,000	2	30,000	2
1479	Other current Assets (Note 18)	11,562	1	10,564	1
11XX	Total Current Assets	<u>1,239,655</u>	<u>74</u>	<u>1,202,791</u>	<u>72</u>
	Non-current Assets				
1510	Financial assets at fair value through profit or loss – non-current (Note 4 & 7)	31,118	2	25,596	1
1517	Financial assets at fair value through other comprehensive income - non-current (Note 4 & 8)	1,253	-	1,555	-
1600	Property, plant, and equipment (Note 4, 14 & 31)	305,129	18	308,908	18
1755	Right-of-use assets (Note 4 & 15)	60,456	4	68,223	4
1780	Intangible assets (Note 4 & 17)	1,174	-	859	-
1805	Goodwill (Note 4 & 16)	1,700	-	1,642	-
1840	Deferred tax assets (Note 4 & 25)	25,964	1	26,081	2
1900	Other non-current assets (Note 18 & 21)	15,991	1	43,542	3
15XX	Total Non-current Assets	<u>442,785</u>	<u>26</u>	<u>476,406</u>	<u>28</u>
1XXX	Total Assets	<u>\$ 1,682,440</u>	<u>100</u>	<u>\$ 1,679,197</u>	<u>100</u>
	Liabilities & Equity				
	Current Liabilities				
2100	Short-term borrowings (Note 19 & 31)	\$ 80,000	5	\$ 113,574	7
2110	Short-term bills payable (Note 19 & 31)	-	-	19,984	1
2120	Financial liabilities at fair value through profit or loss – current (Note 4 & 7)	50	-	-	-
2130	Contract liabilities (Note 23)	5,567	-	9,704	1
2150	Notes payable (Note 30)	73,083	4	75,181	4
2170	Accounts payable (Note 30)	90,796	6	59,458	4
2220	Other payables (Note 20)	70,824	4	94,773	6
2230	Current tax liabilities (Note 4 & 25)	4,832	-	778	-
2280	Lease liabilities – current (Note 4 & 15)	6,587	-	7,526	-
2399	Other current liabilities (Note 20)	8,610	1	9,041	-
21XX	Total Current Liabilities	<u>340,349</u>	<u>20</u>	<u>390,019</u>	<u>23</u>
	Non-current Liabilities				
2540	Long-term borrowings (Note 19, 30 & 31)	275,000	16	250,000	15
2570	Deferred tax liabilities (Note 4 & 25)	25,655	2	24,475	1
2580	Lease liabilities – non-current (Note 4 & 15)	18,896	1	25,483	2
25XX	Total Non-current Liabilities	<u>319,551</u>	<u>19</u>	<u>299,958</u>	<u>18</u>
2XXX	Total Liabilities	<u>659,900</u>	<u>39</u>	<u>689,977</u>	<u>41</u>
	Equity (Note 22)				
	Equity Attributable to Owners of the company				
	Capital				
3110	Common stock capital	601,070	36	601,070	36
3200	Capital surplus	13,104	1	13,104	-
	Retained earnings				
3310	Legal reserve	220,378	13	217,716	13
3320	Special reserve	68,170	4	58,130	3
3350	Unappropriated retained earnings	62,733	4	58,218	4
3300	Total Retained Earnings	351,281	21	334,064	20
3400	Other equity	(46,601)	(3)	(68,171)	(4)
31XX	Total Equity Attributable to Owners of The Company	918,854	55	880,067	52
36XX	Non-controlling Interests	103,686	6	109,153	7
3XXX	Total Equity	<u>1,022,540</u>	<u>61</u>	<u>989,220</u>	<u>59</u>
	Total Liabilities & Equity	<u>\$ 1,682,440</u>	<u>100</u>	<u>\$ 1,679,197</u>	<u>100</u>

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

Chairman : Liou, Han-Yin

Manager : Chao, Wei-Chun

Accountant in Charge : Liao, Pei-Hung

Headway Advanced Materials Inc. and Subsidiaries
Consolidated Statements of Comprehensive Income
From January 1 to December 31, 2024 & 2023

Unit: In NTD Thousand, EPS in NTD

Code		2024		2023	
		Amount	%	Amount	%
4000	Net sales revenue (Note 4, 23, 30 & 35)	\$ 1,240,041	100	\$ 1,206,897	100
5000	Total cost of sales (Note 12, 24, & 30)	<u>1,015,458</u>	<u>82</u>	<u>1,022,992</u>	<u>85</u>
5900	Gross profit	<u>224,583</u>	<u>18</u>	<u>183,905</u>	<u>15</u>
	Operating expenses (Note 24)				
6100	Selling expenses	55,778	5	52,700	4
6200	Administrative expenses	102,673	8	96,428	8
6300	R&D expenses	22,711	2	23,546	2
6450	Expected credit loss (gain)	<u>3,885</u>	<u>-</u>	<u>(1,153)</u>	<u>-</u>
6000	Total operating expenses	<u>185,047</u>	<u>15</u>	<u>171,521</u>	<u>14</u>
6900	Operating income	<u>39,536</u>	<u>3</u>	<u>12,384</u>	<u>1</u>
	Non-operating income and Expenses (Note 4, & 24)				
7100	Interest income	16,530	1	24,659	2
7010	Other income	9,548	1	8,340	1
7020	Other gains and losses	<u>(13,202)</u>	<u>(1)</u>	<u>2,381</u>	<u>-</u>
7050	Financial costs	<u>(7,891)</u>	<u>(1)</u>	<u>(9,536)</u>	<u>(1)</u>
7000	Total non-operating income and expenses	<u>4,985</u>	<u>-</u>	<u>25,844</u>	<u>2</u>
7900	Profit (loss) from continuing operations before tax	44,521	3	38,228	3
7950	Total tax expense (income) (Note 4 & 25)	<u>4,273</u>	<u>-</u>	<u>8,272</u>	<u>-</u>
8200	Profit (loss) for the year	<u>40,248</u>	<u>3</u>	<u>29,956</u>	<u>3</u>
8310	Items that will not be reclassified subsequently to profit or loss:				
8311	Remeasurement of defined benefit plans	\$ 983	-	\$ 599	-
8316	Unrealized gains and losses on investments in equity instruments at fair value through other comprehensive income	<u>(302)</u>	<u>-</u>	<u>88</u>	<u>-</u>

Code		2024		2023	
		Amount	%	Amount	%
8360	Items that may be reclassified subsequently to profit or loss:				
8361	Exchange differences on translation of the financial statement of foreign operations	27,952	2	(13,007)	(1)
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss (Note 26)	(5,468)	-	2,531	-
8300	Total other comprehensive income	23,165	2	(9,789)	(1)
8500	Total comprehensive income	\$ 63,413	5	\$ 20,167	2
	Profit (loss) attributable to:				
8610	The Company owners	\$ 46,671	4	\$ 26,018	2
8620	Non-controlling interests	(6,423)	(1)	3,938	-
8600		\$ 40,248	3	\$ 29,956	2
	Comprehensive income attributable to:				
8710	The Company owners	\$ 68,840	5	\$ 16,580	2
8720	Non-controlling interests	(5,427)	-	3,587	-
8700		\$ 63,413	5	\$ 20,167	2
	Earnings per share (Note 27) from continuing & discontinuing operations				
9710	Basic	\$ 0.78		\$ 0.39	
9810	Diluted	\$ 0.77		\$ 0.39	

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

Chairman :
Charge :
Liou, Han-Yin

Manager :
Chao, Wei-Chun

Accountant in
Liao, Pei-Hung

Headway Advanced Materials Inc. and Subsidiaries

Consolidated Statement of Changes in Equity

From January 1 to December 31, 2024 & 2023

Unit: In NTD Thousand

		Equity		Attributable		to		Owners		of		The		Company					
										Other		Equity							
		Common stock capital				Retained earnings				Exchange differences on translation of the financial statement of foreign operations		Unrealized gains and losses on investments in equity instruments at fair value through other comprehensive income		Unrealized revaluation increments		Unrealized gains and losses on investments in equity instruments at fair value through other comprehensive income		Unearned compensation	
Code		Shares (Thousand shares)	Amount	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Total									Total Equity Attributable to Owners of The Company	Non -controlling Interests	Total Equity
A1	Balance as of January 1, 2023	70,304	\$ 703,033	\$ 13,081	\$ 215,371	\$ 95,488	\$ 38,765	\$ 349,624	(\$ 61,897)	\$ 6,800	(\$ 3,033)	(\$ 245)	(\$ 58,375)	\$ 1,007,363	\$ 106,640	\$ 1,114,003			
	2022 Appropriation and distribution of retained earnings:																		
B1	Legal reserve	-	-	-	2,345	-	(2,345)	-	-	-	-	-	-	-	-	-	-	-	-
B3	Special reserve	-	-	-	-	(37,358)	37,358	-	-	-	-	-	-	-	-	-	-	-	-
B5	Cash dividends	-	-	-	-	-	(42,182)	(42,182)	-	-	-	-	-	(42,182)	-	(42,182)	-	(42,182)	-
D1	Net profit	-	-	-	-	-	26,018	26,018	-	-	-	-	-	26,018	3,938	29,956			
D3	Other comprehensive income	-	-	-	-	-	604	604	(10,129)	-	88	-	(10,041)	(9,437)	(352)	(9,789)			
D5	Total comprehensive income	-	-	-	-	-	26,622	26,622	(10,129)	-	88	-	(10,041)	16,581	3,586	20,167			
E3	Cash capital reduction	(10,194)	(101,940)	-	-	-	-	-	-	-	-	-	-	(101,940)	-	(101,940)			
N1	Compensation cost from restricted stock units	-	-	-	-	-	-	-	-	-	-	245	245	245	-	245			
N1	Write off restricted stock units	(3)	(23)	23	-	-	-	-	-	-	-	-	-	-	-	-			
O1	Cash dividends for non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	(1,073)	(1,073)			
Z1	Balance as of December 31, 2023	60,107	601,070	13,104	217,716	58,130	58,218	334,064	(72,026)	6,800	(2,945)	-	(68,171)	880,067	109,153	989,220			
	2023 Appropriation and distribution of retained earnings:																		
B1	Legal reserve	-	-	-	2,662	-	(2,662)	-	-	-	-	-	-	-	-	-	-	-	-
B3	Special reserve	-	-	-	-	10,040	(10,040)	-	-	-	-	-	-	-	-	-	-	-	-
B5	Cash dividends	-	-	-	-	-	(30,053)	(30,053)	-	-	-	-	-	(30,053)	-	(30,053)			
D1	Net profit	-	-	-	-	-	46,671	46,671	-	-	-	-	-	46,671	(6,423)	40,248			
D3	Other comprehensive income	-	-	-	-	-	599	599	21,872	-	(302)	-	21,570	22,169	996	23,165			
D5	Total comprehensive income	-	-	-	-	-	47,270	47,270	21,872	-	(302)	-	21,570	68,840	(5,427)	63,413			
N1	Write off restricted stock units	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
O1	Cash dividends for non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	(40)	(40)			
Z1	Balance as of December 31, 2024	60,107	\$ 601,070	\$ 13,104	\$ 220,378	\$ 68,170	\$ 62,733	\$ 351,281	(\$ 50,154)	\$ 6,800	(\$ 3,247)	\$ -	(\$ 46,601)	\$ 918,854	\$ 103,686	\$ 1,022,540			

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

Chairman : Liou, Han-Yin

Manager : Chao, Wei-Chun

Accountant in Charge : Liao, Pei-Hung

Headway Advanced Materials Inc. and Subsidiaries

Consolidated Cash Flow Statement

From January 1 to December 31, 2024 & 2023

Unit: In NTD Thousand

Code		2024	2023
	Cash flows from (used in) operating activities:		
A10000	Profit (loss) before tax	\$ 44,521	\$ 38,228
A20010	Total adjustments to reconcile profit (loss):		
A20100	Depreciation expense	57,804	64,271
A20200	Amortization expense	449	202
A20300	Expected credit loss(gain)/ Provision (reversal of provision) for bad debt expense	3,885	(1,153)
A20400	Net loss (gain) on financial assets and liabilities at fair value through profit or loss	(674)	145
A20900	Interest expense	7,891	9,536
A21200	Interest income	(16,530)	(24,659)
A21900	Compensation cost from restricted stock units	-	245
A22500	Loss (gain) on disposal of property, plant, and equipment	12,914	(248)
A29900	Loss (gain) for market price decline and obsolete and slow-moving inventories	(2,799)	(12,165)
A24100	Loss (gain) on foreign exchange, net	18,721	(8,940)
A30000	Net changes in operating assets and liabilities		
A31130	Notes receivable	(6,143)	(8,653)
A31150	Accounts receivable	28,647	(54,934)
A31200	In inventories	(2,131)	87,844
A31240	Other current assets	(1,501)	5,461
A31990	Net defined benefit assets	(66)	(405)
A32130	Notes payable	(2,098)	15,874
A32150	Accounts payable	31,113	(13,183)
A32180	Other payable	(18,095)	24,184
A32125	Contract liabilities	(4,137)	(377)
A32230	Other current liabilities	(431)	5,719
A33000	Cash generated from operations	151,340	126,992
A33300	Interest paid	(8,151)	(10,292)
A33500	Income taxes (paid) return	2,853	(6,298)
AAAA	Net cash flows from operating activities	146,042	110,402
	Cash flows from (used in) investing activities:		
B00040	Acquisition of financial assets at amortized cost	(\$ 94,632)	(\$ 75,534)
B00050	Proceeds from disposal of financial assets at amortized cost	115,693	65,463
B00100	Acquisition of financial assets at fair value through profit or loss	(11,974)	(15,733)

Code		2024	2023
B00200	Proceeds from financial assets at fair value through profit or loss	7,170	1,105
B02700	Acquisition of property, plant, and equipment	(30,543)	(22,272)
B02800	Proceeds from disposal of property, plant, and equipment	2,400	248
B03800	Decrease(increase) in guaranteed deposits paid	(2)	14
B04500	Acquisition of intangible assets	(765)	(970)
B07100	Increase in prepayments for business facilities	(4,301)	(9,428)
B07500	Interest received	<u>16,899</u>	<u>24,570</u>
BBBB	Net cash flows from (used in) investing activities	(<u>55</u>)	(<u>32,537</u>)
Cash flows from (used in) financing activities:			
C00100	Decrease in Short-term borrowings	(34,096)	(44,827)
C00500	Decrease in Short-term bills payable	(20,000)	(80,000)
C01600	Proceeds from long-term borrowings	285,000	285,000
C01700	Repayment of long-term borrowings	(260,000)	(200,000)
C04020	Repayment of the principal portion of lease liabilities	(8,161)	(19,507)
C04500	Cash dividends paid	(30,053)	(42,182)
C04700	Cash capital reduction	-	(101,940)
C05200	Cash dividends for non-controlling interests paid	(<u>40</u>)	(<u>1,073</u>)
CCCC	Net cash flows from (used in) financing activities	(<u>67,350</u>)	(<u>204,529</u>)
DDDD	Effect of exchange rate changes on cash and cash equivalents	<u>4,014</u>	(<u>1,302</u>)
EEEE	Net increase (decrease) in cash and cash equivalents	82,651	(127,966)
E00100	Cash and cash equivalents at beginning of period	<u>387,330</u>	<u>515,296</u>
E00200	Cash and cash equivalents at end of period	<u>\$ 469,981</u>	<u>\$ 387,330</u>

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

Chairman :
Charge :
Liou, Han-Yin

Manager :
Chao, Wei-Chun

Accountant in
Liao, Pei-Hung

INDEPENDENT AUDITOR'S REPORT

To Headway Advanced Materials Inc.:

Opinion

We have audited the accompanying financial statements of Headway Advanced Materials Inc. (the Company), which comprise the parent company only balance sheets as of December 31, 2024, and 2023, and the parent company only statements of comprehensive income, changes in equity, cash flows from January 1 to December 31, 2024, and 2023, and the notes to the parent company only financial statements (including a summary of significant accounting policies).

In our opinion, the accompanying parent company only financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2024, and 2023, and the parent company only financial performance and parent company only cash flows from January 1 to December 31, 2024, and 2023 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 Auditing Standards generally accepted in 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 for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were most significant in our audit of the 2024 parent company only financial statements of Headway Advanced Materials Inc. These matters were addressed in the context of our audit of the parent company only financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on the matters.

Key audit matters for the 2024 parent company only financial statements of Headway Advanced Materials Inc. are stated as follows:

Revenue Recognition

The revenue of Headway Advanced Materials Inc. primarily comes from the sales of PU resins. Considering that revenue recognition inherently carries a higher risk of fraud and that management may face pressure to meet expected financial targets, the auditor has identified the authenticity of sales revenue for certain customers, where sales growth compared to the same period last year is notable, as a key audit matter.

The auditor performed the following key audit procedures to address the authenticity of sales revenue for these customers:

1. Understanding and evaluating the design and operational effectiveness of the internal controls and procedures related to the sales transaction cycle.
2. Obtaining sales details, selecting samples for substantive testing, reviewing documents such as orders, shipping documents, export declarations, and sales invoices, and examining whether there are any abnormalities in the collection of payments from customers to confirm the authenticity of revenue recognition.

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

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

In preparing the parent company only financial statements, management is responsible for assessing the ability of Headway Advanced Materials Inc. to continue as a going concern, disclosing, applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate Headway Advanced Materials Inc. or to cease operations, or has a realistic alternative but to do so.

The governance unit (including the Audit Committee) of Headway Advanced Materials Inc. is responsible for monitoring the financial report process.

Auditors' Responsibilities for the Audit of the Parent Company Only Financial Statements

Our objectives aim to obtain reasonable assurance about whether the parent company only financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee

that an audit conducted in accordance with the auditing standards generally accepted will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these parent company only financial statements.

As part of an audit in accordance with the auditing standards generally accepted, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the parent company only financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of Headway Advanced Materials Inc.
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 parent company only financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause Headway Advanced Materials Inc. to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the parent company only financial statements (including the relevant notes), and whether the parent company only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities formed in Headway Advanced Materials Inc. to express an opinion on the parent company only financial statements. We are responsible for the direction, supervision and performance of Headway

Advanced Materials Inc. 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 provide those charged with governance with a statement that we have complied with The Norm of the Professional Ethics for Certified Public Accountant regarding the independence of personnel from our firm, 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 2024 parent company only financial statements of Headway Advanced Materials Inc. and are therefore the audit key matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosures 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.

Deloitte & Touche
Taipei, Taiwan Republic of China
March 25, 2025

Auditor Su Li Fang
Securities and Futures
Commission Approval Document No.
Jin-Guang-Zheng—Sheng-Zi
No. 0940161384

Auditor Tung Hui Yeh
Securities and Futures
Commission Approval Document No.
Jin-Guang-Zheng—Sheng-Zi
No. 0980032818

Headway Advanced Materials Inc.
Parent Company Only Balance Sheets
December 31, 2024 & 2023

Unit: In NTD Thousand

Code	Assets	December 31, 2024		December 31, 2023	
		Amount	%	Amount	%
	Current Assets				
1100	Cash and cash equivalents (Note 4 & 6)	\$ 108,614	7	\$ 100,457	7
1136	Current financial assets at amortized cost (Note 4 & 9)	-	-	40,254	3
1150	Notes receivable – non-related parties (Note 4, 10 & 21)	29,059	2	25,826	2
1160	Notes receivable – related parties (Note 4, 10, 21 & 28)	1,492	-	2,975	-
1170	Accounts receivable - non-related parties (Note 4, 10 & 21)	126,842	9	101,097	7
1180	Notes receivable – related parties (Note 4, 10, 21 & 28)	18,280	1	24,384	1
1220	Current tax assets (Note 4 & 23)	-	-	7,279	-
130X	Inventories (Note 4 & 11)	141,573	9	131,754	9
1479	Other current Assets (Note 16)	4,703	-	3,337	-
11XX	Total Current Assets	<u>430,563</u>	<u>28</u>	<u>437,363</u>	<u>29</u>
	Non-current Assets				
1510	Financial assets at fair value through profit or loss – non-current (Note 4 & 7)	25,187	2	25,596	2
1517	Financial assets at fair value through other comprehensive income - non-current (Note 4 & 8)	1,253	-	1,555	-
1550	Investments accounted for using equity method (Notes 4 & 12)	823,571	54	774,258	52
1600	Property, plant and equipment (Note 4, 13 & 29)	209,079	14	182,738	12
1755	Right-of-use assets (Note 4 & 14)	-	-	212	-
1780	Intangible assets (Note 4 & 15)	521	-	844	-
1840	Deferred tax assets (Note 4 & 23)	24,004	1	24,927	2
1990	Other non-current assets (Note 16 & 19)	10,082	1	38,415	3
15XX	Total Non-current Assets	<u>1,093,697</u>	<u>72</u>	<u>1,048,545</u>	<u>71</u>
1XXX	Total Assets	<u>\$ 1,524,260</u>	<u>100</u>	<u>\$ 1,485,908</u>	<u>100</u>
	Liabilities & Equity				
	Current Liabilities				
2100	Short-term borrowings (Note 17)	\$ 145,570	10	\$ 154,166	11
2110	Short-term bills payable (Note 17)	-	-	19,984	1
2120	Financial liabilities at fair value through profit or loss – current (Note 4 & 7)	50	-	-	-
2150	Notes payable – non-related parties	65,983	4	63,334	4
2160	Notes payable –related parties (Note 28)	1,365	-	1,388	-
2170	Accounts payable – non-related parties	57,217	4	32,970	2
2180	Accounts payable – related parties (Note 28)	802	-	964	-
2220	Other payables (Note 18)	53,054	4	56,358	4
2230	Current tax liabilities	3,631	-	-	-
2280	Lease liabilities – current (Note 4 & 14)	-	-	215	-
2399	Other current liabilities	2,079	-	1,987	-
21XX	Total Current Liabilities	<u>329,751</u>	<u>22</u>	<u>331,366</u>	<u>22</u>
	Non-current Liabilities				
2540	Long-term borrowings (Note 17 & 28)	250,000	16	250,000	17
2570	Deferred tax liabilities (Note 4 & 23)	25,655	2	24,475	2
25XX	Total Non-current Liabilities	<u>275,655</u>	<u>18</u>	<u>274,475</u>	<u>19</u>
2XXX	Total Liabilities	<u>605,406</u>	<u>40</u>	<u>605,841</u>	<u>41</u>
	Equity (Note 20)				
	Capital				
3110	Common stock capital	601,070	39	601,070	40
3200	Capital surplus	13,104	1	13,104	1
	Retained earnings				
3310	Legal reserve	220,378	14	217,716	15
3320	Special reserve	68,170	5	58,130	4
3350	Unappropriated retained earnings	62,733	4	58,218	4
3300	Total Retained Earnings	351,281	23	334,064	23
3400	Other equity	(46,601)	(3)	(68,171)	(5)
3XXX	Total Equity	<u>918,854</u>	<u>60</u>	<u>880,067</u>	<u>59</u>
	Total Liabilities & Equity	<u>\$ 1,524,260</u>	<u>100</u>	<u>\$ 1,485,908</u>	<u>100</u>

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

Chairman : Liou, Han-Yin

Manager : Chao, Wei-Chun

Accountant in Charge : Liao, Pei-Hung

Headway Advanced Materials Inc.
Parent Company Only Statements of Comprehensive Income
From January 1 to December 31, 2024 & 2023

Unit: In NTD Thousand, EPS in NTD

Code		2024		2023	
		Amount	%	Amount	%
4000	Net sales revenue (Note 4, 21 & 28)	\$ 714,878	100	\$ 592,309	100
5000	Cost of sales (Note 11, 22, & 28)	<u>582,245</u>	<u>81</u>	<u>512,551</u>	<u>87</u>
5900	Gross profit	132,633	19	79,758	13
5920	Realized profit from sales to subsidiaries	<u>81</u>	<u>-</u>	<u>20</u>	<u>-</u>
5950	Realized gross profit from operations	<u>132,714</u>	<u>19</u>	<u>79,778</u>	<u>13</u>
	Operating expenses (Note 22)				
6100	Selling expenses	31,435	4	26,844	4
6200	Administrative expenses	53,517	8	48,359	8
6300	R&D expenses	21,896	3	21,699	4
6450	Expected credit loss (gain)	<u>348</u>	<u>-</u>	<u>(443)</u>	<u>-</u>
6000	Total	<u>107,196</u>	<u>15</u>	<u>96,459</u>	<u>16</u>
6900	Operating income (loss)	<u>25,518</u>	<u>4</u>	<u>(16,681)</u>	<u>(3)</u>
	Non-operating income and expenses (Note 4 & 22)				
7100	Interest income	3,907	1	3,631	-
7010	Other income	2,047	-	1,410	-
7020	Other gains and losses	6,326	1	5,559	1
7050	Financial costs	(10,485)	(2)	(7,851)	(1)
7070	Share of profit (loss) of subsidiaries and associates accounted for using equity method	<u>21,548</u>	<u>3</u>	<u>45,148</u>	<u>8</u>
7000	Total non-operating income and expenses	<u>23,343</u>	<u>3</u>	<u>47,897</u>	<u>8</u>
7900	Profit before tax	\$ 48,861	7	\$ 31,216	5
7950	Total tax expense (Note 4 & 23)	<u>2,190</u>	<u>-</u>	<u>5,198</u>	<u>1</u>
8200	Profit for the year	<u>46,671</u>	<u>7</u>	<u>26,018</u>	<u>4</u>

Other comprehensive income

Code		2024		2023	
		Amount	%	Amount	%
8310	Items that will not be reclassified subsequently to profit or loss:				
8311	Remeasurement of defined benefit plans (Note 19)	215	-	608	-
8316	Unrealized gains and losses on investments in equity instruments at fair value through other comprehensive income	(302)	-	88	-
8330	Share of other comprehensive income of subsidiaries and associates accounted for using equity method	384	-	(4)	-
8360	Items that may be reclassified subsequently to profit or loss:				
8361	Exchange differences on translation of the financial statement of foreign operations (Note 20)	27,340	4	(12,660)	(2)
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss (Note 20 & 23)	(5,468)	(1)	2,531	1
8300	Total other comprehensive income (After tax)	22,169	3	(9,437)	(1)
8500	Total comprehensive income	\$ 68,840	10	\$ 16,581	3
	Earnings per share (Note 24)				
9750	Basic	\$ 0.78		\$ 0.39	
9850	Diluted	\$ 0.77		\$ 0.39	

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

Chairman :
Liou, Han-Yin

Manager :
Chao, Wei-Chun

Accountant in Charge :
Liao, Pei-Hung

Headway Advanced Materials Inc.
Parent Company Only Statement of Changes in Equity
From January 1 to December 31, 2024 & 2023

Unit: In NTD Thousand

									Other Equity					
		Common stock capital			Retained earnings				Exchange differences on translation of the financial statement of foreign operations	Unrealized revaluation increments	Unrealized gains and losses on investments in equity instruments at fair value through other comprehensive income	Unearned compensation	Total	Total Equity
Code		Shares (Thousand shares)	Amount	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Total						
A1	Balance as of January 1, 2023	70,304	\$ 703,033	\$ 13,081	\$ 215,371	\$ 95,488	\$ 38,765	\$ 349,624	(\$ 61,897)	\$ 6,800	(\$ 3,033)	(\$ 245)	(\$ 58,375)	\$ 1,007,363
	Appropriation and distribution of retained earnings:													
B1	Legal reserve	-	-	-	2,345	-	(2,345)	-	-	-	-	-	-	-
B3	Special reserve	-	-	-	-	(37,358)	37,358	-	-	-	-	-	-	-
B5	Cash dividends	-	-	-	-	-	(42,182)	(42,182)	-	-	-	-	-	(42,182)
D1	Net profit	-	-	-	-	-	26,018	26,018	-	-	-	-	-	26,018
D3	Other comprehensive income	-	-	-	-	-	604	604	(10,129)	-	88	-	(10,041)	(9,437)
D5	Total comprehensive income	-	-	-	-	-	26,622	26,622	(10,129)	-	88	-	(10,041)	16,581
E3	Cash capital reduction	(10,194)	(101,940)	-	-	-	-	-	-	-	-	-	-	(101,940)
N1	Compensation cost from restricted stock units	-	-	-	-	-	-	-	-	-	-	245	245	245
N1	Write off restricted stock units	(3)	(23)	23	-	-	-	-	-	-	-	-	-	-
Z1	Balance as of December 31, 2023	60,107	601,070	13,104	217,716	58,130	58,218	334,064	(72,026)	6,800	(2,945)	-	(68,171)	880,067
	Appropriation and distribution of retained earnings:													
B1	Legal reserve	-	-	-	2,662	-	(2,662)	-	-	-	-	-	-	-
B3	Special reserve	-	-	-	-	10,040	(10,040)	-	-	-	-	-	-	-
B5	Cash dividends	-	-	-	-	-	(30,053)	(30,053)	-	-	-	-	-	(30,053)
D1	Net profit	-	-	-	-	-	46,671	46,671	-	-	-	-	-	46,671
D3	Other comprehensive income	-	-	-	-	-	599	599	21,872	-	(302)	-	21,570	22,169
D5	Total comprehensive income	-	-	-	-	-	47,270	47,270	21,872	-	(302)	-	21,570	68,840
Z1	Balance as of December 31, 2024	60,107	\$ 601,070	\$ 13,104	\$ 220,378	\$ 68,170	\$ 62,733	\$ 351,281	(\$ 50,154)	\$ 6,800	(\$ 3,247)	\$ -	(\$ 46,601)	\$ 918,854

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

Chairman : Liou, Han-Yin

Manager : Chao, Wei-Chun

Accountant in Charge : Liao, Pei-Hung

Headway Advanced Materials Inc.
Parent Company Only Cash Flow Statement
From January 1 to December 31, 2024 & 2023

Unit: In NTD Thousand

Code		2024	2023
	Cash flows from (used in) operating activities:		
A10000	Profit (loss) before tax	\$ 48,861	\$ 31,216
	Total adjustments to reconcile profit (loss):		
A20100	Depreciation expense	23,964	20,266
A20200	Amortization expense	323	126
A20300	Expected credit loss (reversal gain) for bad debt expense	348	(443)
A20400	Net loss (gain) on financial assets and liabilities at fair value through profit or loss	(1,135)	145
A20900	Financial costs	10,485	7,851
A21200	Interest income	(3,907)	(3,631)
A21900	Compensation cost from restricted stock units	-	245
A22400	Share of profit (loss) of subsidiaries and associates accounted for using equity method	(21,548)	(45,148)
A22500	Gain on disposal of property, plant and equipment	(234)	(76)
A23800	Reversal gains for market price decline and obsolete and slow-moving inventories	(4,228)	(6,735)
A24000	Realized profit from sales to subsidiaries	(81)	(20)
A24100	Gain on foreign exchange, net	(6,220)	(500)
A30000	Net changes in operating assets and liabilities		
A31130	Notes receivable	(3,245)	(3,647)
A31140	Notes receivable - related parties	1,490	(747)
A31150	Accounts receivable	(23,977)	10,037
A31160	Accounts receivable - related parties	6,164	(617)
A31200	Inventories	(5,591)	34,488
A31240	Other current assets	(1,458)	1,777
A32130	Notes payable	2,649	12,245
A32140	Notes payable - related parties	(23)	(927)
A32150	Accounts payable	24,121	884
A32160	Accounts payable - related parties	(162)	264
A32180	Other payable	1,758	6,762
A32230	Other current liabilities	92	824
A32240	Net defined benefit assets (liabilities)	(58)	(361)
A33000	Cash inflow (outflow) generated from operations	48,388	64,278
A33300	Interest paid	(10,007)	(7,895)
A33500	Income taxes Refund (Payment)	5,355	(1,970)

Code		2024	2023
AAAA	Net cash flows from (used in) operating activities	<u>43,736</u>	<u>54,413</u>
	Cash flows from (used in) investing activities:		
B00050	Disposal of financial assets at amortized cost	\$ 40,254	\$ -
B00100	Acquisition of financial assets at fair value through profit or loss	(5,577)	(15,733)
B00200	Disposal of financial assets at fair value through profit or loss	7,171	1,105
B02700	Acquisition of property, plant and equipment	(22,707)	(14,355)
B02800	Proceeds from disposal of property, plant, and equipment	234	76
B03700	Increase in guaranteed deposits paid	(7)	-
B04500	Acquisition of intangible assets	-	(970)
B07100	Increase in prepayments for business facilities	(4,316)	(9,934)
B07500	Interest received	3,999	3,615
B07600	Cash dividends from subsidiaries received	40	32,881
B09900	Cash capital reduction from Investee	<u>-</u>	<u>43,164</u>
BBBB	Net cash flows from (used in) investing activities	<u>19,091</u>	<u>39,849</u>
	Cash flows from (used in) financing activities:		
C00100	Increase in Short-term borrowings	-	40,693
C00200	Decrease in Short-term borrowings	(9,079)	-
C00600	Decrease in Short-term bills payable	(20,000)	(80,000)
C01600	Proceeds from long-term borrowings	250,000	285,000
C01700	Repayment of long-term borrowings	(250,000)	(200,000)
C04020	Repayment of the principal portion of lease liabilities	(215)	(640)
C04500	Cash dividends paid	(30,053)	(42,182)
C04700	Cash capital reduction	<u>-</u>	<u>(101,940)</u>
CCCC	Net cash flows from (used in) financing activities	<u>(59,347)</u>	<u>(99,069)</u>
DDDD	Effect of exchange rate changes on cash and cash equivalents	<u>4,677</u>	<u>(791)</u>
EEEE	Net Increase (decrease) in cash and cash equivalents	8,157	(5,598)
E00100	Cash and cash equivalents at beginning of period	<u>100,457</u>	<u>106,055</u>
E00200	Cash and cash equivalents at end of period	<u>\$ 108,614</u>	<u>\$ 100,457</u>

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

Chairman :
Liou, Han-Yin

Manager :
Chao, Wei-Chun

Accountant in Charge :
Liao, Pei-Hung

HEADWAY ADVANCED MATERIALS INC.

Earnings Distribution Proposal for 2024

Unit: NTD

Item	Amount		Note
	Subtotal	Total	
Beginning unappropriated retained earnings	46,670,929	15,461,568	1.recognizing special reserve: According to the provisions of Article 41, paragraph 1 of the Securities and Exchange Act. 2.Earnings distribution : When there is a earning in the annual financial statements of the Company, the Company shall first pay taxes, offset the losses from the previous fiscal year, recognize 10% of the legal reserve, and recognize or reverse the special reserve complying with the relevant laws and regulations. The remaining earning adds accumulated undistributed earnings from the previous fiscal year shall be considered as distributable earnings. The Board of Directors shall propose a resolution for the distribution of dividends to the Shareholders' Meeting, and the dividends payable to shareholders shall be 50% to 100% of the distributable earnings. If dividends or bonuses are to be paid in cash, the Board of Directors may be authorized to do so by a resolution passed by at least two-thirds of the directors present and with the consent of more than half of the attending directors, and shall report to the Shareholders' Meeting. The Company's dividend distribution shall take into account the overall development needs of the Company, and the cash dividends shall not be less than 10% of the total dividends distributed.
Net profit of 2024			
Add : Remeasurement of defined benefit plans	<u>598,794</u>		
Net profit of 2024 and other additions		47,269,723	
Less: Recognized legal reserve		(4,726,972)	
Reverse of special reserve		<u>21,570,034</u>	
Distributable retained earnings			
Distribution items:		79,574,353	
Cash Dividend to Shareholders			
Ending unappropriated retained earnings		<u>(48,085,562)</u>	
		<u>31,488,791</u>	
(1) The total amount of cash dividend is NTD 48,085,562 which is NTD 0.8 per share calculated based on the total outstanding shares of 60,106,952 shares. (2) The distribution of employee compensation (cash distribution) is NTD 2,655,499, and the distribution of director compensation (cash distribution) is NTD 1,593,299. The estimated accrued employee compensation payable on the books is NTD 2,655,499, and the accrued director compensation payable is NTD 1,593,299, which is the same as the distribution amount.			

Chairman:
Liou, Han-Yin

Manager:
Chao, Wei-Chun

Accountant in Charge:
Liao, Pei-Hung

HEADWAY ADVANCED MATERIALS INC.

Comparison Table of Amendments of Articles of Incorporation

Article	After Amendment	Before Amendment	Note
Article 32-1	When the Company makes a profit in a fiscal year, it shall allocate 5% to 8% of the profit as employee compensation and up to 5% of the profit as director compensation, <u>30-50% of the total employee compensation should be used as employee compensation for non-executive employees,</u> provided that the amount allocated does not exceed the accumulated losses.	When the Company makes a profit in a fiscal year, it shall allocate 5% to 8% of the profit as employee compensation and up to 5% of the profit as director compensation, provided that the amount allocated does not exceed the accumulated losses.	In accordance with the government regulations, it is being Amended

Headway Advanced Materials Inc.

Articles of Incorporation

(Last updated on June 9, 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: Headway Advanced Materials Inc.

Article 2: Scope of business

1. Manufacturing and trading of PU curing agents, processing agents, coatings, coating resins, adhesives, flattening agents, and related raw materials.
2. Processing and trading of leather, second layer cowhide and synthetic leather.
3. Import and export trading of the raw materials related to the preceding items.
4. H701010 Residential and building development, leasing and sales.
5. C801040 Manufacturing of synthetic resins.
6. C802030 Manufacturing of coatings and paints.
7. EZ11010 Paving engineering of stadium tracks made of resin materials.
8. C802990 Manufacturing of miscellaneous chemical products (anti-dust pads).
9. C805020 Manufacturing of plastic film and bags.
10. C801030 Manufacturing of fine chemical materials.
11. C801990 Manufacturing of other chemical materials (photoresist materials).
12. F401030 Manufacturing and exporting industry.
13. C801060 Manufacturing of synthetic rubber.
14. C801050 Manufacturing of plastic raw materials.
15. C805010 Manufacturing of plastic leather, fabrics, plates, and tubes.
16. C805060 Manufacturing of plastic leather products.
17. CE01030 Manufacturing of optical instruments.

The company's business activities are not limited except for the licensed business which shall be specified in the articles of incorporation.

Article 3: The Company establishes its head office in Hsinchu County, Taiwan and may establish branch offices domestically and internationally as deemed necessary by the Board of Directors.

Article 4: The Company may provide guarantees for third parties in cooperation with peers and affiliated enterprises, subject to the approval of the Board of Directors in accordance with the "Guarantee and Endorsement Procedure".

Article 5: The Company's investment in other companies as a limited shareholder is not subject to the limitation of Article 13 of the Company Act, provided that such investment is approved by the Board of Directors.

Chapter 2 Shares

Article 6: The total capital of the Company is set at NTD 800 million, divided into 80 million shares with a par value of NTD 10 per share, and shall be issued in stages as authorized by the Board of Directors.

Article 7: The shares issued by the Company after public offering can be printed as large-denomination stock certificates or exempted from printing certificates and registered by a centralized securities depository institution.

The transfer and pledge of shares registered by a securities central depository institution shall be handled by the Company or by book-entry transfer. The provisions of Article 164 of the Company Act and Article 908 of the Civil Code shall not apply to such transfer and pledge. This does not apply to the printed stock certificates that have not been returned to the Company

The Company's stock shall be in registered form, and each stock shall be numbered and shall indicate the following matters, signed or stamped by a director representing the Company, and shall be issued after being signed by a bank authorized to issue the stock certificate according to relevant laws.

1. The company name.
2. The year, month and day of establishment registration or issuance of new shares.
3. The total number of shares issued and the par value per share.
4. The year, month and day of stock issuance.

Article 8: Shareholders shall use their actual names. If a government agency or a legal person is a shareholder, its name shall not be changed or only the representative shall be listed. Shareholders shall submit their actual names or names, addresses, and seal cards to the person in charge of the Company's share affairs for filing. The same applies to any subsequent changes. When shareholders collect dividends from the Company or exercise other rights in writing, the information and seal cards on file shall be used as evidence.

Article 9: The transfer, registration, inheritance, gift, loss, destruction, and other matters relating to shares shall be handled in accordance with the Securities and Exchange Act and relevant laws and regulations. When a stock certificate is lost or damaged due to other reasons and needs to be reissued or replaced, the Company may charge a handling fee.

Article 10: No changes in the shareholder registry may be made within sixty days prior to the annual shareholders' meeting, within thirty days prior to the special shareholders' meeting, or within five days prior to the record date for the distribution of dividends or profits as determined by the Company.

Chapter 3 Shareholders' Meeting

Article 11: The Shareholders' Meetings shall be General (Annual) or Extraordinary Shareholders' Meetings:

1. The general meeting shall be held at least once a year and shall be convened by the Board of Directors within six months after the end of each fiscal year. However, if there are legitimate reasons and approved by the competent authority, this requirement shall not apply.
2. When there is a proposal that needs to be discussed, or when a shareholder who has

held more than 3% of the total issued shares for more than one year submits a written proposal with reasons, the Board of Directors shall convene an extraordinary meeting according to the relevant laws.

Article 12: The notice for the general shareholders' meeting shall be sent to each shareholder 30 days in advance, and the notice for the extraordinary shareholders' meeting shall be sent 15 days in advance, specifying the date, time, location, and reason for the meeting. Matters pertaining to election of directors, amendment of the Articles of Incorporation, reduction of capital, application for termination of public offering, permission for directors to compete, capital increase through earnings, capital increase through surplus, dissolution, merger, division, or matters listed in Article 185, Paragraph 1 of the Company Act, shall be itemized in the causes or subjects to be described and the essential contents shall be explained in the notice to convene a meeting of shareholders, and shall not be brought up as extemporaneous motions; the essential contents may be posted on the website designated by the competent authority in charge of securities affairs or the company, and such website shall be indicated in the above notice.

Article 13: If a shareholder cannot attend the shareholders' meeting due to reasons, he/she/it may appoint a proxy and sign or seal on the proxy to attend a shareholders' meeting in his/her/its behalf by executing a power of attorney stating therein the scope of power authorized to the proxy.

Except for trust enterprises or stock agencies approved by the competent authority, when a person who acts as the proxy for two or more shareholders, the number of voting power represented by him/her shall not exceed 3% of the total number of voting shares of the company, otherwise, the portion of excessive voting power shall not be counted.

A shareholder may only execute one power of attorney and appoint one proxy only, and shall serve such written proxy to the company no later than 5 days prior to the meeting date of the shareholders' meeting. In case two or more written proxies are received from one shareholder, the first one received by the company shall prevail; unless an explicit statement to revoke the previous written proxy is made in the proxy which comes later.

Article 14: The chairman of the Board of Directors shall preside over the shareholders' meeting. If the chairman is absent, he/she shall appoint one director to represent him/her. If no one is designated, the directors shall nominate a representative.

Article 15: Unless otherwise provided by the Company Act, the shareholders' meeting shall be convened with the attendance of shareholders holding over half of the total voting rights of the issued shares, and the resolutions shall be passed with the consent of over half of the shareholders present with voting rights.

Article 16: Each share shall have one voting right for the exercise of the shareholders' voting rights, except as otherwise provided by the Company Act and the Articles of Incorporation. The company shall not have any voting rights for its own shares. When the company convenes a shareholders' meeting, the voting rights may be exercised through written or electronic means in accordance with the Company Act and the regulations of the competent authority.

Article 17: Resolutions adopted at a shareholders' meeting shall be recorded in the minutes of the meeting, which shall be affixed with the signature or seal of the chairman of the meeting and shall be distributed to all shareholders of the company within twenty (20) days after the close of the meeting. The preparation and distribution of the minutes of shareholders' meeting may be effected by means of electronic transmission. The distribution of the minutes of shareholders' meeting may be effected by means of a public notice.

Article 17-1: The Company's shareholders' meeting may be held via means of visual communication network or other methods promulgated by the Ministry of Economic Affairs.

Chapter 4 Board of Directors

Article 18: The company shall have seven to nine directors, who shall be elected by the shareholders' meeting and possess disposing capacity. Directors shall serve for a term of three years and can be re-elected. When their term expires and the election has not yet been held, they may continue to serve until the election is completed. If the number of vacancies reaches one-third of the total number of directors, an extraordinary shareholders' meeting shall be called within sixty days to elect new directors, and their term of office shall be limited to the remaining term of the original directors.

The company shall have independent directors, and the number of independent directors shall not be less than three and not less than one-fifth of the total number of directors.

The election of directors shall follow the system of candidate nomination, and the elected directors shall be selected from the list of candidates proposed by the shareholders' meeting.

When electing directors at the shareholders' meeting, each share shall have the same number of voting rights as the number of directors to be elected. The voting rights can be used to vote for one person or divide the votes to elect several persons. The person with more votes representing more voting rights shall be elected as a director. If the shareholders' meeting resolves to elect all directors before the end of their term, it shall be deemed as an early termination of their term.

The total number of shares held by all directors of the company who hold registered shares shall not be less than the minimum holding specified in the relevant regulations of the Securities and Exchange Act.

Article 19: The board of directors shall be organized by all directors, and the chairman of the board shall be elected by a two-thirds majority of the attending directors with more than half of the directors present. The chairman of the board is the chairman of the shareholders' meeting and the board of directors within the company and represents the company externally. The chairman shall carry out all company affairs in accordance with laws and regulations, the Articles of Incorporation, and the resolutions of the shareholders' meeting and the board of directors. If the chairman is unable to perform his duties due to special circumstances, he shall appoint a person from among the directors to act as

his agent. If no one is designated, the directors shall elect a director to act as the agent.

Article 20: The power and authority of the board of directors are as follows:

1. Determination of the company's business policies and supervision of business execution.
2. Appointment, dismissal, and remuneration of managers.
3. Appointment and removal of the chief accountant and internal auditor.
4. Review of budget and final accounts.
5. Formulation of earnings distribution or loss compensation and capital increase plans.
6. Approval of investments, loans to other companies, and asset mortgages.
7. Establishment, major adjustments, dissolution of important organizations, and review of important regulations and contracts of the company.
8. Approval of the purchase, disposal, and pledge of movable and immovable properties as referred to in the "Asset Acquisition or Disposal Process" of the Company.
9. Convening of the shareholders' meeting.
10. Approval of matters submitted by the chairman.
11. Exercise of other powers conferred by laws and the shareholders' meeting.

Article 21: Unless otherwise provided by the Company Act, a resolution of the Board of Directors shall be passed by the attendance of more than half of the directors and the consent of more than half of the directors present. If a director is unable to attend for any reason, he/she shall issue a power of attorney specifying the reasons for convening and the authorized scope, and may entrust other directors to act on his/her behalf, but the proxy shall be limited to the authorization of one person.

The Board of Directors may hold meetings via means of visual communication network. Directors who participate in the meeting via means of visual communication network shall be deemed to be present in person.

The notice for convening the Board of Directors meeting may be made electronically.

Article 22: Minutes shall be taken for the Board of Directors meeting, signed or stamped by the Chairman, and a copy of the minutes shall be distributed to each director within 20 days after the meeting. The original minutes of the meeting, along with the attendance register of the directors and the power of attorney for proxy attendance, shall be kept by the Company.

Article 23: The Company may purchase directors' liability insurance for the period of their term of office to cover the liability that they are legally obligated to assume in the scope of their duties.

After the Company purchases or renews the directors' liability insurance, the important contents of the insurance, such as the amount insured, coverage, and premium rate, shall be reported to the latest Board of Directors meeting.

When the Company's directors participate in the execution of the company's business, regardless of the Company's profit or loss, the Company may provide them with remuneration. The amount of remuneration shall be determined by the Board of Directors according to the degree of their participation in the Company's operation and the value of their contribution, and shall not exceed the maximum salary level prescribed in the Company's salary system.

Chapter 5: Functional Committees

Article 24: In accordance with Article 14-4 of the Securities and Exchange Act, the Company shall establish an audit committee composed of all independent directors, and the audit committee or its members shall be responsible for performing the duties of the supervisor prescribed by the Company Act, Securities and Exchange Act, and other relevant laws and regulations.

Article 25: The Board of Directors may establish functional committees such as a compensation committee. The qualifications, powers, and other related matters of the members shall be handled in accordance with relevant laws and regulations, and shall be separately determined by the Board of Directors.

Article 26: Deleted.

Chapter 6 Manager

Article 27: The Company may appoint managers in accordance with the provisions of the Company Act, and the respective powers of each manager shall be determined by the Articles of Incorporation and the appointment contract.

Within the scope of authority stipulated in the Articles of Incorporation and the appointment contract, the managers have the power to manage the company's affairs and sign documents on behalf of the company.

Article 28: The appointment, dismissal, and remuneration of the Company's managers shall be proposed by the Chairman and submitted to the Board of Directors for approval. The appointment, dismissal, and remuneration shall be decided by the Board of Directors with the consent of a majority of the attending directors and a majority of the directors in attendance.

Chapter 7 Accounting

Article 29: The accounting period of the Company for each fiscal year shall be from January 1 to December 31.

Article 30: The appointment and removal of the chief accountant shall be proposed by the

Chairman and approved by the Board of Directors at a meeting attended by more than half of the directors and with the consent of more than half of the attending directors.

Article 31: At the end of each fiscal year, the Board of Directors shall prepare and submit the following documents to the Audit Committee for examination and obtain a review report for submission to the Shareholders' Meeting at least 30 days prior to the meeting:

1. Annual business report
2. Financial Statements
3. Proposal for the distribution of earnings or the offsetting of losses.

Article 32: When there is a earning in the annual financial statements of the Company, the Company shall first pay taxes, offset the losses from the previous fiscal year, recognize 10% of the legal reserve, and recognize or reverse the special reserve complying with the relevant laws and regulations. The remaining earning adds accumulated undistributed earnings from the previous fiscal year shall be considered as distributable earnings. The Board of Directors shall propose a resolution for the distribution of dividends to the Shareholders' Meeting, and the dividends payable to shareholders shall be 50% to 100% of the distributable earnings.

If dividends or bonuses are to be paid in cash, the Board of Directors may be authorized to do so by a resolution passed by at least two-thirds of the directors present and with the consent of more than half of the attending directors, and shall report to the Shareholders' Meeting.

The Company's dividend distribution shall take into account the overall development needs of the Company, and the cash dividends shall not be less than 10% of the total dividends distributed.

Article 32-1: When the Company makes a profit in a fiscal year, it shall allocate 5% to 8% of the profit as employee compensation and up to 5% of the profit as director compensation, provided that the amount allocated does not exceed the accumulated losses.

The employee compensation may be paid in stock or cash, and shall be approved by a resolution passed by at least two-thirds of the directors present and with the consent of more than half of the attending directors, and reported to the Shareholders' Meeting.

If the Board of Directors decides to pay employee compensation in stock, it may also pass a resolution at the same time to issue new shares or repurchase the Company's shares.

The Company's Articles of Incorporation may specify the recipients of the stock or cash, including employees of controlled or affiliated companies who meet certain conditions, and the relevant procedures shall be authorized by the Board of Directors.

Chapter 8 Supplemental Provisions

Article 33: The Company shall, in accordance with Article 267 of the Company Act, reserve 10%

to 15% of the total shares issued when issuing new shares for employees to subscribe. The shares subscribed by the Company's employees in accordance with the preceding paragraph shall not be transferred for a certain period of time as prescribed by the relevant regulations of the Company Act.

Article 34: When the Company acquires shares in accordance with the Company Act, the transferees may include controlling or subsidiary company employees who meet certain conditions.

The recipients of employee stock options issued by the Company may include controlling or subsidiary company employees who meet certain conditions.

The employees who subscribe for shares when the Company issues new shares may include controlling or subsidiary company employees who meet certain conditions.

The employees who subscribe for shares when the Company issues restricted stock units may include controlling or subsidiary company employees who meet certain conditions.

Article 35: Any matters not provided for in this Article shall be handled in accordance with the Company Act and other relevant laws and regulations.

Article 36: This Articles of Incorporation was established on March 19, 1976. The first amendment was made on April 10, 1976. The second amendment was made on August 14, 1977. The third amendment was made on July 12, 1979. The fourth amendment was made on October 3, 1981. The fifth amendment was made on June 8, 1984. The sixth amendment was made on November 19, 1987. The seventh amendment was made on June 28, 1988. The eighth amendment was made on October 6, 1989. The ninth amendment was made on November 17, 1989. The tenth amendment was made on July 9, 1991. The eleventh amendment was made on November 7, 1991. The twelfth amendment was made on September 14, 1992. The thirteenth amendment was made on June 12, 1997. The fourteenth amendment was made on June 3, 1998. The fifteenth amendment was made on July 31, 1999. The sixteenth amendment was made on June 28, 2001. The seventeenth amendment was made on June 1, 2002. The eighteenth amendment was made on June 30, 2003. The nineteenth amendment was made on June 21, 2004. The twentieth amendment was made on June 10, 2005. The twenty-first amendment was made on May 28, 2010. The twenty-second amendment was made on June 9, 2011. The twenty-third amendment was made on June 28, 2012. The twenty-fourth amendment was made on June 26, 2014. The twenty-fifth amendment was made on June 30, 2015. The twenty-sixth amendment was made on May 27, 2016. The twenty-seventh amendment was made on May 28, 2018. The twenty-eighth amendment was made on May 31, 2019. The twenty-ninth amendment was made on June 22, 2020. The thirtieth amendment was made on July 30, 2021. The thirty-first amendment was made on June 9, 2022.

This shall take effect upon registration with the Ministry of Finance and the Ministry of Economic Affairs, and the same shall apply to any subsequent amendments.

Headway Advanced Materials Inc.

Chariman: Liou, Han-Yin

Headway Advanced Materials Inc.

The Rules and Procedures for Shareholder's Meeting

Article 1 In order to establish a sound shareholder meeting governance system, strengthen the supervision function and enhance the management function of the Company, this rule is formulated in accordance with Article 5 of the Corporate Governance Best Practice Principles for TWSE/TPEX listed Companies for compliance.

Article 2 Unless otherwise provided by laws or Articles of Incorporation, the Company's shareholder meeting rules shall be subject to the provisions of these rules.

Article 3 The Company shall prepare the shareholder meeting notice, proxy form, relevant Ratification, discussion, election or removal of directors and other agenda items, and explanatory materials in electronic format and transmit them to the Market Observation Post System 30 days prior to the annual shareholders' meeting or 15 days prior to the extraordinary shareholders' meeting. The shareholder meeting handbook and supplementary materials shall also be prepared in electronic format and transmitted to the Market Observation Post System 21 days before the annual shareholders' meeting or 15 days before the extraordinary shareholders' meeting. The handbook and supplementary materials for the current shareholder meeting shall be available for shareholders to review at any time and shall be displayed at the Company and the professional shareholder service agency appointed by the Company. They shall also be distributed at the shareholder meeting venue.

The notice and announcement shall state the reason for the convocation, and with the consent of the relevant person, electronic means may be used for the notice.

Agenda items such as the election or removal of directors, amendment of Articles of Incorporation, reduction of capital, application for suspension of public offering, director's non-competition permit, increase in capital through retained earnings, increase in capital through surplus, company dissolution, merger, division, or items specified in Company Act, Article 185-1, Paragraph 1; Securities and Exchange Act, Article 26-1 and Article 43-6; Regulations Governing the Offering and Issuance of Securities Issuers, Article 56-1 and Article 60-2, shall be listed in the convocation and the main content shall be explained. They shall not be proposed by extemporary motions.

Shareholders holding more than 1% of the total issued shares may submit proposals for annual shareholders' meetings to the Company in writing or by electronic means, but only one proposal may be submitted. If there is more than one proposal, none of them shall be listed as agenda items. The Board of Directors may exclude proposals submitted by shareholders that fall under any of the subparagraphs of Paragraph 4, Article 172-1 of the Company Act. The Company shall announce the acceptance of shareholder proposals, the place of acceptance and the acceptance period before the regular shareholders' meeting, and the acceptance period shall not be less than ten days. The shareholder proposal shall be limited to 300 words, and if it exceeds 300 words, it shall not be included in the agenda. Shareholders who propose the agenda shall

attend the annual shareholders' meeting in person or entrust others to attend and participate in the discussion of the agenda item.

The Company shall notify the shareholder who proposed the agenda of the processing results before the convocation notice, and the agenda item that complies with the provisions of this Article shall be listed in the notice. For shareholder proposals not listed on the agenda, the Board of Directors shall explain the reasons for not listing them at the shareholders' meeting.

Article 4 Shareholders may issue a proxy, which is printed by the company, indicating the authorized scope and the proxy agent to attend the shareholders' meeting.

Each shareholder may issue only one proxy, and it is required to be delivered to the company at least five days before the shareholders' meeting. In case of duplicate proxies, the first one delivered shall prevail. However, the person who declares the withdrawal of the proxy before the meeting is not subject to this limitation.

After the proxy has been delivered to the company, if the shareholder wishes to attend the shareholders' meeting in person, he/she/it shall notify the company in writing of the revocation of the proxy no later than two days before the shareholders' meeting. Those who fail to do so shall be represented by the proxy agent to exercise the voting rights.

Article 5 The place of the shareholders' meeting shall be located at the company's place of business or a convenient and suitable location for shareholders to attend the meeting. The start time of the meeting shall not be earlier than 9 a.m. or later than 3 p.m., and the location and time of the meeting shall take into account the opinions of independent directors.

Article 6 The Company shall state the time and location for shareholders to register and any other matters that require attention in the notice of the meeting.

The registration time for shareholders shall be at least 30 minutes before the start of the meeting, and the registration location shall be clearly marked and staffed by suitable personnel.

Shareholders in person or their proxy agents (hereinafter referred to as "shareholders") shall attend the shareholders' meeting with attendance certificates, attendance cards, or other attendance documents. The company shall not arbitrarily require additional proof of identity beyond the proof of attendance relied upon by the shareholders. Those who solicit proxies shall bring their identity documents for verification.

The company shall set up a signature book for shareholders to sign in, or the attending shareholders may submit an attendance card for proxy signing.

The Company shall deliver the hadbook, annual report, attendance certificate, speech slips, voting slips, and other meeting materials to the attending shareholders. If there is an election of directors, election ballots shall also be attached.

When the shareholder is a government agency or a legal person, the representative attending the shareholders' meeting is not limited to one person. When a legal person is entrusted to attend the shareholders' meeting, only one person shall be appointed to attend.

Article 7 If the shareholders' meeting is convened by the board of directors, the chairperson of the board shall preside over the meeting in accordance with Article 208 of the Company Act. If the meeting is convened by a person other than the board of directors, the chairperson shall be appointed by that person. When there are two or more persons with the right to convene the meeting, they shall elect one person to be the chairperson. The company may appoint lawyers, accountants, or relevant personnel to attend the shareholders' meeting

Article 8 The Company shall record the entire proceedings of the shareholders' meeting by audio or video recording and keep it for at least one year. However, if a lawsuit is filed by shareholders under Article 189 of the Company Act, it shall be kept until the end of the lawsuit.

Article 9 The attendance of the shareholders' meeting shall be based on the number of shares held. The number of shares represented shall be calculated based on the signature book, sign-in card, and the number of shares exercised by written or electronic means.

When the meeting time has arrived, the chairperson shall announce the opening of the meeting and also disclose relevant information, such as the number of shares without voting rights and the percentage of shares represented. If the number of shareholders present who hold over half of the total issued shares is not reached, the chairperson may announce a delay of the meeting. The meeting may be delayed up to two times, and the total delay time may not exceed one hour. If the meeting is still not attended by shareholders who hold more than one-third of the total issued shares after two delays, the chairperson shall announce the adjournment of the meeting.

If the meeting is adjourned twice and still fails to achieve the required attendance of shareholders who hold more than one-third of the total issued shares, a false resolution may be passed in accordance with the first paragraph of Article 175 of the Company Act, and the shareholders shall be notified to convene another meeting within one month.

If the number of shares represented by the attending shareholders reaches over half of the total issued shares before the end of the meeting, the chairperson may resubmit the false resolution for a vote in accordance with Article 174 of the Company Act.

Article 10 If the shareholders' meeting is convened by the board of directors, the agenda shall be determined by the board of directors and shall not be changed without resolution of the shareholders' meeting.

If the shareholder meeting is convened by someone other than the board of directors, the provisions of the preceding article shall apply *mutatis mutandis*.

Before the agenda set forth in the preceding two paragraphs is concluded, the chairman may not declare the adjournment of the meeting without a resolution; if the chairman violates the rules of procedure and declares the adjournment of the meeting, the other members of the board of directors shall promptly assist the shareholders present to elect, in accordance with the legally prescribed procedures, a person to preside over

the meeting with the consent of more than half of the voting rights present and continue the meeting.

The chairman shall give sufficient explanation and discussion opportunities for the proposals and amendments or extemporary motions proposed by the shareholders. When the chairman considers that the matter has reached the point of being ready for voting, he/she may announce the cessation of discussion and propose voting.

Article 11 Before a shareholder speaks, he or she must complete a speech card stating the subject matter, the shareholder's account number (or attendance certificate number), and the shareholder's name, and the chairman shall determine the order of speeches.

A shareholder who only submits a speech card without actually speaking shall be deemed not to have spoken. If the content of the speech differs from that stated on the speech card, the content of the speech shall prevail.

Each shareholder may speak no more than twice on the same agenda item, with each speech not exceeding five minutes. However, the chairman may stop a shareholder from speaking if the shareholder violates the rules or goes beyond the scope of the agenda.

During a shareholder's speech, other shareholders shall not speak or interrupt without the consent of the chairman and the speaking shareholder.

When a legal person shareholder appoints more than two representatives to attend the shareholders' meeting, only one representative may speak on each agenda item.

After a shareholder speaks, the chairman may personally or designate relevant personnel to respond.

Article 12 The vote at the shareholders' meeting shall be based on the number of shares.

The number of shares held by shareholders without voting rights shall not be counted as part of the total number of shares issued.

A shareholder shall not exercise his or her voting right if he or she has a personal interest in the matter being discussed that may harm the interests of the company, and shall not act as a proxy for another shareholder to exercise his or her voting right.

The number of shares that cannot be used for voting due to a conflict of interest shall not be included in the number of votes of the attending shareholders.

Except for trust companies or shareholder services agencies approved by the securities regulatory authorities, when one person is appointed as the proxy for two or more shareholders, the proxy's voting rights shall not exceed 3% of the total voting rights of the issued shares, and any excess voting rights shall not be counted.

Article 13: Each share of stock carries one voting right, except for those subject to restrictions or without voting rights as listed in Article 179, Paragraph 2 of the Company Act.

When the Company convenes a shareholders' meeting, shareholders may exercise their voting rights in writing or electronically. The method of exercising their voting rights shall be specified in the notice of the shareholders' meeting. For shareholders who

exercise their voting rights in writing or electronically shall be deemed to have attended the meeting in person. However, regarding the extemporaneous proposal and amendments to the original proposal at the shareholders' meeting, such shareholders shall be deemed to have waived their voting rights.

For shareholders who exercise their voting rights in writing or electronically, their expression of intent shall be delivered to the Company two days before the shareholders' meeting. In case of conflicting expressions of intent, the earliest expression of intent shall prevail. However, the expression of intent may be revoked by the shareholder before the meeting.

If shareholders who have exercised their voting rights in writing or electronically wish to attend the meeting in person, they must revoke their expression of intent to vote in writing or electronically in the same manner no later than two days before the meeting. If they fail to do so, their voting rights exercised in writing or electronically shall prevail. If shareholders exercise their voting rights in writing or electronically and entrust a representative to attend the meeting, the voting rights exercised by the representative shall prevail.

Unless otherwise specified in the Company Act or the Company's Articles of Incorporation, resolutions at a shareholders' meeting shall be passed by a majority of the voting rights represented at the meeting. The total number of voting rights of the attending shareholders shall be announced by the chairperson or a designated person on an item-by-item basis.

When the chairperson inquires whether there is any objection among all attending shareholders on a motion, it shall be deemed adopted if no objection is raised. The effectiveness of the motion shall be the same as a vote. If there is any objection, voting shall be conducted in accordance with the preceding paragraph.

When there are amendments or alternative proposals to a motion, the chairperson shall determine the voting order of the original motion and the amendments or alternative proposals. If one of the proposals has already been adopted, the other proposals shall be deemed rejected and no further voting shall be conducted.

The inspectors and vote-counters for voting or election of directors at a shareholders' meeting shall be appointed by the chairperson. However, the inspectors shall also be shareholders.

The vote counting procedure for voting on motions or election of directors at the shareholders' meeting shall be conducted publicly at the meeting venue, and the results of the vote, including the vote count, shall be announced immediately after the counting is completed and recorded.

Article 14 When the shareholders' meeting elects directors, it shall follow the relevant regulations of the Company and announce the election results on the spot, including the list of elected directors, their number of votes, and the list of unsuccessful candidates and their number of votes.

The ballots for the election in the preceding paragraph shall be sealed and signed by the inspectors, and kept properly for at least one year. However, if a lawsuit is filed by the shareholders under Article 189 of the Company Act, they shall be kept until the end of the lawsuit.

Article 15 The resolutions made at a shareholders' meeting shall be recorded in a written record signed or stamped by the chairperson and distributed to all shareholders within 20 days after the meeting. The production and distribution of the written record may be conducted electronically.

The distribution of the written record in the preceding paragraph may be made through the announcement on the Market Observation Post System.

Minutes of the shareholders' meeting shall be recorded accurately and include the year, month, day, location, name of the chairman, method of decision-making, the main points of the discussion, and the results. The minutes shall be permanently preserved during the company's existence.

The method of resolution mentioned in the preceding paragraph shall be recorded as follows: when the chairperson has solicited the opinions of all attending shareholders and no objections have been raised, it shall be recorded as "passed by the unanimous consent of all attending shareholders after being solicited by the chairperson"; however, if there are objections from the shareholders, the method of voting and the vote count and proportion of the approving votes shall be recorded.

Article 16 On the day of the shareholder meeting, the Company shall create a statistical table in the prescribed format to clearly display the number of shares obtained by the solicitor and the shares represented by the proxy. The statistical table shall be displayed at the shareholder meeting venue.

In case the resolutions of the shareholder meeting constitute significant information as required by laws and regulations or TWSE/TPEX, the Company shall transmit such information to the Market Observation Post System within the prescribed time limit.

Article 17 The personnel in charge of the shareholders' meeting affairs shall wear identification cards or armbands.

The chairman may direct the patrolmen or security personnel to assist in maintaining order at the venue. When the patrolmen or security personnel are present to assist in maintaining order, they shall wear an armband or identification card with the words "patrolman" on it.

If there is a Sound reinforcement equipment available at the venue, the chairman may prohibit shareholders from speaking through equipment not provided by the Company. Shareholders who violate the rules of procedure and do not obey the chairman's correction and continue to disrupt the proceedings may be requested to leave the venue by the chairman directing the patrolmen or security personnel.

Article 18 During the meeting, the chairman may declare a recess for a certain period of time. In case of irresistible events, the chairman may temporarily suspend the meeting and announce the time for the resumption of the meeting according to the situation.

If the venue for the meeting cannot continue to be used at the scheduled time before the scheduled agenda of the shareholders' meeting (including extemporary motions) has been completed, the shareholders' meeting may resolve to find another venue to continue the meeting.

The shareholders' meeting may resolve to postpone or continue the meeting within five

days in accordance with the provisions of Article 182 of the Company Act.

Article 19 These rules shall be implemented after being passed by the Shareholders' Meeting and shall apply equally to any amendments.

Revised and passed at the Shareholders' Meeting on July 31, 1999.

First amendment passed at the Shareholders' Meeting on June 1, 2002.

Second amendment passed at the Extraordinary Shareholders' Meeting on October 17, 2003.

Third amendment passed at the Shareholders' Meeting on June 9, 2011.

Fourth amendment passed at the Shareholders' Meeting on June 28, 2012.

Fifth amendment passed at the Shareholders' Meeting on June 17, 2013.

Sixth amendment passed at the Shareholders' Meeting on June 30, 2015.

Seventh amendment passed at the Shareholders' Meeting on May 28, 2018.

Eighth amendment passed at the Shareholders' Meeting on May 31, 2019.

Ninth amendment passed at the Shareholders' Meeting on July 30, 2021.

HEADWAY ADVANCED MATERIALS INC.

The Board Meeting Rules and Procedures

(Last updated on May 31, 2023)

- Article 1 In order to establish a sound corporate governance system, enhance the supervisory function, and strengthen management capabilities of the company, these rules are established in accordance with Article 2 of the "Regulations Governing Procedure for Board of Directors Meetings of Public Companies " for compliance purposes.
- Article 2 The rules for the board meetings of the company shall specify the main agenda items, operating procedures, matters to be recorded in the meeting minutes, announcement requirements, and other matters to be complied with in accordance with these rules.
- Article 3: The board of directors of the company shall meet at least once every quarter. However, in case of emergency, the board may be convened at any time.
The convocation of the board of directors shall state the purpose of the meeting and notify all directors at least seven days in advance. In case of emergency, the board may be convened at any time.
With the consent of the relevant parties, the convocation notice may be sent electronically.
Matters listed in subparagraphs of Article 12, paragraph 1 of these rules shall be stated in the convocation notice and may not be raised as an extemporary motion.
- Article 4 The directors of the company shall be provided with appropriate and timely information in a form and quality sufficient for them to make decisions and fulfill their directorial duties based on the relevant information.
- 4.1 The board of directors designates the Investment Management Department as the unit responsible for handling the affairs of the board meetings.
- 4.2 The unit responsible for handling the affairs of the board meetings shall prepare the agenda of the board meetings and provide sufficient meeting materials, which shall be sent together with the convocation notice.
- 4.3 If a director considers the information related to a proposal to be insufficient, he or she may request additional information from the unit responsible for handling the affairs of the board meetings, and the unit shall provide it within three days. If a director still considers the information to be insufficient, the review of the proposal may be postponed after the resolution of the board of directors.
- 4.4 As the company has not established a governance supervisor, the Finance and Accounting Department is responsible for handling requests from directors and will assist directors in fulfilling their duties in a timely and effective manner, and will process the requests as soon as possible, within three days.
- Article 5 When holding a board meeting of the company, a sign-in book shall be provided for the attending directors to sign for reference purposes.

Directors shall attend the board meetings in person. If a director is unable to attend in person, he or she may entrust another director to attend on his or her behalf in accordance with the company's Articles of Incorporation. If a director participates in the meeting via visual communication network, he or she shall be deemed to have attended in person.

When a director entrusts another director to attend the board meeting on his or her behalf, a power of attorney shall be issued for each occasion, specifying the scope of authorization for the convocation.

The proxy shall be limited to one person authorized by the director.

Article 6 The location and time of the board meeting of the company shall be held at a location and time that is convenient for the attendance of directors and is suitable for the board meeting, either in the company's location and office hours or at a location and time that is conducive to the attendance of directors.

Article 7 The board of directors of the company shall be convened and presided over by the chairman of the board. However, for the first board meeting of each term, it shall be convened by the director with the most votes from the shareholder meeting and the meeting shall be presided over by the convener. If there are more than two conveners, they shall mutually elect a convener.

In the event that the chairman of the board is absent or unable to perform his or her duties, he or she shall appoint a director to act as a proxy. If the chairman of the board does not appoint a proxy, the directors shall elect one person to act as a proxy.

Article 8 When the board of directors of the company is convened, the unit responsible for handling the affairs of the board meetings shall prepare relevant information for the attending directors to refer to at any time.

When convening a board meeting, relevant personnel from related departments or subsidiaries may be notified to attend the meeting according to the content of the proposal. When necessary, accountants, lawyers, or other professionals may also be invited to attend the meeting and provide explanations. However, they shall leave the room during discussions and voting.

When the chairman of the board of directors has reached the scheduled meeting time and more than half of the directors are present, the meeting shall be announced. If, at the scheduled meeting time, less than half of the directors are present, the chairman may announce a postponement of the meeting, which shall be limited to two postponements. If the number of present directors is still less than half after two postponements, the chairman may reconvene the meeting in accordance with the procedures specified in Article 3, paragraph 2.

The term "all directors" referred to in the preceding paragraph and in Article 16, paragraph 2, subparagraphs shall be calculated based on the actual number of directors.

Article 9 The entire process of the board meeting of the company shall be recorded by audio or video for preservation and shall be kept for at least five years. The preservation may be done in electronic form.

If a lawsuit arises concerning a decision of the board of directors before the expiration of the preservation period in the preceding paragraph, the relevant audio or video records shall continue to be preserved until the end of the lawsuit.

In the case of a video conference, the video and audio data shall be a part of the meeting minutes and shall be properly preserved during the company's existence.

Article 10 The agenda of the regular board meetings of the company shall include at least the following items:

1. Reporting items:

- (1) Minutes and execution of the previous meeting.
- (2) Important financial business reports.
- (3) Internal audit reports.
- (4) Other important reporting items.

2. Discussion items:

- (1) Matters for discussion that were deferred from the previous meeting.
- (2) Matters scheduled for discussion at the current meeting.

3. Extemporaneous motions

Article 11 The board of directors of the company shall follow the agenda as set forth in the meeting notice. However, the agenda may be changed with the consent of a majority of the attending directors.

The chairman may not adjourn the meeting without the consent of a majority of the attending directors.

If the number of directors present does not constitute a majority during the board meeting, and a motion is made by a present director, the chairman shall adjourn the meeting temporarily and the provisions of Article 8, paragraph 3 shall apply.

Article 12 The following matters shall be discussed by the Board of Directors:

- (1) The operational plan of this company.
- (2) Annual financial reports and semi-annual financial reports. However, if the semi-annual financial report does not require an auditor's audit certification under relevant laws and regulations, it is not subject to this restriction.
- (3) The establishment or revision of internal control systems pursuant to Article 14-1 of the Securities and Exchange Act and the assessment of the effectiveness of internal control systems.
- (4) The processing procedures for significant financial transactions such as the acquisition or disposal of assets, derivative trading, lending of funds to others, endorsement or guarantees for others, as stipulated in Article 36-1 of the Securities and Exchange Act.
- (5) The solicitation, issuance or private placement of equity securities.
- (6) The election or removal of the Chairman of the Board
- (7) The appointment or dismissal of the financial, accounting or internal audit officer.
- (8) Donations to related parties or significant donations to non-related parties. However, for donations of a charitable nature made for urgent disaster relief, they may be ratified at the next board meeting.

- (9) Matters that should be resolved by the shareholders' meeting or the board of directors under laws, regulations, the Articles of Incorporation, or significant matters prescribed by the regulatory authority under Article 14-3 of the Securities and Exchange Act.

The term "related party" in subparagraph 7 above refers to the related parties defined by the Regulations Governing the Preparation of Financial Reports by Securities Issuers. The term "significant donations to non-related parties" in subparagraph 7 refers to donations of NTD 100 million or more to the same recipient within one year, or donations that account for 1% or more of the net revenue or 5% or more of the paid-in capital verified by a certified public accountant in the most recent fiscal year.

For the purposes of this provision, "within one year" shall be calculated backward from the date of the current board meeting, excluding those that have already been approved by the Board of Directors.

For foreign companies with no par value or a per share par value other than NTD 10, the calculation of the amount under subparagraph 2 above based on paid-in capital shall be based on 2.5% of shareholder equity.

At least one independent director shall attend the Board of Directors meeting in person. For the matters that should be resolved by the Board of Directors under subparagraph 1 above, all independent directors shall attend the Board of Directors meeting. If an independent director cannot attend the meeting in person, he/she should appoint another independent director to attend on his/her behalf. If an independent director disagrees or has reservations, it should be recorded in the minutes of the Board of Directors meeting. If an independent director cannot attend the Board of Directors meeting to express disagreement or reservation, except for justified reasons, he/she should issue a written opinion in advance, which should be recorded in the minutes of the Board of Directors meeting.

Article 13: When the chairman considers that the discussion of a motion has reached the stage at which it can be put to a vote, he/she may announce the suspension of the discussion and put the motion to a vote.

When voting on a motion at a meeting of the board of directors of the Company, if the chairman asks for objections and there are no objections from all attending directors, it is deemed to have been approved. If there are objections, the motion shall be put to a vote.

The method of voting shall be selected by the chairman from one of the following methods, but if there are objections from attending directors, a majority opinion shall be sought to determine the method of voting:

- (1) Hand vote or electronic voting.
- (2) Roll call vote.
- (3) Ballot vote.
- (4) Any other voting method adopted by the Company.

The term "all attending directors" in the first two paragraphs does not include directors who are not allowed to exercise voting rights in accordance with the provisions of

Article 15, Paragraph 1.

Article 14 Unless otherwise provided by the Securities and Exchange Act or the Company Act, the resolution of the Board of Directors of the Company shall be attended by more than half of the directors and passed by the affirmative votes of more than half of the directors present.

When there are amendments or alternative proposals to the same proposal, the chairman shall determine the order of voting on the proposals. However, if one of the proposals has already been passed, the other proposals shall be deemed rejected and no further voting is required.

If it is necessary to appoint vote monitors and counters for the voting on a proposal, the chairman shall designate them, but the vote monitors shall have director qualifications.

The voting result shall be reported on the spot and recorded.

Article 15 A director who has a personal interest or whose affiliated legal person has a personal interest in a matter being discussed at a meeting shall disclose the essential details of the interest at the meeting. If there is a possibility of harm to the company's interests, the director may not participate in the discussion or voting and shall recuse himself/herself from the proceedings, nor may he/she act as a proxy for other directors to exercise their voting rights.

The resolution of the board of directors of the Company shall apply the provisions of Article 180, paragraph 2 of the Company Act mutatis mutandis to a director who is not entitled to exercise voting rights in accordance with the preceding paragraph.

Article 16: The proceedings of the Board of Directors of the Company shall be recorded in minutes, which shall include the following items:

- (1) Date, time, place, and term of the meeting.
- (2) Name of the chairperson
- (3) Attendance record of the directors, including the names and number of those present, absent, or on leave.
- (4) Names and titles of any attendees.
- (5) Names of the recorders.
- (6) Reporting items.
- (7) Discussion items: method and results of each resolution, summaries of statements made by directors, supervisors, experts, and other attendees, the names of directors with a conflict of interest under the preceding article and a description of the important content of their conflict of interest, the reason for their recusal or non-recusal, recusal status, and any objections or reservations with a record or written statement from the independent directors under the preceding Article 12, paragraph 2.
- (8) Extemporaneous motions: name of proposer, method and results of the resolution, summaries of statements made by directors, supervisors, experts, and other attendees, the names of directors with a conflict of interest under the

preceding article and a description of the important content of their conflict of interest, the reason for their recusal or non-recusal, recusal status, and any objections or reservations with a record or written statement.

(9) Other necessary items to be recorded.

When a decision of the Board of Directors meets one of the following circumstances, it shall be recorded in the minutes and announced to the public within two days from the date of the board meeting on the designated information reporting website of the regulatory authority:

- (1) When an independent director has any objections or reservations with a record or written statement.
- (2) When a company with an audit committee passes a resolution with the consent of more than two-thirds of the total number of directors, without the approval of the audit committee.

The sign-in book of the Board of Directors shall be a part of the minutes and shall be properly preserved during the existence of the Company.

The minutes shall be signed or stamped by the chairperson and recorder and distributed to all directors and supervisors within twenty days after the meeting. The minutes shall be included in the Company's important files and properly preserved during the Company's existence.

The minutes under the first paragraph may be made and distributed electronically.

Article 17 Except for matters that require the Board of Directors or independent directors or relate to related party transactions as required by laws or regulations, the Board of Directors may authorize the President or the Executive Board during the recess of the Board of Directors to exercise the powers of the Board of Directors in accordance with the provisions of laws and regulations or the Company's Articles of Incorporation. The authorized matters or items are as follows:

- (1) Approval of annual budgets and review of annual financial statements.
- (2) Approval of the company's investment in other businesses or the acquisition of shares.
- (3) Acquisition of significant assets in accordance with the Company's "Asset Acquisition or Disposal Procedure".
- (4) Endorsement or guarantee in the name of the company in accordance with the Company's "Endorsement and Guarantee Operation Procedure".
- (5) Signing contracts, memoranda, letters of intent, and other documents on behalf of the company.
- (6) Company business strategies and business items.
- (7) Matters authorized in accordance with the Company's procedures for the acquisition or disposal of assets, intangible assets, and other major assets with the consent of the Shareholders' Meeting.

- (8) Matters authorized in accordance with the Company's procedures for engaging in derivative product trading and acquiring or disposing of long- or short-term investment assets with the consent of the Shareholders' Meeting.
- (9) Matters authorized in accordance with the Company's procedures for disposal of credit claims with the consent of the Shareholders' Meeting.
- (10) Fund allocation (including disbursement within the borrowing limit).
- (11) Matters authorized by the Shareholders' Meeting or the Board of Directors for the Chairman to handle or fully handle in accordance with the law.
- (12) ther powers of the Chairman authorized by the Board of Directors.

Article 18 The formulation and amendment of these Rules of Procedure shall be approved by the Board of Directors of the Company and reported to the Shareholders' Meeting.

Article 19 The Rules of Procedure for Meetings of the Board of Directors of this company were established on December 1, 2006 and implemented on January 1, 2007.

The first revision was made on October 31, 2008, and reported to the shareholders' meeting.

The second revision was made on April 19, 2013, and reported to the shareholders' meeting on June 17, 2013.

The third revision was made on August 10, 2017, and reported to the shareholders' meeting on May 28, 2018.

The fourth revision was made on March 27, 2019, and reported to the shareholders' meeting on May 31, 2019.

The fifth revision was made on November 13, 2019, and reported to the shareholders' meeting on June 22, 2020.

The Sixth revision was made on March 14, 2023, and reported to the shareholders' meeting on May 31, 2023.

HEADWAN ADVANCED MATERIALS INC.

Shareholding Facts by All Directors of the Company

March 29, 2025

Title	Name	Elected Date	Term of Office	Number of shareholding when elected		Number of shareholding as of the book closure date	
				Shares(Note)	Ratio (%)	Shares	Ratio (%)
Chairman	Liou, Han-Yin	2024.05.24	3 Years	1,737,216	2.89%	1,737,216	2.89%
Director	Chao, Wei-Chun	2024.05.24	3 Years	515,371	0.86%	515,371	0.86%
Director	Cheng, Chih-Wen	2024.05.24	3 Years	886,864	1.48%	886,864	1.48%
Director	Lee, Hwang-Pao	2024.05.24	3 Years	1,152,827	1.92%	1,152,827	1.92%
Director	Chen, Yu-Ting	2024.05.24	3 Years	1,011,401	1.68%	1,011,401	1.68%
Director	Chen, Tzu-Chin	2024.05.24	3 Years	54,963	0.09%	54,963	0.09%
Independent Director	Chen, Chien-Yuan	2024.05.24	3 Years	-	-	-	-
Independent Director	Chang, Jui-Fang	2024.05.24	3 Years	-	-	-	-
Independent Director	Chang, Shu-Mei	2024.05.24	3 Years	-	-	-	-
Number of shareholdings of all directors			Total	5,358,642	8.92%	5,358,642	8.92%

Note:

1. As of March 29, 2025, the paid-in capital of the Company is NTD 601,069,520, and the total issued shares are 60,106,952.
2. According to Article 26 of the Securities and Exchange Act, all directors collectively should hold a minimum of 4,808,556 shares.
3. As of the record date for this shareholders' meeting, the individual and total shareholdings of the directors, as listed above, have met the percentage requirement set forth in Article 26 of the Securities and Exchange Act.

1. Impact of the Stock Dividend Distribution on Operating Results, EPS, and Shareholders' Return on Investment: Not Applicable
2. The proposed employee and director compensation information for this shareholder meeting is as follows:
 - (1) The percentage or range of employee and director compensation as stated in the company's Articles of Incorporation:

According to the Company's Articles of Incorporation (Last updated on June 9, 2022), the explanation regarding the distribution of dividends is as follows:

Article 32

When there is a earning in the annual financial statements of the Company, the Company shall first pay taxes, offset the losses from the previous fiscal year, recognize 10% of the legal reserve, and recognize or reverse the special reserve complying with the relevant laws and regulations. The remaining earning adds accumulated undistributed earnings from the previous fiscal year shall be considered as distributable earnings. The Board of Directors shall propose a resolution for the distribution of dividends to the Shareholders' Meeting, and the dividends payable to shareholders shall be 50% to 100% of the distributable earnings.

If dividends or bonuses are to be paid in cash, the Board of Directors may be authorized to do so by a resolution passed by at least two-thirds of the directors present and with the consent of more than half of the attending directors, and shall report to the Shareholders' Meeting.

The Company's dividend distribution shall take into account the overall development needs of the Company, and the cash dividends shall not be less than 10% of the total dividends distributed.

Article 32-1

When the Company makes a profit in a fiscal year, it shall allocate 5% to 8% of the profit as employee compensation and up to 5% of the profit as director compensation, provided that the amount allocated does not exceed the accumulated losses.

The employee compensation may be paid in stock or cash, and shall be approved by a resolution passed by at least two-thirds of the directors present and with the consent of more than half of the attending directors, and reported to the Shareholders' Meeting.

If the Board of Directors decides to pay employee compensation in stock, it may also pass a resolution at the same time to issue new shares or repurchase the Company's shares.

The Company's Articles of Incorporation may specify the recipients of the stock or cash, including employees of controlled or affiliated companies who meet certain conditions, and the relevant procedures shall be authorized by the Board of Directors.

- (2) The proposed distribution of employee and director compensation has been approved by the Board of Directors:

The Board of Directors of the Company approved on March 5, 2025, the distribution of employee compensation for the year 2024 in the amount of NTD 2,655,499 and director compensation in the amount of NTD 1,593,299, both to be fully paid in cash.

- (3) Differences in reasons and handling situation:

The estimated accrued employee compensation payable on the books is NTD 2,655,499, and the accrued director compensation payable is NTD 1,593,299, which is the same as the distribution amount.