Stock Code：2424

LUNG HWA

ELECTRONICS

Longhua Electronics Co., Ltd.

2024 Annual General Meeting of Shareholders

Proposal References

June 25, 2024

Convening method: Physical Shareholders' Meeting

Place: No. 2, Xuzhou Road, Zhongzheng District, Taipei City
(Room 403, International Conference Center, National Taiwan University Hospital)

III. Reporting Matters

First case

Reason: The company's 2023 Operating status Report. Please inspect.

Explanation: 1. Please refer to Attachment 1 on pages 14-19 of handbook for the company's 2023 Business Report.

2. Please inspect.

Second case

Reason: The Audit Committee’s Review Report for the 2023 final accounts. Please inspect.

Explanatory: 1. Please refer to Attachment 2 on page 20 of handbook for the Audit Committee’s Review Report.

2. Please inspect.

Third case

Reason: Implementation situation of private placement of common shares report. Please inspect.

Explanatory: 1. Implementation situation of private placement of common shares report, please refer to Attachment 4 on pages 40-43 of handbook.

2. Please inspect.

Fourth case

Reason: Report on 2023 Accumulated Losses Reaching One-Half of Paid-in Capital. Please inspect.

Explanatory: 1. According to Article 211 of the Company Law, when company loss reaches half of paid-in capital, the board of directors shall report to the latest Shareholders' meeting.

2. The cumulative loss of the company's 2023 financial statements audited by CPAs was NT$684,471,791, which has exceeded half of the paid-in capital of NT$532,750,000. It was submitted to the 2024 Annual General Meeting of Shareholders in accordance with the law.

3. Please inspect.

Fifth case

Reason: Report on Amendment to the Company’s “Rules of Procedures for the Board of Directors”. Please inspect.

Explanatory: 1. In accordance with No.1120383996 issued by the Financial Supervisory Commission on January 11, 2024, amend some articles of the "Regulations Governing the Exercise of Powers by Audit Committees of Public Companies" and the article 12,13 of " Regulations Governing Procedures for the Board of Directors Meeting of Public Companies". Amends some articles of the Company’s “Rules of Procedures for the Board of Directors” specifically.

2. For the draft comparison table of Amendment articles, please refer to Attachment 5 on page 44 of handbook.

3. Please inspect.

IV. Adoption matters

The first case Proposed by the board of directors

Reason: Adoption of the 2023 Business Report and Financial Statements, please adopt it.

Explanatory: 1. The company's 2023 business report and financial statements have been prepared and passed by the resolution of the board of directors on March 28, 2024. The financial statements have been audited by CPAs Lin Boquan and Weng Shirong of PWC United Accounting Firm.

2. The company's 2023 business report and the above-mentioned financial statements have been submitted to the audit committee for review and issued review report.

3. Please refer to Attachment 1 on pages 14-19 and Attachment 3 on pages 22-39 of handbook for the company's 2023 business report, financial statements and CPAs' audit report.

4. Please adopt.

Resolution:

The second case Pproposed by the board of directors

Reason: Adoption of the Proposal for 2023 Deficit Compensation, please adopt it.

Explanatory: 1. The company's deficit yet to be compensated at the beginning of the period was $489,912,019, and the after-tax loss in 2023 was NT$194,559,772, and the losses to be made up in 2023 were NT$684,471,791. It is proposed to deficit compensation by paid-in capital NT$349,834,900 according to Article 239 of the Company Law. After compensation, the company's deficit yet to be compensated at the end of the period was $334,636,891. Please refer to page 6 of handbook for the Deficit Compensation table.

2. Please adopt.

Resolution:

Longhua Electronics Co., Ltd.

2023 Deficit Compensation table

Unit: NT$

Item	Amount
Deficit yet to be compensated at the end of at the beginning of the period	(489,912,019)
Net profit (loss) after tax in 2023	(194,559,772)
2023 Deficit yet to be compensated	(684,471,791)
Deficit Compensated Item:	
Capital reserve-share premium	349,834,900
Deficit yet to be compensated at the end of the period	(334,636,891)

Chairman: WANG, WKANG-HSIANG Manager: WANG, SHARON Accounting Supervisor: Zheng Youzheng

V. Discussion matters

The first case Proposed by the board of directors

Reason: Proposal for a cash offering by private placement. Please discuss.

Explanatory:

1. In order to enrich working capital, improve the financial structure or other capital needs in response to the company's future development, to maintain the sustainable development of the company's business and enhance the company's competitiveness, there is a capital need. It is planned to comply with Article 43-6 of the Securities and Exchange Act and relevant laws and regulations, a private placement of common shares shall be conducted within the limit of no more than 15 million common shares, with a face value of NT$10 per share, and shall be issued in installments within one year from the date of approval of the resolution of the shareholders' general meeting, and the installments shall be issued in no more than 4 times.
2. According to the provisions of Article 43-6 of the Securities Exchange Law, the matters that should be explained when handling private placement are as follows:

(1) Necessary reasons for private placement:

A. Reasons for not using public issuance: It is difficult for the company to measure the current financing market conditions. In order to ensure the timeliness and raise funds feasibility and reduce capital costs effectively, it plans to use private placement to increase cash capital and issue private placement common shares. In addition, by authorizing the board of directors to use private placements based on market conditions and in line with the company's actual needs, the flexibility and efficiency of the company's financing will be improved.

B. Private placement quota: no more than 15 million common shares.

C. The use of funds for private placement and Estimated benefits: This private placement of securities can be processed once or in batches within one year from the date of resolution of the shareholders' meeting. The use of funds and expected benefits for each batch of private placements are as follows:

Estimated number of times	Estimated number of shares for private placement (thousand shares)	Purpose of funds in each time	Estimated benefits for each time
First time	3,750	To enrich working capital, improve financial structure or other capital needs to meet the company's future development.	Reduce the company's operating risks, improve the company's financial structure, and improve future operating efficiency, which has positive benefits for shareholders' equity.
Second time	3,750		
Third time	3,750		
Fourth time	3,750		
The estimated issuance quota for the above-mentioned time processing may be adjusted according to the actual issuance status. During each actual processing, all or part of the previously unissued shares and/or the subsequent expected number of shares to be issued may be issued simultaneously. But the total number of shares issued shall not exceed 15,000 thousand shares.			

(2) Basis and rationality of price setting:

A. The private placement price shall not be lower than the 80% of the price set by the company's board of directors in accordance with the pricing basis authorized by the shareholders' meeting resolution before the pricing date based on the following two bases:

(a) Calculate the simple arithmetic average of the closing price of common shares one, three or five business days before the pricing date, deduct the free allotment ex-rights and dividends, and add back the share price after capital reduction and anti-ex-rights.

(b) The simple arithmetic average of the closing prices of common stocks in the thirty business days before the pricing date, deducting free allotment ex-rights and dividends, and adding back the share price after capital reduction and anti-ex-rights.

B. The actual issuance price of this private equity transaction shall not be lower than the resolution of the shareholders' meeting, and the board of directors shall be authorized to decide according to the above-mentioned pricing principles based on future consultation with specific persons and market conditions, but shall not be lower than the par value of the shares.

C. The pricing method of this private placement case is based on the provisions of "Public Companies Should Note When Handling Private Placement of Securities" and takes into account the future development of the company and the transfer time, objects and quantity of private placement securities. There are strict restrictions. Moreover, it is not allowed to negotiate for listing within three years, and there are factors such as poor liquidity. Therefore, the setting of the private placement price should be reasonable and will not have a significant impact on shareholders' rights and interests.

(3) How to choose a specific person:

A. The specified person for the securities in this private placement case shall comply with the Limited to specific persons which provisions of Article 43-6 of the Securities and Exchange Act and the provisions of the Financial Supervisory Commission’s (112)No. 1120383220 of September 12, 2023, and the provisions of September 1, 2010 as stipulated in the revised provisions of "Public Companies Should Pay Attention to Private Placement of Securities" No.0990046878 letter issued by the Financial Management and Securities Regulatory Commission.

B. The company has not yet negotiated a specific applicant, but the selection method and purpose, necessity and expected benefits of the applicant are as follows:

a. Selection method and purpose: It is proposed that the board of directors authorize the chairman to give priority consideration to those who can directly or indirectly benefit the company's future operations, and can contribute to the company's profits, and can directly or indirectly benefit shareholders' rights and interests, and select them from various specific persons who meet the requirements of the competent authority.

b. The necessity and expected benefits of candidates being strategic investors: In order to respond to the industry trend, improve operational efficiency, and improve financial structure, the company plans to introduce strategic investors, optimize the equity structure, and use their funds, technology, and knowledge , brand or business capabilities, etc., are expected to provide the company with production efficiency, quality optimization, expand customer base, reduce operating costs and operating pressure, and strengthen the company's long-term competitiveness.

(4) If the applicant to be negotiated in this private placement case is an insider or related party:

A. List of insiders or related parties:

Shareholder account name	The applicant is an insider or related person
WANG, WKANG-HSIANG	Chairman of the company (legal representative of Xinqing)
WANG, SHARON	Director and general manager of the company (legal representative of Rhodes)
ALLEN Y. WANG	Director of the company (Sanya legal person representative)
Wang Yawei	The directors of the company are related by the first degree
Li Yanzhang	Director of the company (legal representative of Shanyuan Construction)
Lin Kunming	Director of the company (legal representative of Xinqing)
Wang Xu Xue'e	Shareholders of the company
Xinqing Investment Development Co., Ltd.	Director of the company
ROWDA TECH COMPANY	Director of the company
Sanya Investment Co., Ltd.	Director of the company
Shanyuan Construction Co., Ltd.	Director of the company
Zhonghua Investment Co., Ltd.	Some of the directors are the same as the company
Sanli Investment Co., Ltd.	Some of the directors are the same as the company
Huazhu Engineering Co., Ltd.	Related person

B. The selection method and purpose of insiders or related parties: have a good understanding of the company's operations.

C. Relationship between the top 10 shareholders of the applicant and the company:

Xinqing Investment and Development Co., Ltd.				
No.	Shareholder name	Number of shares	Ratio %	Relationship with the company
1	Wang Yafeng	168,000	2.21	2-degree relationship with the chairman of the company
2	Wang Yacheng	354,000	4.66	2-degree relationship with the chairman of the company
3	WANG, WKANG-HSIANG	1,949,000	25.64	Chairman of the company
4	Wang Xu Xue'e	776,000	10.21	Shareholders of the company
5	ALLEN Y. WANG	799,000	10.51	Director of the company
6	Wang Lichi	232,000	3.05	3-degree relationship with the chairman of the company
7	WANG, SHARON	566,000	7.45	Director of the company
8	Wang Yawei	566,000	7.45	Shareholders of the company
9	Zhonghua Investment Co.,	1,123,000	14.78	Shareholders of the company

	Ltd.			
10	Sanya Investment Co., Ltd.	750,000	9.87	Director of the company

ROWDA TECH COMPANY				
No.	Shareholder name	Number of shares	Shareholding ratio%	Relationship with the company
1	Shanyuan Construction Co., Ltd.	88,000,000	100%	Director of the company

Sanya Investment Co., Ltd.				
No.	Shareholder name	Number of shares	Shareholding ratio %	Relationship with the company
1	Wang Xu Xue'e	2,506,000	31.33	Shareholders of the company
2	WANG, WKANG-HSIANG	2,506,000	31.33	Chairman of the company
3	ALLEN Y. WANG	1,466,000	18.33	Director of the company
4	Wang Lichi	76,000	0.95	3-degree relationship with the chairman of the company
5	WANG, SHARON	609,000	7.61	Director of the company
6	Wang Yawei	609,000	7.61	Shareholders of the company
7	Wang Liqun	76,000	0.95	3-degree relationship with the chairman of the company
8	Wang Liming	76,000	0.95	3-degree relationship with the chairman of the company
9	Wang Liju	76,000	0.95	3-degree relationship with the chairman of the company

Shanyuan Construction Co., Ltd.				
No.	Shareholder name	Number of shares	Shareholding ratio%	Relationship with the company
1	Sanyuan Investment Co., Ltd.	14,732,214	31.74	None
2	WANG, WKANG-HSIANG	7,069,187	15.06	Chairman of the company
3	Sanya Investment Co., Ltd.	6,451,206	13.74	Director of the company
4	Chen Yusheng	6,068,006	12.93	Shareholders of the company
5	Chen Wu Jingmei	4,172,749	8.89	Shareholders of the company
6	Wang Xu Xue'e	2,695,841	5.74	Shareholders of the company
7	Chen Qisheng	976,992	2.08	Shareholders of the company

8	Xu Nengci	851,695	1.81	Shareholders of the company
9	Chen Wenjuan	694,851	1.48	Shareholders of the company
10	Chen Wenjin	678,674	1.45	Shareholders of the company

No.	Zhonghua Investment Co., Ltd.			
1	Shareholder name	Number of shares	Shareholding ratio %	Relationship with the company
2	Wang Yacheng	28,000	2.8	2-degree relationship with the chairman of the company
3	Wang Yafeng	28,000	2.8	2-degree relationship with the chairman of the company
4	WANG, SHARON	222,000	22.2	Director of the company
5	Wang Yawei	222,000	22.2	Shareholders of the company
6	ALLEN Y. WANG	200,000	20	Director of the company
7	Wang Lichi	100,000	10	3-degree relationship with the chairman of the company
8	Wang Xu Xue'e	100,000	10	Shareholders of the company
9	Sanya Investment Co., Ltd.	100,000	10	Director of the company

No.	Sanli Investment Co., Ltd.			
1	Shareholder name	Number of shares held	Shareholding ratio %	Relationship with the company
2	Wang Xu Xue'e	8,200,000	68.33%	Shareholders of the company
3	WANG, SHARON	200,000	1.67%	Director of the company
4	ALLEN Y. WANG	200,000	1.67%	Director of the company
5	Wang Yawei	200,000	1.67%	Shareholders of the company
6	Wang Lichi	800,000	6.67%	3-degree relationship with the chairman of the company
7	Wang Liqun	800,000	6.67%	3-degree relationship with the chairman of the company
8	Wang Liming	800,000	6.67%	3-degree relationship with the chairman of the company
9	Wang Liju	800,000	6.67%	3-degree relationship with the chairman of the company

Huazhu Engineering Co., Ltd.				
No.	Shareholder name	Number of shares held	Shareholding ratio %	Relationship with the company
1	Shanyuan Construction Co., Ltd.	6,400,000	100.00	None

(5) If the candidates to be negotiated in this private placement case are not insiders or related parties, it is planned to submit a request to the shareholders' meeting to authorize the board of directors to handle it with full authority.

(6) The rights and obligations of the ordinary shares in this private placement are the same as those of the company’s issued ordinary shares. However, according to the provisions of the Securities and Exchange Act, the ordinary shares in this private placement may not be sold within three years from the date of delivery, except for transfer in accordance with Article 43-8 of the Securities and Exchange Act. Three years after the completion of the private placement of ordinary shares from the date of delivery, the board of directors is authorized to decide whether to apply to the competent authority for supplementary issuance and securities listing and trading in accordance with relevant regulations based on the prevailing conditions.

3. If the common shares in this private placement are calculated based on the upper limit of 15 million shares, and the common shares after the company plans to issue 3,000,000 common shares in the fourth private placement in 2023, the maximum equity dilution rate for the original shareholders will be 26.65%. Considering that the funds raised this time are expected to be used to enrich working capital, improve financial structure or other purposes to meet the company's future development capital needs, its benefits will have an impact on shareholders' rights and interests, so the proposed issuance of new shares will not affect the rights and interests of original shareholders and cause significant dilution.
4. The number of issued shares of this private equity common stock, issuance price, selection of applicants, capital increase base date, issuance conditions, planned projects, raised amount, fund utilization and progress, expected benefits and other undiscussed matters or what happens in the future. If revisions are necessary due to changes in laws, opinions of the competent authorities, or changes in operational assessment or objective circumstances, the shareholders' meeting is proposed to authorize the board of directors to handle the matter with full authority.
5. After the private placement case is approved by the board of directors, the shareholders' meeting is proposed to authorize the chairman and his designated person to sign, negotiate and change all contracts and documents related to the issuance of ordinary shares in the form of private placement on behalf of the company, and to handle all matters for the company. Matters related to the issuance of common shares through private placement.
6. In accordance with the provisions of Article 43-6 of the Securities and Exchange Act regarding the company's private placement of securities proposal, please refer to the Disclosure Information Observatory (website: http://mops.twse.com.tw/) for details. Please click (Enter the Investment Zone) Private Equity Zone.

Resolution:

The second case Proposed by the board of directors

Reason: Amendment to some articles of the company's "Operational Procedures for Loaning of Company Funds". Please proceed to discuss.

Explanatory:

1. According to the Taiwan Stock Exchange’s No. 1131800276 letter, the limit standard for the total amount of funds loaned to business contacts need to be added, and some articles of the company’s " Operational Procedures for Loaning of Company Funds " are planned to be amended.
2. Comparison table of before and after the amendments to articles, please refer to Attachment 6 on page 45 of Handbook.

Resolution:

VI. Election matter

Proposed by the board of directors

Reason: Comprehensive Re-election of directors of the company. Please discuss.

Explanatory:

1. The term of the company's directors will expire on July 28, 2024. According to the law, a comprehensive re-election in advance will be submitted to 2024 general shareholders meeting.
2. According to the company's articles of association, it is planned to elect 9 directors (including 4 independent directors) at 2024 general shareholders' meeting. The term of the new director is 3 years and may be re-elected. The term is from June 25, 2024 to June 24, 2027. They will take office immediately after the shareholders' meeting.
3. The company’s director election adopts the candidate nomination system stipulated in Article 192-1 of the Company Law. Shareholders should select directors from the list of candidates. For the list of candidates reviewed and approved by the board of directors, please refer to pages 46 of this handbook. Attachment 7. For the company’s “Rules for Director Elections”, please refer to Appendix 3 on pages 62-63 of Handbook.

Resolution:

VII. Other proposal

Proposed by the board of directors

Reason: Release the Prohibition on new Directors and their representatives from Participation in Competitive Business. Please discuss.

Explanation:

1. According to Article 209 of the Company Law, “A Director who does anything for himself or on behalf of anither person that within the scope of the company’s business, shall explain to the meeting of shareholders the important contents of such an act and secure its approval".
2. Please refer to the details of directors (including independent directors) who intend to release the prohibition of the competition and their representative who concurrently hold positions in other companies, please see attachment 8 on page 47-50 of Handbook.

Resolution:

VIII. Extraordinary motion

IX. Meeting adjournment