



# GOVERNANCE FOR CATCHER

Call to Vote **FOR** on Shareholder Proposal

## COMPANY

**Catcher Technology Co., Ltd.**

## TICKER

**2474 (Taiwan)**



## AGM

VOTING PERIOD : **Apr 30<sup>th</sup> – May 27<sup>th</sup>, 2024**

MEETING DATE : **May 30<sup>th</sup>, 2024**

## PROPOSAL

**Vote FOR**



***Shareholders' proposal to amend Articles of Incorporation***

## ABOUT THE SHAREHOLDERS

[governanceforcatcher.com](https://governanceforcatcher.com)

### **Argyle Street Management**

Argyle Street Management (ASM) is a Hong Kong-based fund manager. We focus on undervalued, high-quality assets in Asia with a viable path of unlocking value.

### **TIH Limited**

TIH Limited (formerly known as Transpac Industrial Holdings Limited) ("TIH") is a SGX-listed closed-end fund set up in 1994, and is managed by one of the most established private equity investment teams in Asia.

## SHAREHOLDER PROPOSAL

Vote FOR



In accordance with Article 18 of Catcher's Articles of Incorporation:

**The Board of Directors** is authorized to approve the distribution of profits partly or all in cash and report the distribution to the annual general meeting of shareholders.

### *We Proposed Amendments to the Company's AOl:*

#### Comparison for the Amendment to the Articles of Incorporation

After amendment	Before amendment	Remark
Article 18:  (Paragraph 1 is abridged)	Article 18:  (Paragraph 1 is abridged)	Proposed by shareholders to eliminate some provisions in Article 18.

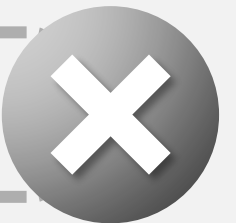
**Restore shareholders' ability to propose and to vote on cash dividend.**

## Catcher's Current Articles of Incorporation:

**Board**

Has **Full Authority** to Propose and Approve  
Cash Dividend Distribution

Shareholders



**NO SAY**

Note: Original shall be able to be proposed by shareholders and to be approved by shareholder's meeting.  
But in 2019 AGM Catcher amended AOI, changed from shareholders to Board to propose and to decide only.

We proposed

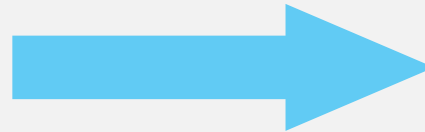
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**Amendments to the Company's AOI:**

**Authority to Propose and Approve**  
**Cash Dividend Distribution**

**Catcher**

**Board**



**We Request**

**Shareholders**



# Long-Term Shareholders

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## ABOUT THE SHAREHOLDERS

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**We've been holding for 3~4 years, and are long-term shareholders**

**We actively engage with Catcher on a quarterly basis after earnings announcements**

***But are unable to gain meaningful response from the Company on how to improve its capital structure, governance and strategic planning.***

# Our Concerns FOR CATCHER

## GOVERNANCE

### BOARD

- **Family-Controlled Company**
- **Violate the goodwill of company law amendments**
- **Fined by FSC violating shareholder rights**  
by refusing shareholder proposal
- **Not receptive to supervision**  
(shareholders / regulations )

**UNPREPARED**

**UNWILLING**

## FUNDAMENTALS

### FINANCIALS

- **Deteriorating financial performance**
- **No Capital Expenditure Plan** (Lack of transparency and disclosure)
- **Inconsistent implementation of alleged transformation**
- **Excessive cash reserve on its balance sheet WITHOUT** returning more to shareholders

**UNDERPERFORMING**

**UNDER-UTILIZED**

**WE BELIEVE**

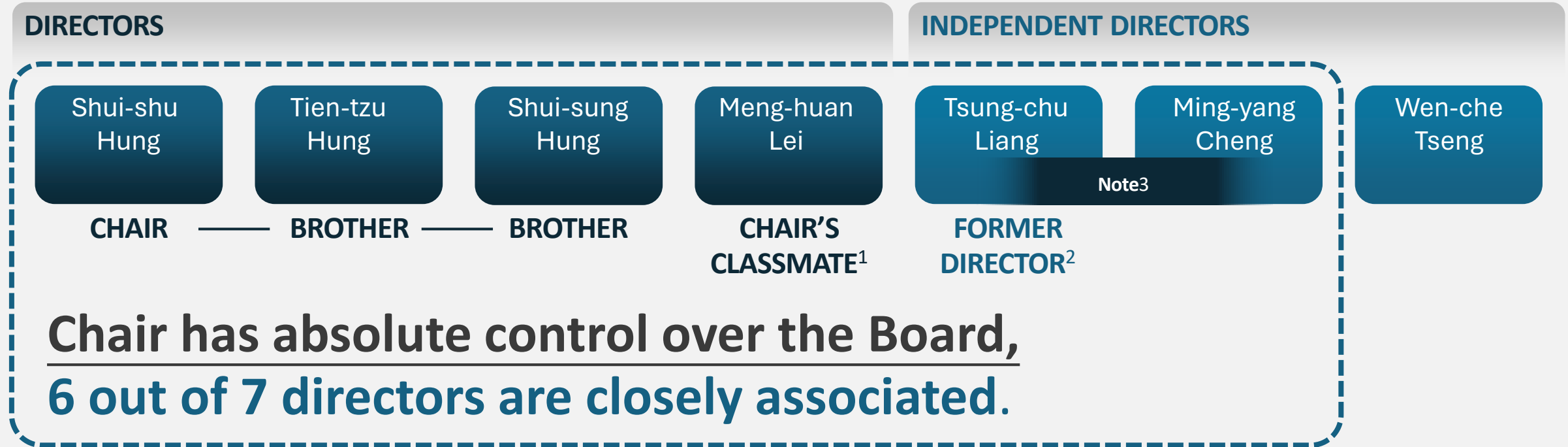
## **Shareholders**

**Should be able to Propose &  
are Better Positioned  
to Decide Cash Dividend Distribution**



# Hung Family Owns THE BOARD

The Board consists of siblings and close associates.



Note 1: National Taiwan University.

Note 2: Liang was Catcher's Non-INED for 7 years (2006-2013) + INED (2019~Now)

Note 3: Liang & Cheng are **current colleagues (professors)** at **National Cheng Kung University** (both Department of Electrical Engineering) and have a **long overlapping history** since University of Missouri (Ph.D/Masters in Engineering), and Bachelors in National Chiao Tung University.

# Goodwill for Taiwan Company Act Amended

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**2018**

**Goodwill is to allow companies such as TSMC (2330.Taiwan) to distribute interim Quarterly dividends.**

Taiwan Company Act Amended<sup>1</sup>, Companies **may** grant Board full authority to approve cash dividend distribution

**Note1:** Taiwan Company Act 27<sup>th</sup> Amendment, August 1, 2018

**THEREFORE, IN 2019**

**Catcher** changed AOI: Board has full authority to propose and decide cash dividend – Shareholders are deprived of such rights.

# However, Dividend Policy Remains the Same.....

## Catcher Dividend Distribution Time (2019-2023)

OUR SHAREHOLDER CAMPAIGN

DIVIDEND FOR PERIOD

2019  
MAR



2020  
MAY



2021  
APR



2022  
APR



2023  
APR



NOV



\$5

2024  
APR



\$5

2018: \$12

2019: \$10

2020: \$12

2021: \$10.21

2022: \$10

2023: \$10

Non-action for 4 years after amendment, frequency of dividend payout increased only after shareholder campaign

# Actually We Proposed in 2023 AGM

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2023 AGM

## We Proposed Amendments to the Company's AOI:

Shareholders should have voting rights  
on cash dividend distribution

2023/4/18

Board **Rejected** our proposal from 2023 AGM  
based on a wrongful interpretation of company law

**Rejected** based on legal technicality, stating the proposal entailed 2 items, rather than 1 stipulated by regulations.

### **DOUBLE STANDARD**

The same rationale does not apply to Catcher itself when the Company amended the AOI in 1 resolution in 2019.

2023/8/15

## FSC Fined Chairperson Allen Hung (Shui-shu Hung)



Source: Securities and Futures Bureau, Financial Supervisory Commission ([Link](#))

2023/8/15

## FSC Fined Chairperson Shui-shu Hung

Double standard violating shareholders' rights lead to fine of TWD\$ 240,000 for Chairperson.

Catcher becomes 1 of only 3 companies  
illegally rejecting shareholder proposal.

(Of 210 annual meetings with shareholder proposals in the past decade)

# Company Not Receptive to Criticism

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## The Company should be accountable to all shareholders

Board should be open to shareholders' suggestions and stakeholder supervision

### CATCHER'S STANCE

Fined by FSC



File Complaint

Shareholder  
Supervision



Sue Shareholder  
for Defamation

Hostile and Retaliatory

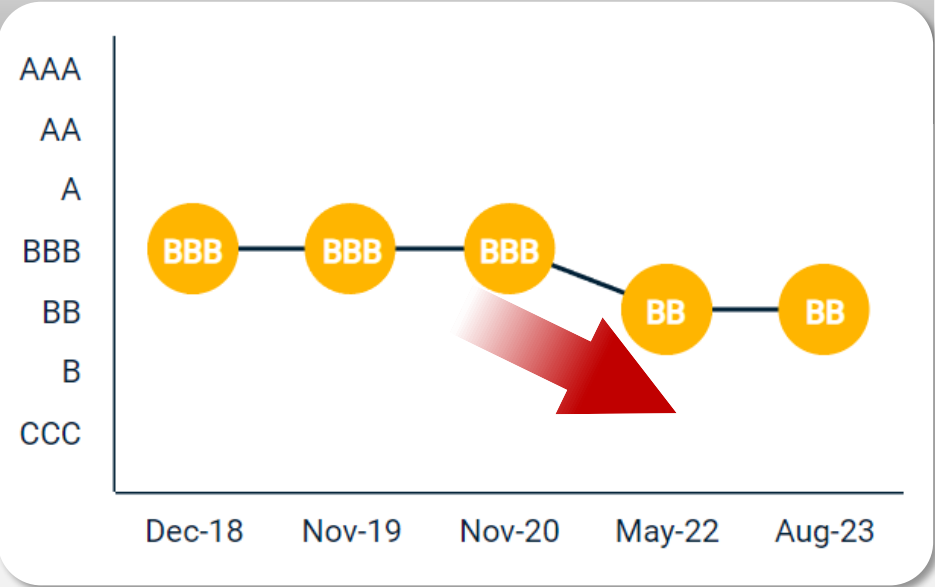


# Downgrade on ESG Rating – International and Domestic

Negligence towards governance **requires supervision**

## MSCI ESG Ratings

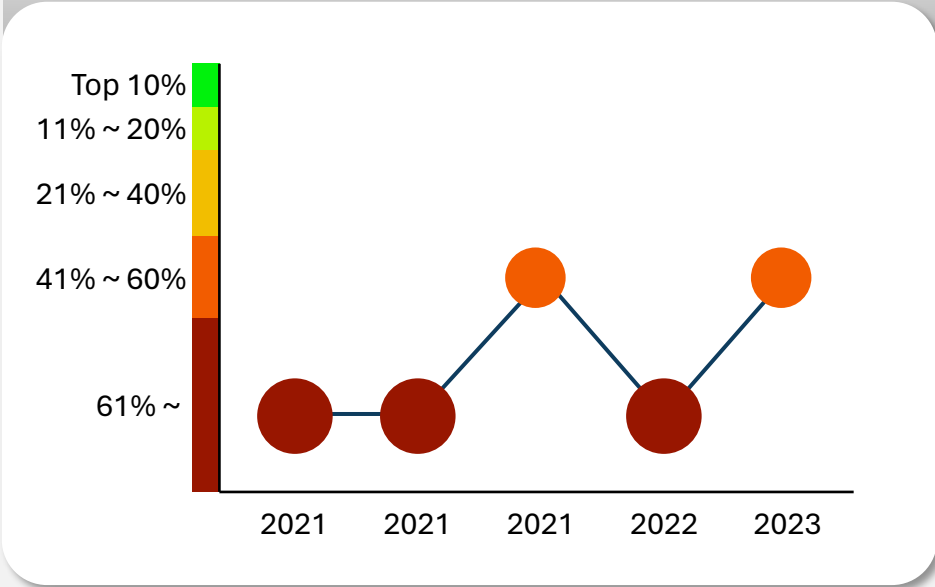
**Dropped to BB**, now currently in **bottom 58 ~ 80 percentile**



Source: MSCI ESG Ratings

## TWSE Corporate Governance Evaluation

**Consistently underperforming**  
(Electronics sector, market cap > TWD\$ 10 bn)





Source: Securities and Futures Institute, Taiwan Stock Exchange

# Shareholders' Voting Right is Global Best Practice

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For Example, in the past, two TWSE-listed Companies' Shareholders **VOTE AGAINST** board's dictatorship on dividends.

TICKER	PROPOSAL
5871.TT	
6176.TT	

Source: MOPS

**Failed to pass at AGM**

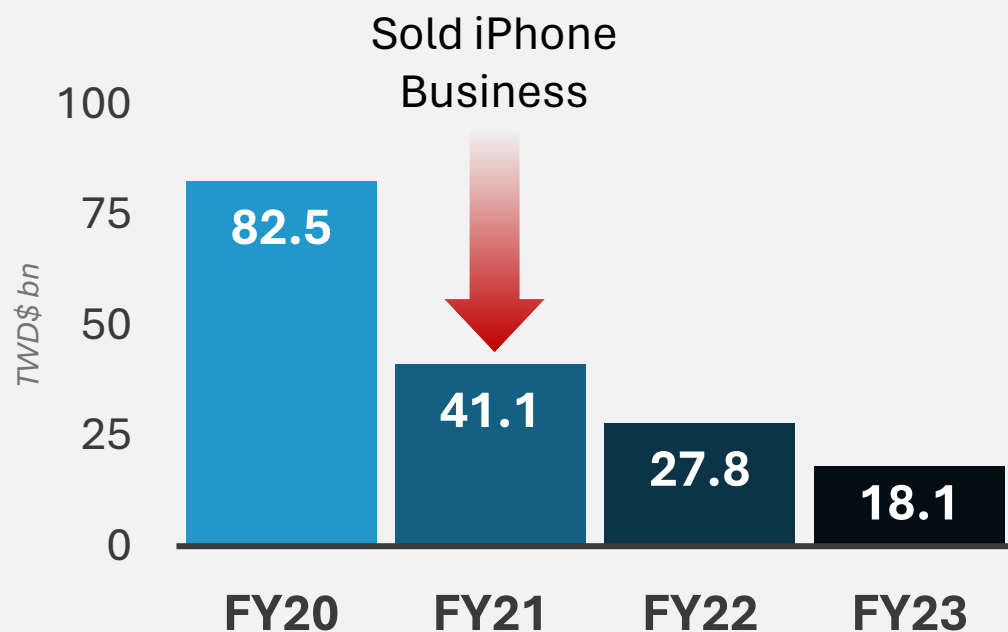
**RESULT: Shareholders maintain right to propose and to approve cash dividend distribution**

# FINANCIAL PERFORMANCE

# REVENUES ON Downward Trend, Struggle TO FIND GROWTH

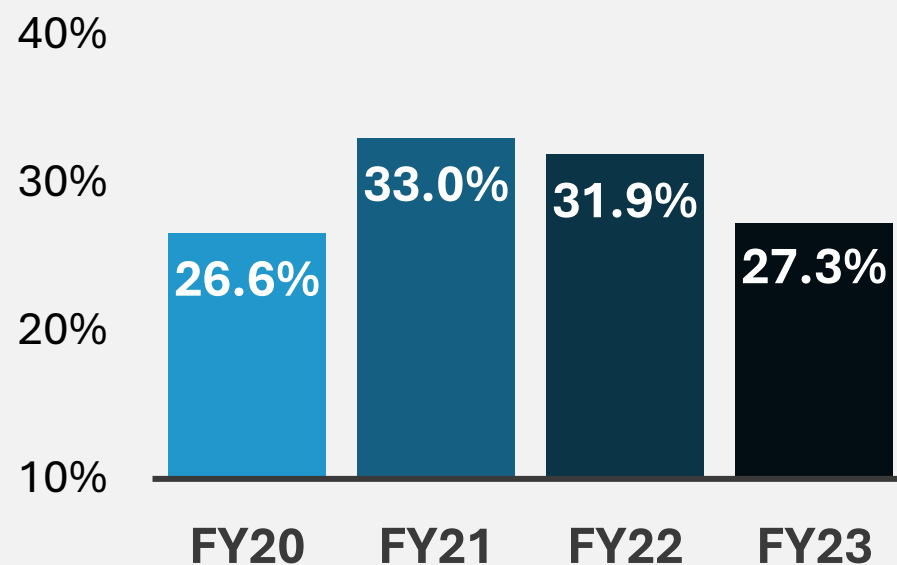
- Sales continued to deteriorate further after the sale of the iPhone business
- Gross margin fell back to the level before the sale of the iPhone business

## Sales Plummeted



Source: Company data, as of 2023/12/31

## Gross Margin Contraction

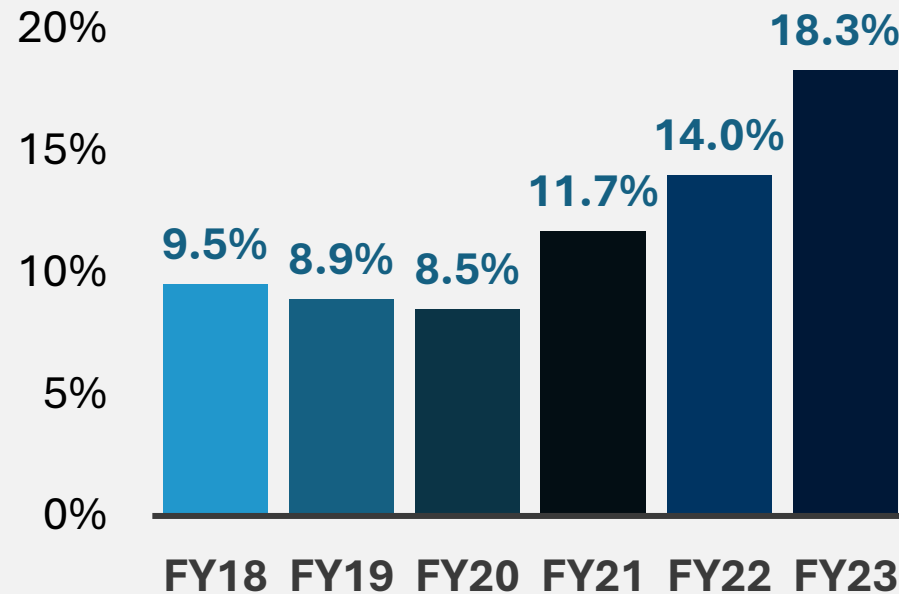


Source: Company data, as of 2023/12/31

# Poor - OPEX MANAGEMENT HAMMERS PROFITS

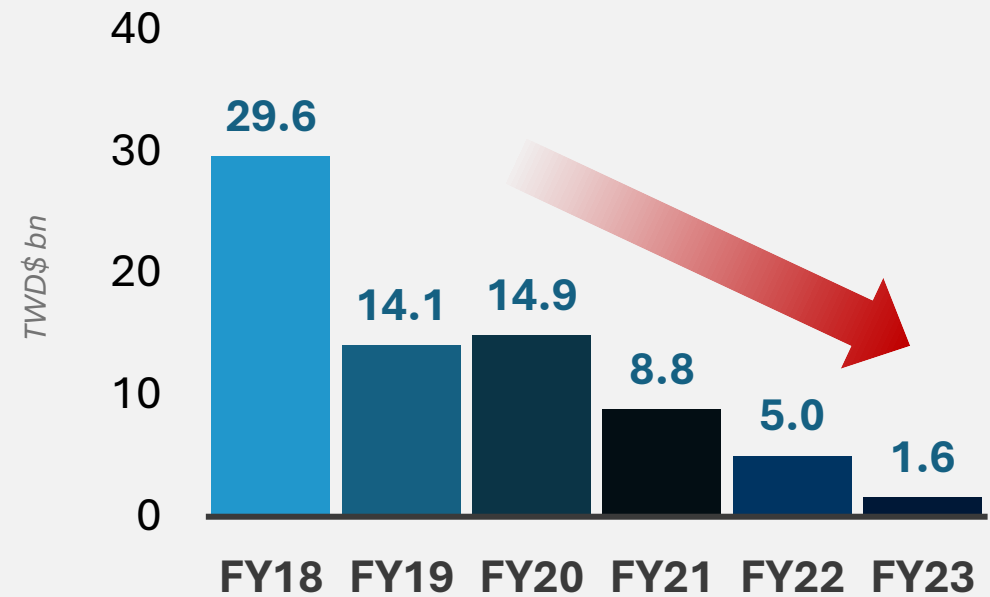
- Operating profits plunged to its lowest in the last 22 years
- OPEX ratio soared to 18.3%, and lacked proper cost adjustments

## OPEX as %, Spiked



Source: Company data, as of 2023/12/31

## Operating Profits Plunged

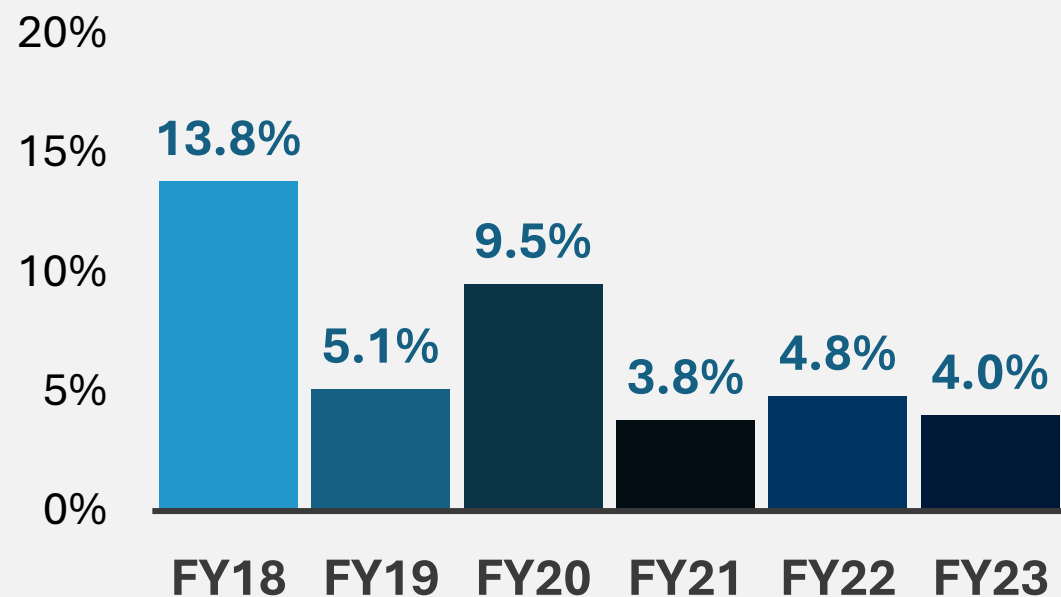


Source: Company data, as of 2023/12/31

# ROC SANK & EBT RELIED HEAVILY ON INTEREST INCOME

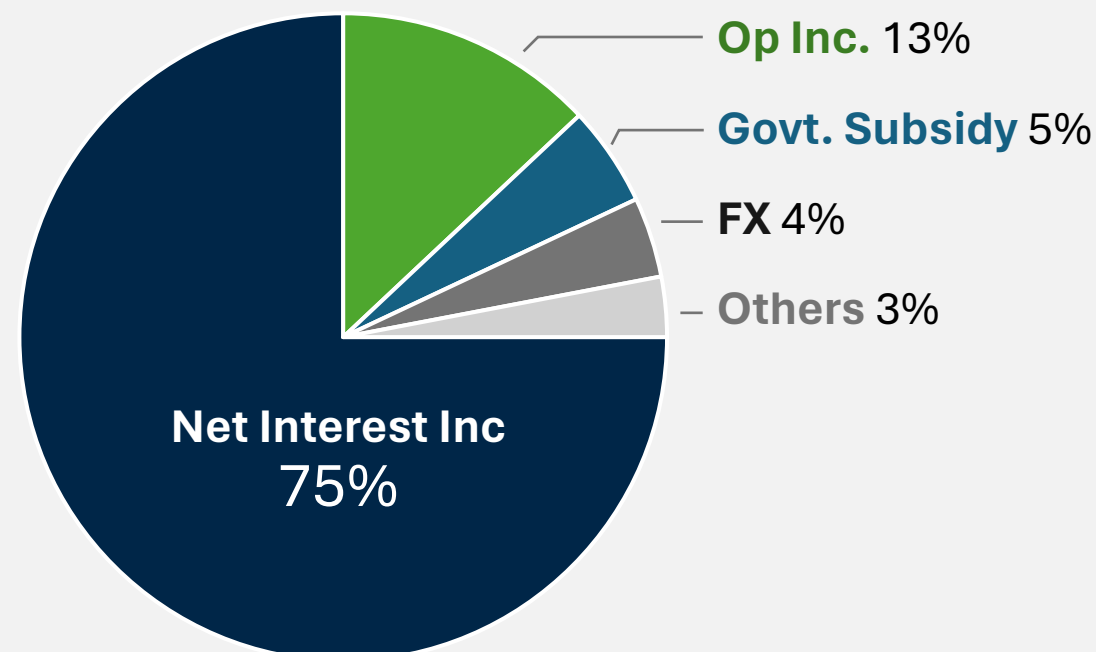
- The Return on Capital (ROC) decreased to 4.0%, second lowest historically
- OP income only accounts for 13% of EBT; Net interest income = 75% of EBT

## ROC, Near Historical Low



Source: Company data, as of 2023/12/31

## FY23 EBT



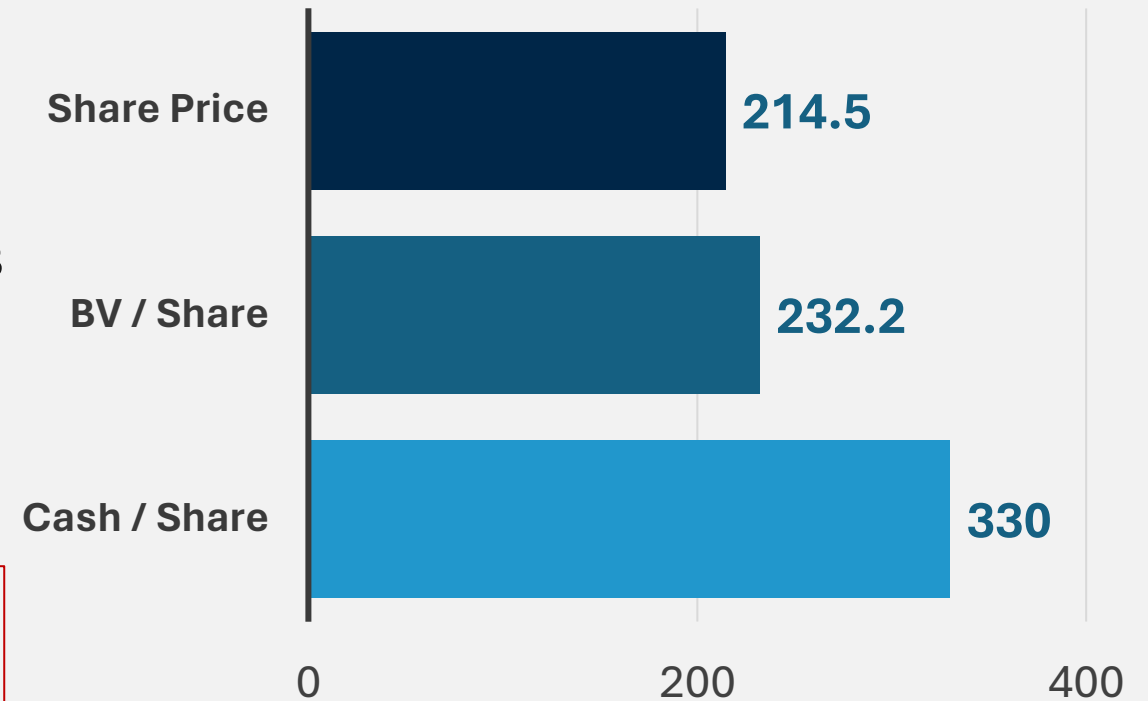
Source: Company data, as of 2023/12/31

# DIVIDEND POLICY ARBITRARY

- Div policy based on absolute dollar (TWD\$ 10 or TWD\$ 12), regardless of EPS
- Aggregated payout ratio = 49.5% for last 6 years
- Cash Equiv per share increased from ~TWD\$ 280 to ~TWD\$ 330 (Q4 2022 to Q4 2023)

**Arbitrary dividend policy regardless of business performance and capital efficiency**

## Share Price < BV and Cash Per Share

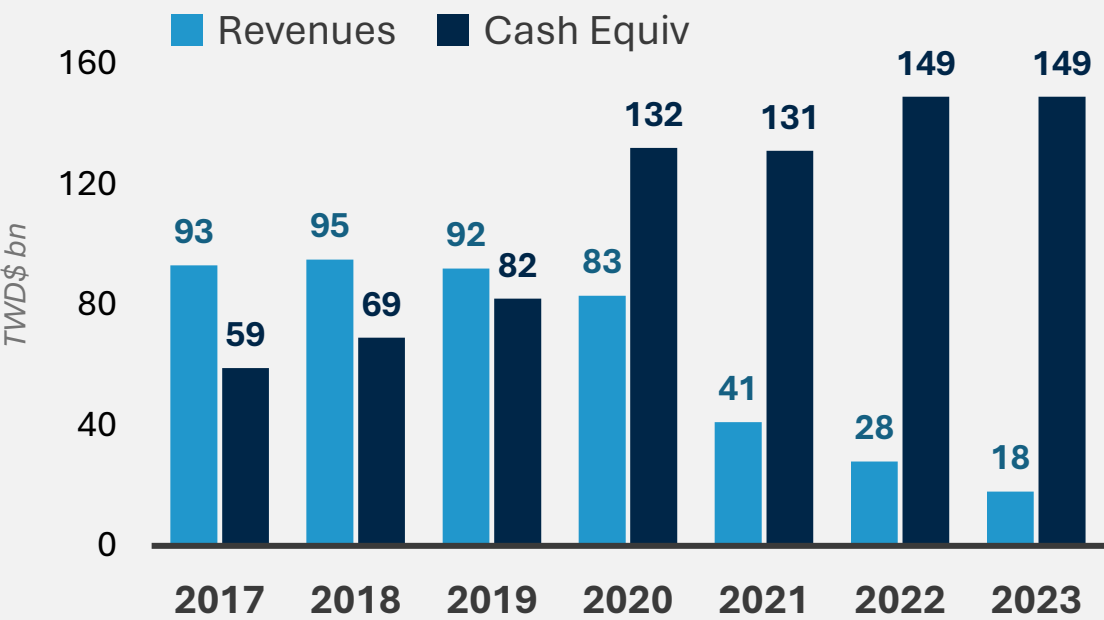


Source: Company data, as of 2023/12/31

# EXCESSIVE CASH UNNECESSARY FOR CORE BUSINESS

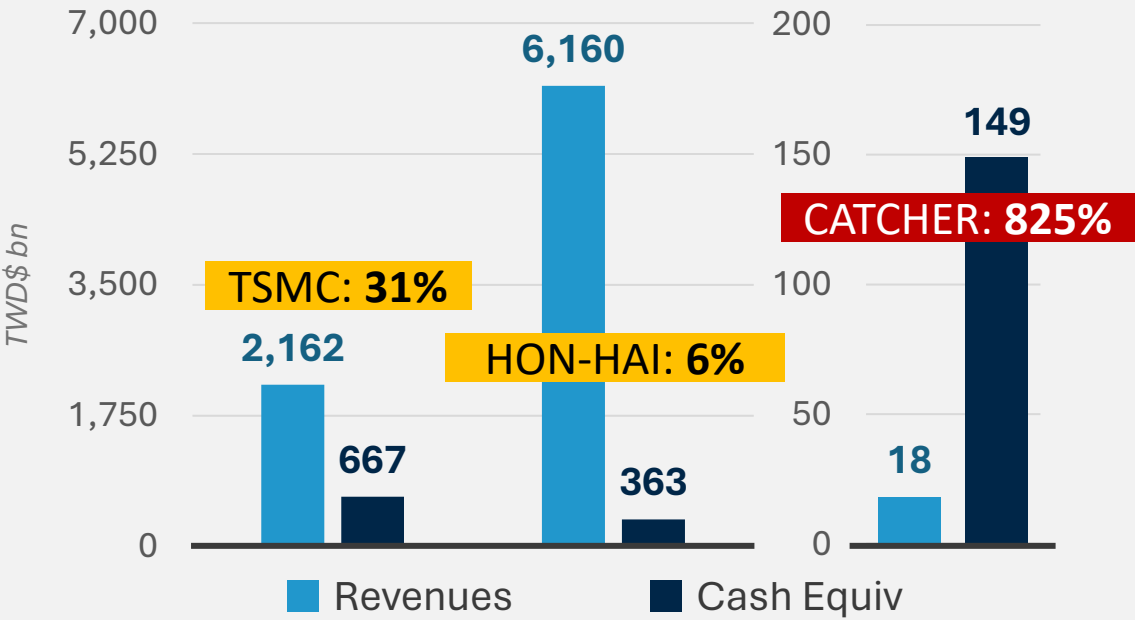
- Cash Equiv on Hand = 825% of FY23 Revenues
- Cash Equiv on Hand vs. Sales far higher than benchmark companies

Cash Equiv on Hand



Source: Company data, as of 2023/12/31

FY23 Cash Equiv vs Revenues



Source: Company data, as of 2023/12/31



# Turning Into AN INVESTMENT COMPANY

- Invested up to dozens of different financial investments in last 3 years
- Sub par or mediocre performance, compared to benchmarks
- Are these financial investments relevant to core business at all?
- US Gov Bonds as a single asset item grew **from <1% to ~90%** within a year

## Summary of Financial Investments

Equities	2022	2023
<b>Listed</b> (Stocks)	<b>4</b>	<b>13</b>
<b>Non-Listed</b> (Stocks)	2	2
<b>Mutual Funds</b> (Funds)	0	1
<b>Corporate Bonds</b> (Bonds)	54	45
<b>Private Equity Fund</b> (Funds)	5	6
<b>Simple Agreement for Future</b> (Agreements)	1	1
<b>Private Placement</b> (Placements)	2	1
<b>Limited Partnership</b> (Partnerships)	3	3
<b>US Gov Bonds</b> (Bonds)	1	1

Source: Company financial reports

As of Respective 12/31

# **We Need Your Support to Make Things Right**

## **5 Top-priority Suggestions to Catcher**

- 1. Maximize Stakeholders' Interests**
- 2. Establish Solid Sustainability Foundations**
- 3. Curb Unnecessary Investments**
- 4. Refocus Core Competencies**
- 5. Expedite Capital Expenditure Plan**