Enterprise Accounting Standard No. 34 – Earnings Per Share

Chapter 1 General Provisions

Article 1 This Standard is formulated in accordance with the Enterprise Accounting Standard – Basic Standard to prescribe the calculation and presentation of earnings per share.

Article 2 This Standard applies to enterprises whose ordinary shares or potential ordinary shares are publicly traded, and enterprises that are in the process of issuing ordinary shares or potential ordinary shares to the public.

Potential ordinary shares refer to financial instruments or other contracts that grant their holders the right to obtain ordinary shares during the reporting period or in future periods, including convertible bonds, warrants, share options, etc.

Article 3 In consolidated financial statements, an enterprise shall calculate and present earnings per share based on the consolidated financial statements.

Chapter 2 Basic Earnings Per Share

Article 4 Basic earnings per share shall be calculated by dividing the profit or loss attributable to ordinary equity holders of the parent entity by the weighted average number of ordinary shares outstanding during the period.

Article 5 The weighted average number of ordinary shares outstanding during the period shall be calculated as follows:

Weighted average number of ordinary shares outstanding = Number of ordinary shares outstanding at the beginning of the period + Number of new ordinary shares issued during the period × Time-weighted fraction - Number of ordinary shares repurchased during the period × Time-weighted fraction.

The time-weighted fractions for issuance, repurchase, and the reporting period are generally calculated based on the number of days. Simplified methods may be used provided they do not affect the rationality of the calculation results.

Article 6 The number of new ordinary shares issued shall be determined based on the specific terms of the issuance contract, starting from the date the consideration is receivable (generally the date of share issuance). This typically includes the following cases:

(1) For ordinary shares issued for cash, from the date the cash is receivable.

(2) For ordinary shares issued due to the conversion of debt to equity, from the date interest on the debt ceases to be accrued or the settlement date.

(3) For business combinations not under common control, the number of ordinary shares issued as consideration shall be included from the acquisition date. For business combinations under common control, the number of ordinary shares issued as consideration shall be included in the weighted average number of ordinary shares for all periods presented.

(4) For ordinary shares issued for the acquisition of non-cash assets, from the date the acquisition is recognized.

Chapter 3 Diluted Earnings Per Share

Article 7 If an enterprise has dilutive potential ordinary shares, it shall adjust the profit or loss attributable to ordinary equity holders of the parent entity and the weighted average number of ordinary shares outstanding accordingly to calculate diluted earnings per share.

Dilutive potential ordinary shares are potential ordinary shares whose conversion into ordinary shares would decrease earnings per share.

Article 8 For the calculation of diluted earnings per share, the profit or loss attributable to ordinary equity holders of the parent entity shall be adjusted for the following items:

(1) Interest expense recognized in the period related to dilutive potential ordinary shares;

(2) Any changes in income or expense that would result from the conversion of the dilutive potential ordinary shares.

The above adjustments shall consider the effects of any related taxes.

Article 9 For the calculation of diluted earnings per share, the weighted average number of ordinary shares outstanding shall be the weighted average number of ordinary shares used in calculating basic earnings per share plus the weighted average number of additional ordinary shares that would be issued if all dilutive potential ordinary shares were converted into ordinary shares.

When calculating the weighted average number of additional ordinary shares from the conversion of dilutive potential ordinary shares, potential ordinary shares issued in prior periods shall be assumed to have been converted at the beginning of the current period, and those issued during the current period shall be assumed to have been converted on the date of issuance.

Article 10 When the exercise price of warrants, share options, etc., is lower than the average market price of ordinary shares during the period, their dilutive effect shall be considered. The number of additional ordinary shares shall be calculated as follows:

Number of additional ordinary shares = Number of ordinary shares issuable upon exercise - Exercise price × Number of ordinary shares issuable upon exercise ÷ Average market price of ordinary shares during the period.

Article 11 When the repurchase price specified in a contract requiring the enterprise to repurchase its shares is higher than the average market price of ordinary shares during the period, the dilutive effect shall be considered. The number of additional ordinary shares shall be calculated as follows:

Number of additional ordinary shares = Repurchase price × Number of ordinary shares subject to repurchase ÷ Average market price of ordinary shares during the period - Number of ordinary shares subject to repurchase.

Article 12 Dilutive potential ordinary shares shall be included in the calculation of diluted earnings per share in order of their dilutive effect, from the most dilutive to the least dilutive, until diluted earnings per share is minimized.

Chapter 4 Presentation

Article 13 If the number of ordinary shares or potential ordinary shares outstanding changes due to stock dividends, capitalization of reserves, share splits, or reverse share splits without corresponding changes in resources, the earnings per share for all periods presented shall be recalculated based on the adjusted number of shares. If such changes occur between the balance sheet date and the date the financial statements are authorized for issue, the earnings per share for all periods presented shall be recalculated based on the adjusted number of shares.

If prior period profits or losses are retrospectively adjusted or restated in accordance with Enterprise Accounting Standard No. 28 – Changes in Accounting Policies and Accounting Estimates, and Corrections of Errors, the earnings per share for all periods presented shall be recalculated.

Article 14 An enterprise shall present basic earnings per share and diluted earnings per share separately in the income statement.

Article 15 An enterprise shall disclose the following information related to earnings per share in the notes:

(1) The calculation process for the numerator and denominator of basic and diluted earnings per share.

(2) Potential ordinary shares that were not dilutive during the reporting period but could be dilutive in future periods.

(3) Significant changes in the number of ordinary shares or potential ordinary shares outstanding between the balance sheet date and the date the financial statements are authorized for issue.

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