

Stock Code: 5474

# YUAN

**Yuan High-Tech Development Co., Ltd.**

2022 Annual Shareholders' Meeting

# Meeting Handbook

(Translation)

Convening method: physical shareholders' meeting

Time: 9: 00 a.m., June 14th, 2021

Location: No. 168, Jingye Fourth Road, Zhongshan District, Taipei City  
(Grand Victoria Hotel, 3rd Floor, Noble Ballroom)

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# **Agenda of the 2021 Annual Shareholders' Meeting of Yuan High-Tech Development Co., Ltd.**

**I. Time:** 9: 00 a.m., June 14th, 2021

**II. Location:** No. 168, Jingye Fourth Road, Zhongshan District, Taipei City (Grand Victoria Hotel, 3rd Floor, Noble Ballroom)

**III. Chairman's Remarks**

**IV. Announcements**

(I.) 2021 Annual Business Report

(II.) Report of the Supervisor on the Review of the 2021 Annual Financial Statements

(III.) Report of the Distribution of Directors' and Supervisors' Remuneration and Employees' Remuneration in 2021

(IV.) Report of 2021 Annual Disposition of net income Cash Dividend Situation

**V. Proposals**

(I.) 2021 Proposed Annual Operating Report and Financial Statements

(II.) 2021 Annual Disposition of net income plan

**VI. Discussions**

(I.) Amendment to the bylaws

(II.) Amendment to the Procedure for Acquisition or Disposal of Assets

(III.) Amendment to the "Operating Procedures for Fund Lending and Endorsement Guarantees"

(IV.) Amendment to the "Directors and Supervisors Election Method" case

**VII. Election Matters**

(I.) Re-election of directors

**VIII. Other Matters**

(I.) Release of new directors and their representatives from the prohibition on competing for business

**IX. Extempore Motions**

**X. Adjournment**

# Announcements

(I.) 2021 Business Report.

Explanation: 2022 Annual Operating Report (See P. 31-34 of this handbook)

(II.) Report of the Supervisor on the Review of the 2021 Annual Financial Statements

Note: 2021 Annual Supervisor Review Report (See P. 35 of this handbook)

(III.) Report of the Distribution of Directors' and Supervisors' Remuneration and Employees' Remuneration in 2021

Explanation: On March 21st, 2022, the Board of Directors of the Company resolved to approve the remuneration for employees, directors and supervisors as follows:

(1)The remuneration for employees is NT\$10,091,195.

(2)The remuneration for directors and supervisors are NT\$10,091,195.

(3)All of the above amounts are paid in cash and are the same as the amount of fees recognized in 110.

(IV.) Report of 2021 Annual Disposition of net income Cash Dividend Situation

Explanation:

- I. In accordance with the Article 18-1 of the Company's bylaw, the authorized board of directors resolved to distribute all or part of the dividends and bonuses in the form of cash.
- II. Appropriation of NT \$198,784,720 for shareholders' bonus and distribution of cash dividend of NT \$5 per share (i.e. distribution of NT \$5,000 per thousand shares). The calculation of the cash dividend distribution is up to discrete number, and the amount below it is rounded off, the total amount of the extraordinary zero amount is allocated in the other income of the Company.
- III. The business is already approved by resolution of the board of directors and authorizes the board of directors or the chairman to set the distribution date of dividends, the payment date and other relevant matters. The Board of Directors is authorized to make adjustments in the event of a change in the shareholders' dividend ratio as a result of an alteration in the law or an adjustment in the competent authority or a change in the number of outstanding shares as a result of the repurchase, cancellation, issuance of new shares or other changes affecting the Company.

# Proposals

First case (proposed by the Board of Directors)

Summary: The operating business report and financial statements for 2021, requested for approval.

Explanation: The financial statements and the operating report of the Company for 2021 have been verified and certified by Feng,Min-Juan and Xu,Yong-Jian accountants of PwC, in addition have been passed by the board of directors and reviewed by the supervisors. (Please refer to P. 31-34 and P. 36-45 of this manual for the aforementioned reports)

Resolution

Second case (proposed by the Board of Directors)

Summary: 2021 Annual Disposition of net income plan, requested for approval.

Explanation: The Company's net profit after tax for 2021 is NT \$384,084,470, with earnings proposed.

The distribution statement is as follows:

Yuan High-Tech Development Co.,Ltd.  
Statement of disposition of net income for 2021

Unit: NTD

Item	Amount
Beginning balance of retained earnings	645,541,808
Add: The adjustment of retained earnings in 2021	1,383,833
Unappropriated retained earnings after adjustment	646,925,641
add: net profit after tax for the year	384,083,470
less: designated for statutory surplus reserve	(38,546,730)
Earnings available for distribution for the period	992,462,381
less: cash dividend distributed to shareholders (NT\$5 per share)	(198,784,720)
Unappropriated retained earnings at the end of period	793,677,661

Chairman:

Managerial Personnel:

Accounting Supervisor:

Resolution:

# Discussions

Proposal 1 (Proposed by the Board of Directors)

Summary: Amendment to the "bylaws" and requested for discussion.

Description: In line with the setting up of the "Audit Committee" this year and the actual needs, the part of the articles in the "bylaws" have been amended. The comparison table of the provisions before and after the revision is as following:

Yuan High-Tech Development Co.,Ltd.

Comparison table of articles before and after the amendment of the "bylaws"

Articles	The clause before amendment	The clause after amendment	Explanation
Article VI	<p>.....</p> <p>The maximum amount of <u>NT\$33,729,787</u> from the total capital in the preceding paragraph shall be retained for the issuance of employee stock option certificates of a total of <u>3,372,978</u> shares with a nominal value of NT\$ 10 per share, which may be issued in stages in accordance with the resolutions of the Board of Directors.</p>	<p>.....</p> <p>The maximum amount of <u>NT \$40,355,944</u> within the total capital of the preceding paragraph shall be retained for the issuance of employee stock option certificates for a total of <u>4,035,594</u> shares, with a nominal value of NT \$1.0 million per share, which shall be issued in stages in accordance with the resolutions of the Board of Directors.</p>	capital increase issuance of new shares
Article IX	<p>The Shareholders' Meeting is divided into two types: Ordinary and Extraordinary meeting. The Ordinary Meeting is convened at least once a year, and shall be convened within six months after the end of each fiscal year. The Extraordinary Meeting shall be convened in accordance with the laws as and when necessary.</p>	<p>The Shareholders' Meeting is divided into two types: Ordinary and Extraordinary meeting. The Ordinary Meeting is convened at least once a year, and shall be convened within six months after the end of each fiscal year. The Extraordinary Meeting shall be convened in accordance with the laws as and when necessary.</p> <p><u>The meeting of the shareholders of the Company may be held by video conference or other announcement of the Central Authority. Adopt the requirements, operating procedures and other relevant regulation to be complied with by the virtual</u></p>	Amendments with statutory order and actual needs.

		<u>shareholders' meeting, and the competent authority shall follow the provisions of the relevant regulation.</u>	
Chapter 4	Directors and <u>Supervisors</u>	<u>Directors and Audit Committee</u>	Cooperate with the establishment of the Audit Committee to replace the supervisor's authority
Article XIII	<p>The Company has five to nine directors, <u>two supervisors</u> for a three-year term. The election method of the Company is based on the candidate nomination system. The shareholders shall be selected from the list of candidates for directors and supervisors and may be re-elected. The number of independent directors in the aforesaid number of directors shall not be less than <u>two</u> and shall not be less than one-fifth of the number of directors.</p> <p><u>The Board of Directors of the Company may also establish an Audit Committee, consisting of all independent directors, to replace the Supervisor at the same time as the date of the establishment of the Audit Committee, and the provisions of the Company's bylaw relating to the Supervisor shall be hereby discontinued. The duties, organisational rules, exercise of powers and other matters to be complied with by the Audit Committee shall be in accordance with the relevant regulations of the Securities Authority and the Company.</u></p>	<p>The Company has five to nine directors, two supervisors for a three-year term. The election method of the Company is based on the candidate nomination system. The shareholders shall be selected from the list of candidates for directors and supervisors and may be re-elected. The number of independent directors in the aforesaid number of directors shall not be less than <u>three</u> and shall not be less than one-fifth of the number of directors.</p> <p>The Company has established the Audit Committee <u>in accordance with the provisions of Article 14-4 of the Securities and Exchange Law, which is composed of all independent directors and is responsible for the implementation of the Company Law, the Securities and Exchange Law and other laws and regulations, and the functions and powers to be exercised by the Supervisor.</u></p>	Cooperate with the establishment of the Audit Committee to replace the supervisor's authority

Article XV	<p>When the chairman, vice-chairman or director requests leave or is unable to exercise his/her powers for any reason, his/her agency shall be handled in accordance with the provisions of Articles 208 and 205 of the Company Law. If a board meeting is conducted by means of video conferencing, directors who participate in the meeting by such means shall be deemed to have attended the meeting in person. The board of directors shall convene the meeting with the reasons stated and shall notify the directors <u>and the supervisors</u> in writing form seven days in advance, but it may be convened at any time in case of emergency. The convening referred to in the preceding paragraph may be notified by fax or email.</p>	<p>When the chairman, vice-chairman or director requests leave or is unable to exercise his/her powers for any reason, his/her agency shall be handled in accordance with the provisions of Articles 208 and 205 of the Company Law. If a board meeting is conducted by means of video conferencing, directors who participate in the meeting by such means shall be deemed to have attended the meeting in person. The board of directors shall convene the meeting with the reasons stated and shall notify the directors in writing seven days in advance, but it may be convened at any time in the event of an emergency. The convening referred to in the preceding paragraph may be notified by fax or email.</p>	Cooperate with the establishment of the Audit Committee to replace the supervisor's authority
Article XV-1	<p>The remuneration of the directors <u>and supervisors</u> is agreed upon by the authorised board of directors in accordance with the extent of their participation in the operations of company and the value of their contribution, the Company has to purchase liability insurance for all directors <u>and supervisors</u>.</p>	<p>The remuneration of the directors is agreed upon by the authorised board of directors in accordance with the extent of their participation in the operations of company and the value of their contribution, the Company has to purchase liability insurance for all directors.</p>	Cooperate with the establishment of the Audit Committee to replace the supervisor's authority
Article XVII	<p>At the end of each fiscal year, the Company shall have its board of directors prepare (i) an operating report (ii) financial statements (iii) the distribution of earnings or the proposal for allocation of losses, etc., which shall be submitted to <u>the supervisor</u> for review thirty days before the annual shareholders' meeting and shall be submitted to the annual shareholders' meeting for approval in accordance with the law.</p>	<p>The Company shall, at the end of each fiscal year, be represented by the Board of Directors by (i) a business report, (ii) financial statements, and (iii) proposals for disposition of net income or make-up of losses, which shall be submitted to <u>the Audit Committee</u> for review thirty days prior to the opening of the Annual Shareholders' Meeting and shall be submitted to the Annual Shareholders' Meeting for approval in accordance with the law.</p>	Cooperate with the establishment of the Audit Committee to replace the supervisor's authority

Article XVIII	The Company shall allocate no less than 2% of the employee remuneration and no more than 2% of the directors' <u>and supervisors'</u> remuneration after making up the loss based on the profit situation of the current year (that is, the profit before tax and deduct the remuneration of employees, directors <u>and supervisors</u> ).	The Company shall allocate no less than 2% of the employee remuneration and no more than 2% of the directors' remuneration after making up the loss based on the profit situation of the current year (that is, the profit before tax and deduct the remuneration of employees and directors).	Cooperate with the establishment of the Audit Committee to replace the supervisor's authority
Article XXI	The Company's bylaw was established on..., the 20th amendment on June 25th, 2010, the 21st amendment on June 10, 2021, the 22nd amendment on June 18th, 2012, the 23rd amendment on June 18th, 2013, the 24th amendment on June 23rd, 2015, the 25th amendment on June 14th, 2016, the 26th amendment on June 12th, 2019, the 27th amendment on June 8th, 2020, and the 28th amendment on July 20th, 2021.	The Company's bylaw was established on..., the 20th amendment on June 25th, 2010, the 21st amendment on June 10th, 2021, the 22nd amendment on June 18th, 2012, the 23rd amendment on June 18th, 2013, the 24th amendment on June 23rd, 2015, the 25th amendment on June 14th, 2016, the 26th amendment on June 12th, 2019, the 27th amendment on June 8th, 2020, the 28th amendment on July 20th, 2021, <u>and the 29th amendment on June 14th, 2022.</u>	Amendment Added Date

Resolution:

## Proposal 2 (Proposed by the Board of Directors)

Summary: Amendment to the "Procedure for Acquisition or Disposal of Assets" and requested for discussion.

Description: In line with the establishment of the "Audit Committee" and the amendment of the law this year, the part of the "Procedure for Acquisition or Disposal of Assets" is amended, and the comparison table of the before and after provisions is revised as follows:

Yuan High-Tech Development Co.,Ltd.

Comparison table of the provisions before and after the revision of the "Procedure for Acquisition or Disposal of Assets"

The clause before amendment	Revised revision	Explanation
<p>Article VI :A valuation report or opinion obtained by the Company from an accountant, lawyer or securities underwriter, which professional valuer and its appraiser, accountant, lawyer or securities underwriter shall comply with the following requirements:</p> <p>.....</p> <p>III. If the Company should obtain the valuation reports of two or more professional appraisers, the different professional appraisers or valuers must not be related parties or actual related parties with each other.</p> <p>When issuing a valuation report or opinion, the aforementioned person shall comply with the following matters:</p> <p>I. You should carefully evaluate your expertise, practical experience, and independence before accepting a case.</p> <p>II. When <b>examining</b> a case, appropriate operational procedures should be properly planned and implemented to formulate conclusions and issue a report or opinion; and the procedures, aggregated information and conclusions to be executed should be detailed in the work sheet.</p> <p>III. The <b>completeness, accuracy</b> and reasonableness of the data sources, parameters and information shall be assessed on a case-by-case basis for the issuance of the valuation report or</p>	<p>Article VI :A valuation report or opinion obtained by the Company from an accountant, lawyer or securities underwriter, which professional valuer and its appraiser, accountant, lawyer or securities underwriter shall comply with the following requirements:</p> <p>.....</p> <p>III. If the Company should obtain the valuation reports of two or more professional appraisers, the different professional appraisers or valuers must not be related parties or actual related parties with each other.</p> <p>When the aforementioned person issuing a valuation report or opinion, which shall act in accordance with <b><u>the self-regulations of the trade associations and</u></b> the following matters:</p> <p>I. You should carefully evaluate your expertise, practical experience, and independence before accepting a case.</p> <p>II. When <b>executing</b> a case, appropriate operational procedures should be properly planned and implemented to formulate conclusions and issue a report or opinion; and the procedures, aggregated information and conclusions to be executed should be detailed in the work sheet.</p> <p>III. The <b>appropriateness</b> and reasonableness of the sources, parameters and information used shall be assessed on a case-by-case basis as the basis for the</p>	<p>Cooperate with the amendment of the law</p>

The clause before amendment	Revised revision	Explanation
<p>opinion.</p> <p>IV. The statement should include matters such as the competence and independence of the relevant personnel, the reasonableness <u>and accuracy</u> of the information used in the assessment, and compliance with the relevant laws and regulations.</p>	<p>valuation report or opinion.</p> <p>IV. The statement shall include matters such as the professionalism and independence of the relevant personnel, the <u>appropriateness and</u> reasonableness of the information used in the assessment and compliance with the relevant laws and regulations.</p>	
<p>Article VII :Procedure for Acquisition or disposal of real estate or other fixed assets .....</p> <p>II. ....</p> <p>(III.) The Company shall acquire or dispose of assets subject to the procedures or other legal requirements specified by the Board of Directors. If any director objects and there is a record or written statement, the Company shall send the director's objection information to <u>the respective supervisors</u>. In presenting transactions for the acquisition or disposal of assets to the Board of directors for discussion in accordance with the foregoing provisions, due account shall be taken of the opinions of the independent directors, and any objections or reservations of the independent directors shall be set out in the minutes of the Board of Directors.</p> <p>.....</p> <p>(III.) The valuation results of professional appraisers are in any of the following cases except that all the valuation result of the acquired assets is higher than the transaction amount or all the valuation result of the disposed assets is lower than the transaction amount. In addition, the professional appraisers should contact the accountant <u>in accordance with the provisions of the statement of Auditing</u></p>	<p>Article VII :Procedure for Acquisition or disposal of real estate or other fixed assets .....</p> <p>II. ....</p> <p>(III.) If the Company's acquisition or disposal of assets is subject to the approval of the Board of Directors in accordance with the prescribed procedures or other legal requirements, the Company <u>shall first obtain the consent of more than one half of all the members of the Audit Committee</u>. If any director raises an objection and there is a record or written statement, the Company shall send the director's objection information to <u>the Audit Committee</u>. In presenting transactions for the acquisition or disposal of assets to the Board of directors for discussion in accordance with the foregoing provisions, due account shall be taken of the opinions of the independent directors, and any objections or reservations of the independent directors shall be set out in the minutes of the Board of Directors.</p> <p>.....</p> <p>(III.) The valuation result of a professional appraiser is that in any of the following circumstances, except when the valuation result of the acquired asset is higher than the transaction amount or the valuation result of</p>	<p>Cooperate with the establishment of the Audit Committee to replace the supervisor's authority</p>

The clause before amendment	Revised revision	Explanation
<p><u>Standards No. 20 issued by the Accounting Research and Development Foundation of the Republic of China (hereinafter referred to as the Accounting Research and Development Foundation), and</u> express specific opinions on the reason for the difference and the fairness of the transaction price:</p> <ol style="list-style-type: none"> <li>1. The one that has the difference between the valuation result and the transaction amount is more than 20% of the amount.</li> <li>2. The one that has the difference between the valuation results from two or more professional appraisers reaches more than 10% of the transaction amount.</li> </ol> <p>.....</p>	<p>the disposed asset is lower than the transaction amount, the professional appraiser should contact an accountant to express a specific opinion on the reason for the difference and the fairness of the transaction price:</p> <ol style="list-style-type: none"> <li>1. The one that has the difference between the valuation result and the transaction amount is more than 20% of the amount.</li> <li>2. The one that has the difference between the valuation results from two or more professional appraisers reaches more than 10% of the transaction amount.</li> </ol> <p>.....</p>	
<p>Article VIII :Procedure for Processing of Acquisition or Disposal of Marketable Securities Investment</p> <p>.....</p> <p>II. ....</p> <p>(III.) The Company shall acquire or dispose of assets subject to the procedures or other legal requirements specified by the Board of Directors. If any director objects and there is a record or written statement, the Company shall send the director's objection information to <u>the respective supervisors</u>. In presenting transactions for the acquisition or disposal of assets to the Board for discussion in accordance with the foregoing provisions, due account shall be taken of the opinions of the independent directors, and any objections or reservations of the independent directors shall be set out in the minutes of the Board of Directors.</p> <p>.....</p>	<p>Article VIII :Procedure for Processing of Acquisition or Disposal of Marketable Securities Investment</p> <p>.....</p> <p>II. ....</p> <p>(III.) If the Company's acquisition or disposal of assets is subject to the approval of the Board of Directors in accordance with the prescribed procedures or other legal requirements, the Company <u>shall first obtain the consent of more than one half of all the members of the Audit Committee</u>. If any director raises an objection and there is a record or written statement, the Company shall send the director's objection information to <u>the Audit Committee</u>. . In presenting transactions for the acquisition or disposal of assets to the Board for discussion in accordance with the foregoing provisions, due account shall be taken of the opinions of the independent directors, and any</p>	<p>Cooperate with the establishment of the Audit Committee to replace the supervisor's authority</p>

The clause before amendment	Revised revision	Explanation
<p>IV. Get the feedback from experts  (I.) Where the Company acquires or disposes of marketable securities under any of the following circumstances, and the transaction amount is 20% of the Company's paid-in capital or NT \$300 million or more, it shall, prior to the date of occurrence, contact an accountant to express its opinion on the reasonableness of the transaction price. <u>If an accountant is required to employ an expert reporter, it shall comply with the provisions of the Auditing Standards No.20 issued by the Accounting Research and Development Foundation.</u> However, this does not apply if the marketable securities are publicly quoted in an active market or otherwise stipulated by the Financial Supervisory Commission (hereinafter referred to as the Commission).</p> <p>.....</p>	<p>objections or reservations of the independent directors shall be set out in the minutes of the Board of Directors.</p> <p>.....</p> <p>IV. Get the feedback from experts  (I.) Where the Company acquires or disposes of marketable securities under any of the following circumstances, and the transaction amount is 20% of the Company's paid-in capital or NT \$300 million or more, it shall, prior to the date of occurrence, contact an accountant to express its opinion on the reasonableness of the transaction price. However, this does not apply if the marketable securities are publicly quoted in an active market or otherwise stipulated by the Financial Supervisory Commission (hereinafter referred to as the Commission).</p> <p>.....</p>	
<p>Article IX :Processing procedures for related party transactions</p> <p>.....</p> <p>II. Evaluation and Operating Procedures  If the Company acquires or disposes of real estate or its right-of-use assets from related parties, or acquires or disposes of other assets other than real estate or its right-of-use assets with related parties, and the transaction amount is 20% of the company's paid-up capital, 10% of the total assets, or NT \$300 million or more, in addition to buying and selling domestic bonds, bonds subject to repurchase and reverse repurchase, conditions, and currency market funds issued by the domestic subscription or buyback securities investment trust enterprise, the Company shall submit the following information to the Board of Directors for approval <b>and the supervisor</b> for</p>	<p>Article IX :Processing procedures for related party transactions</p> <p>.....</p> <p>II. Evaluation and Operating Procedures  If the Company acquires or disposes of real estate or its right-of-use assets from related parties, or acquires or disposes of other assets other than real estate or its right-of-use assets with related parties, and the transaction amount is 20% of the company's paid-up capital, 10% of the total assets, or NT \$300 million or more, in addition to buying and selling domestic bonds, bonds subject to repurchase and reverse repurchase, conditions, and currency market funds issued by the domestic subscription or buyback securities investment trust enterprise, the Company shall submit the following information to <u>the Audit Committee and</u> the Board of Directors for approval and</p>	<p>Cooperate with the establishment of the Audit Committee to replace the supervisor's authority</p>

The clause before amendment	Revised revision	Explanation
<p>acknowledgment to sign a contract and make payment:</p> <p>(I.) The purpose, necessity and expected benefits of acquiring or disposing of assets.</p> <p>(II.) Reasons for selecting related parties as trading partners.</p> <p>(III.) In order to obtain the real estate or the right-of-use assets from the related parties, the relevant information for evaluating the reasonableness of the intended transaction conditions in accordance with the provisions of subsection 1 to 4 and 6 of the Paragraph 3 in this Article.</p> <p>(IV.) The original acquisition date and price of the related party, the trading partner and its relationship with the company and related parties and other matters.</p> <p>(V.) The monthly cash income and expense forecast within the year from the month of the contract signed; also, the assessment of the necessity of the trade and the reasonableness of the use of funds.</p> <p>(VI.) Valuation report issued by a professional praisers, or the opinion of an accountant, obtained in accordance with the provisions of the preceding article.</p> <p>(VII.) Restrictions on this transaction and other important agreements.</p> <p>The calculation of the transaction amount mentioned in the preceding paragraph shall be carried out in accordance with the provisions of Subsection 6 of Paragraph 1 of Article 14 and shall be based on the date of the occurrence of the fact of the current transaction within one year, and shall be calculated retroactively for one year. The part submitted to the Board of Directors for approval <u>and the supervisor</u> for acknowledgment in</p>	<p>acknowledgment to sign a contract and make payment:</p> <p>(I.) The purpose, necessity and expected benefits of acquiring or disposing of assets.</p> <p>(II.) Reasons for selecting related parties as trading partners.</p> <p>(III.) In order to obtain the real estate or the right-of-use assets from the related parties, the relevant information for evaluating the reasonableness of the intended transaction conditions in accordance with the provisions of subsection 1 to 4 and 6 of the Paragraph 3 in this Article.</p> <p>(IV.) The original acquisition date and price of the related party, the trading partner and its relationship with the company and related parties and other matters.</p> <p>(V.) The monthly cash income and expense forecast within the year from the month of the contract signed; also, the assessment of the necessity of the trade and the reasonableness of the use of funds.</p> <p>(VI.) Valuation report issued by a professional praisers, or the opinion of an accountant, obtained in accordance with the provisions of the preceding article.</p> <p>(VII.) Restrictions on this transaction and other important agreements.</p> <p>The calculation of the transaction amount mentioned in the preceding paragraph <u>and Paragraph 6</u> shall be carried out in accordance with the provisions of Subsection 6 of Paragraph 1 of Article 14 and shall be based on the date of the occurrence of the fact of the current transaction within one year, and shall be calculated retroactively for one year. The part submitted to the <u>shareholders' meeting</u>, Board of Directors for approval <u>and the Audit</u></p>	

The clause before amendment	Revised revision	Explanation
<p>accordance with the provisions of these procedures shall not be counted again.</p> <p>.....</p> <p>When submitting to the Board for discussion in accordance with the Paragraph 2, due consideration <u>shall</u> be given to the opinions of the independent directors, and any objections or reservations of the independent directors shall be set out in the minutes of the Board of Directors.</p> <p>III. Reasonableness assessment of transaction costs</p> <p>.....</p> <p>(V.).....</p> <p>2. <u>The supervisor</u> shall be handled in accordance with the provisions of Article 28 of the Company Law.</p> <p>.....</p>	<p><u>Committee</u> for acknowledgment in accordance with the provisions of these procedures shall not be counted again.</p> <p>.....</p> <p>When reporting to the Board of Directors for discussion in accordance with the Paragraph 2, the Board of Directors <u>shall first obtain the consent of more than one half of all the members of the Audit Committee and</u> give due consideration to the opinions of the Independent Directors, and any objections or reservations of the Independent Directors shall be set out in the minutes of the Board of Directors.</p> <p><u>If the Company or the subsidiary of its non-domestic of public listed companies has a first transaction involving more than ten per cent of the total assets of the Company, the Company shall sign a contract for the transaction and make the payment only after submitting the information listed in the Paragraph 1 to the Board of Shareholders for approval. However, this shall not apply to transactions between the Company and its parent company, subsidiaries, or its subsidiaries.</u></p> <p>III. Reasonableness assessment of transaction costs</p> <p>.....</p> <p>(V.).....</p> <p>2. <u>The independent directors of the Audit Committee</u> shall be subject to the provisions of Article 218 of the Company Law.</p> <p>.....</p>	
<p>Article X :Procedure for acquiring or disposing of membership certificates or intangible assets or its right-of-use assets</p> <p>.....</p> <p>(II.)...</p> <p>3. The Company shall acquire or dispose of assets subject to the procedures or other legal requirements specified by</p>	<p>Article X :Procedure for acquiring or disposing of membership certificates or intangible assets or its right-of-use assets</p> <p>.....</p> <p>(II.) ...</p> <p>3.If the Company's acquisition or disposal of assets is subject to the approval of the Board of Directors in</p>	<p>Cooperate with the establishment of the Audit Committee to replace</p>

The clause before amendment	Revised revision	Explanation
<p>the Board of Directors. If any director objects and there is a record or written statement, the Company shall send the director's objection information to <u>the respective supervisors</u>. The Board of Directors shall, when discussing a transaction to acquire or dispose of assets in accordance with the foregoing provisions, give due consideration to the opinions of the Independent Directors, who shall, if they have any objections or reservations, set out in the minutes of the Board of Directors.</p> <p>.....</p> <p>(IV.) Expert evaluation report of membership certificates or intangible assets or their right-of-use assets</p> <p>.....</p> <p>3. In addition to transactions with domestic government agencies, the Company shall, prior to the date of occurrence, contact an accountant to express its opinion on the reasonableness of the transaction price, and <u>the accountant shall handle</u> the transaction amount of the intangible assets or the right-of-use assets or the membership card which is 20% of the paid-in capital of the Company or more than NT \$300 million <u>in accordance with the provisions of the Audit Standards No. 20 issued by the Accounting Research and Development Foundation.</u></p>	<p>accordance with the prescribed procedures or other legal requirements, the Company <u>shall first obtain the consent of more than one half of all the members of the Audit Committee</u>. If any director raises an objection and there is a record or written statement, the Company shall send the director's objection information to <u>the Audit Committee</u>. The Board of Directors shall, when discussing a transaction to acquire or dispose of assets in accordance with the foregoing provisions, give due consideration to the opinions of the Independent Directors, who shall, if they have any objections or reservations, set out in the minutes of the Board of Directors.</p> <p>.....</p> <p>(IV.) Expert evaluation report of membership certificates or intangible assets or their right-of-use assets</p> <p>.....</p> <p>3. If the transaction amount of the Company's intangible assets or its right-of-use assets or membership certificates obtained or disposed of reaches 20% of the paid-in capital of the Company or NT \$300 million or more, except for transactions with domestic government agencies, the Company shall contact an accountant to express its opinion on the reasonableness of the transaction price before the date of occurrence.</p>	<p>the supervisor's authority</p>
<p>Article XII :Procedure for obtaining or disposing of derivatives</p> <p>.....</p> <p>1.....</p> <p>(III.) Division of powers and responsibilities</p> <p>1. Finance Department</p> <p>.....</p> <p>C. The Company shall acquire or dispose of assets subject to the procedures or other legal</p>	<p>Article XII :Procedure for obtaining or disposing of derivatives</p> <p>.....</p> <p>1.....</p> <p>(III.) Division of powers and responsibilities</p> <p>1. Finance Department</p> <p>.....</p> <p>C. If the Company's acquisition or disposal of assets is subject to the approval of the Board of Directors</p>	<p>Cooperate with the establishment of the Audit Committee to replace the supervisor's</p>

The clause before amendment	Revised revision	Explanation
<p>requirements specified by the Board of Directors. If any director objects and there is a record or written statement, the Company shall send the director's objection information to <u>the respective supervisors</u>. The Board of Directors shall, when discussing a transaction to acquire or dispose of assets in accordance with the foregoing provisions, give due consideration to the opinions of the Independent Directors, who shall, if they have any objections or reservations, set out in the minutes of the Board of Directors.</p> <p>2. Audit Department Responsible for understanding the fairness of the internal control of derivative transactions and auditing the trading department's compliance with the operating procedures, analyzing the transaction cycle to form an audit report, and delivering it to <u>the supervisor</u> for inspection before the end of the next month after the completion of the audit report. In addition, the internal auditor shall immediately complete the report audit and notify <u>the supervisor and the independent director</u> if there is a risk of major violations or major losses to the company.</p> <p>.....</p> <p>III. Internal audit system (I) Internal auditors shall periodically understand the fairness of the internal control of derivative transactions, and monthly check the compliance of the trading department with the procedures for dealing with derivative transactions and analyze the transaction cycle to form an audit report. If any major violations are discovered, they shall notify <u>the</u></p>	<p>in accordance with the prescribed procedures or other legal requirements, the Company <u>shall first obtain the consent of more than one half of all the members of the Audit Committee</u>. If any director raises an objection and there is a record or written statement, the Company shall send the director's objection information to <u>the Audit Committee</u>. The Board of Directors shall, when discussing a transaction to acquire or dispose of assets in accordance with the foregoing provisions, give due consideration to the opinions of the Independent Directors, who shall, if they have any objections or reservations, set out in the minutes of the Board of Directors.</p> <p>2. Audit Department Responsible for understanding the fairness of the internal control of derivative transactions and auditing the trading department's compliance with the operating procedures, analyzing the transaction cycle to form an audit report, and delivering it to <u>the Audit Committee</u> for review before the end of the next month after the completion of the audit report. In addition, the internal auditors shall immediately complete the audit report and notify <u>the Audit Committee</u> if they find any major violations or the company is at risk of major losses.</p> <p>.....</p> <p>IV. Internal audit system (II) Internal auditors shall periodically understand the fairness of the internal control of derivative transactions, and monthly check the compliance of the trading department with the procedures for dealing with derivative</p>	<p>authority</p>

The clause before amendment	Revised revision	Explanation
<p><u>supervisor</u> in writing.</p> <p>.....</p>	<p>transactions and analyze the transaction cycle to form an audit report. If any major violations are found, they shall notify <u>the Audit Committee</u> in writing.</p> <p>.....</p>	
<p>Article XIV :Information Disclosure Procedure I. ....</p> <p>(VII.) Where the transaction amount reaches up to 20% of the Company's paid-up capital or NT\$300 million or more. save for assets transactions, disposal of creditors rights by financial institutions or investment in Mainland China as stated in the preceding six paragraphs. But shall not be applicable to the following situations:</p> <ol style="list-style-type: none"> <li>1.Sale and purchase of domestic bonds.</li> <li>2. For professional investors, the trading of marketable securities on stock exchanges or in the premises of securities dealers, the subscription of ordinary corporate bonds and general financial bonds not involving equity issued on the domestic primary market, (excluding subordinated bonds), or the subscription or buy back of securities investment trust funds or futures trust funds, or the subscription of marketable securities in accordance with the requirements of the Taipei Exchange recommended by securities dealers who, due to the need of underwriting business or acting as advisers to emerging company</li> </ol> <p>.....</p>	<p>Article XIV :Information Disclosure Procedure I. ....</p> <p>(VII.) Where the transaction amount reaches up to 20% of the Company's paid-up capital or NT\$300 million or more. save for assets transactions, disposal of creditors rights by financial institutions or investment in Mainland China as stated in the preceding six paragraphs. But shall not be applicable to the following situations:</p> <ol style="list-style-type: none"> <li>1. Sale and purchase of domestic bonds, <u>or foreign bonds with a credit rating not lower than our sovereign rating.</u></li> <li>2. For professional investors, the trading of marketable securities on stock exchanges or in the premises of securities dealers, the subscription of <u>foreign bonds or</u> ordinary corporate bonds and general financial bonds not involving equity issued on the domestic primary market, (excluding subordinated bonds), or the subscription or buy back of securities investment trust funds or futures trust funds, <u>or the subscription or buy back of index investment securities,</u> or the subscription of marketable securities in accordance with the requirements of the Taipei Exchange recommended by securities dealers who, due to the need of underwriting business or acting as advisers to emerging company</li> </ol> <p>.....</p>	<p>Amendments with statutory order</p>
<p>Article XVII :Implementation and Amendment</p> <p>Upon the "Procedures for Acquisition or Disposal of Assets" of the Company is approved by the Board of Directors, it shall be sent to</p>	<p>Article XVII :Implementation and Amendment</p> <p>The "Procedures for Acquisition or Disposal of Assets" of the Company shall be <u>approved by the Audit Committee, then</u> submitted for the approval</p>	<p>Cooperate with the establishment of the Audit</p>

The clause before amendment	Revised revision	Explanation
<p><u>each Supervisor</u> and tabled in the Shareholders' Meeting for approval. The same procedure shall be applicable at the time of amendment. Where there is an objection by a Director and there is a record or written statement, the Company shall also send the details of the objection by the Director to <u>each Supervisors. In addition, if the Company has appointed Independent Directors, when the "Procedures for Acquisition or Disposal of Assets" is tabled</u> to the Board of Directors for deliberation, the opinions of each Independent Director shall be duly considered. If the independent directors make any objections or reservations, it shall be recorded in the minutes of the Board of Directors meeting.</p>	<p>of the Board of Directors, and tabled in the Shareholders' Meeting for approval. The same procedure shall be applicable at the time of amendment. Where there is an objection by a Director and there is a record or written statement, the Company shall also send the details of the objection by the Director to <u>the Audit Committee</u>. The Board of Directors shall, in its deliberations, take into full consideration each Independent Director's opinion. If an Independent Director expresses any dissent or reservation, it shall be noted in the minutes of the meeting of the Board of Directors.</p> <p><u>The formulation or amendment of the "Procedures for Acquisition or Disposal of Assets" shall be approved by more than one half of the members of the Audit Committee and shall be submitted to the Board of Directors for resolution. Where the approval of more than one half of the members of the Audit Committee is not obtained, the approval of more than two-thirds of the Directors shall be obtained and the minutes of the meeting of the Board of Directors shall reflect the resolution of the Audit Committee.</u></p> <p><u>The members of the Audit Committee and the Directors mentioned in the preceding paragraph refers to those who are in actual incumbent.</u></p> <p><u>Matters which are not covered in this Procedure shall be administered in accordance with the relevant laws and regulations and the relevant provisions of the Company.</u></p>	<p>Committee to replace the supervisor's authority</p>

Resolution:

Proposal 3 (Proposed by the Board of Directors)

Subject Matter: Proposal for the amendment of the "Operational Procedures on Fund Lending and Endorsement Guarantee" submitted for deliberation.

Description: In conjunction with the establishment of the Audit Committee in this year, part of the provisions in "Fund Lending and Endorsement Guarantee Procedures" is to be revised, and the comparison table of the provisions before and after amendment is as follows:

Yuan High-Tech Development Co.,Ltd.

Comparison table of the provisions before and after the amendment of the "Operational Procedures on Fund Lending and Endorsement Guarantee"

Current Provisions	Amended Provisions	Explanation
<p>Article VI :Points to Note for Loaning of Funds to Others</p> <p>.....</p> <p>II. The Internal Auditors of the Company shall, at least on a quarterly basis, audit the operational procedures for lending funds to others and their execution, and make a written record thereof. Upon the discovery of any material violations, the Internal Auditors shall immediately notify <u>each Supervisors and the Independent Directors in writing</u>.</p> <p>III. In the event that the Company and the counter-party fail to comply with the provisions of these Procedures or the balance exceed the limit due to changes in circumstances, the Internal Audit Department shall urge the Finance Department to set a period of time to recover the lent fund which exceeded the limit, and send the improvement plan to <u>each Supervisors and Independent Directors</u>, and complete the improvement according to the planned schedule.</p> <p>.....</p>	<p>Article VI :Points to Note for Loaning of Funds to Others</p> <p>.....</p> <p>II. The Internal Auditors of the Company shall, at least on a quarterly basis, audit the operational procedures for lending funds to others and their execution, and shall make a written record thereof. Upon discovery of any material violation, the Internal Auditors shall immediately notify <u>the Audit Committee</u> in writing.</p> <p>III. In the event that the Company and counter-party fail to comply with the provisions of these Procedures or the balance exceeds the limit due to a change in circumstances, the Internal Audit Department shall urge the Finance Department to set a period of time to recover the lent funds which exceeded the limit, and send the improvement plan <u>to the Audit Committee</u>, and complete the improvement according to the planned schedule.</p> <p>.....</p>	<p>Cooperate with the establishment of the Audit Committee to replace the supervisor's authority</p>
<p>Article XI :Procedures for making endorsements/guarantees.</p> <p>.....</p> <p>(VI.) Where the Company or a Subsidiary provides endorsement guarantee to a subsidiary having a net worth less than one-half of its paid-up capital, in addition to the procedures in the</p>	<p>Article XI :Procedures for making endorsements/guarantees.</p> <p>.....</p> <p>(VI.) Where the Company or a Subsidiary provides endorsement guarantee to a subsidiary having a net worth less than one-half of its paid-up capital, in addition to the procedures in the</p>	<p>Cooperate with the establishment of the Audit Committee to replace the supervisor's authority</p>

<p>preceding paragraph, the Company's Internal Auditors shall, at least on a quarterly basis, audit the operational procedures on endorsement guarantee and their execution, and make a written record thereof. Upon discovery of any material violation, the Internal Auditors shall immediately notify <u>each Supervisors and Independent Directors</u> in writing.</p> <p>.....</p>	<p>preceding paragraph, the Company's Internal Auditors shall, at least on a quarterly basis, audit the operational procedures on endorsement guarantee and their execution, and make a written record thereof. Upon discovery of any material violation, the Internal Auditors shall immediately notify <u>the Audit Committee</u> in writing.</p> <p>.....</p>	
<p>Article XIII :Points to Note for Making Endorsements/Guarantees:</p> <p>(I.) The Company's Internal Auditors shall, at least on a quarterly basis, audit the endorsement guarantee operational procedures and its execution, and make a written record thereof. Upon discovery of any material violation, the Internal Auditors shall immediately notify <u>each Supervisors and the Independent Directors</u> in writing.</p> <p>(II.) In the event the Company subsequently fails to meet the requirements of Article 8 of these Procedures due to a change in circumstances, or if the amount of the endorsement guarantee exceeds the amount set out in Article 9 of these Procedures due to a change in the basis for calculating the limit, the Internal Audit Department shall urge the Finance Department to eliminate all of the amount or excess of the endorsement guarantee at the expiration of the contract term or within a specific period, and shall send the improvement plan to <u>each Supervisors and the Independent Directors</u>, and complete the improvement according to the planned schedule and report the same to the Board of Directors.</p> <p>.....</p>	<p>Article XIII :Points to Note for Making Endorsements/Guarantees:</p> <p>(I.) The Company's Internal Auditors shall, at least on a quarterly basis, audit the endorsement guarantee operational procedures and its execution, and make a written record thereof. Upon discovery of any material violation, the Internal Auditors shall immediately notify <u>the Audit Committee</u> in writing.</p> <p>(II.) In the event the Company subsequently fails to meet the requirements of Article 8 of these Procedures due to a change in circumstances, or if the amount of the endorsement guarantee exceeds the amount set out in Article 9 of these Procedures due to a change in the basis for calculating the limit, the Internal Audit Department shall urge the Finance Department to eliminate all of the amount or excess of the endorsement guarantee at the expiration of the contract term or within a specific period, and shall send the improvement plan to <u>the Audit Committee</u>, and complete the improvement according to the planned schedule and report the same to the Board of Directors.</p> <p>.....</p>	<p>Cooperate with the establishment of the Audit Committee to replace the supervisor's authority</p>
<p>Article XV :Procedures for Controlling and Managing Loans of Funds to Others and Endorsements/Guarantees by Subsidiaries</p> <p>I. Procedures for Controlling and Managing Loans of Funds to Others by Subsidiaries</p> <p>.....</p>	<p>Article XV :Procedures for Controlling and Managing Loans of Funds to Others and Endorsements/Guarantees by Subsidiaries</p> <p>I. Procedures for Controlling and Managing Loans of Funds to Others by Subsidiaries</p> <p>.....</p>	<p>Cooperate with the establishment of the Audit Committee to replace the supervisor's authority</p>

<p>(III.) The Internal Auditors of the Subsidiary shall also, at least on a quarterly basis, audit the operational procedures for fund lending to others and their execution, and make a written record thereof. Upon discovery of any material violation, the Internal Auditors shall immediately notify the Internal Audit Department of the Company in writing, and the Internal Audit Department of the Company shall send the written information to <u>each Supervisors and the Independent Directors</u>.</p> <p>.....</p> <p>II. Procedures for Controlling and Managing Endorsements/Guarantees by Subsidiaries</p> <p>.....</p> <p>(III.) The Internal Auditors of the Subsidiary shall, at least on a quarterly basis, audit the endorsement guarantee operational procedures and their execution, and make a written record thereof. Upon discovery of any material violation, the Internal Auditor shall immediately notify the Internal Audit Department of the Company in writing, and the Internal Audit Department of the Company shall send the written information to <u>each Supervisors and Independent Directors</u>.</p> <p>.....</p>	<p>(III.) The Internal Auditors of the Subsidiary shall also, at least on a quarterly basis, audit the operational procedures for fund lending to others and their execution, and make a written record thereof. Upon discovery of any material violation, the Internal Auditors shall immediately notify the Internal Audit Department of the Company in writing, and the Internal Audit Department of the Company shall send the written information to <u>the Audit Committee</u>.</p> <p>.....</p> <p>II. Procedures for Controlling and Managing Endorsements/Guarantees by Subsidiaries</p> <p>.....</p> <p>(IV.) The Internal Auditors of the Subsidiary shall, at least on a quarterly basis, audit the endorsement guarantee operational procedures and their execution, and make a written record thereof. Upon discovery of any material violation, the Internal Auditor shall immediately notify the Internal Audit Department of the Company in writing, and the Internal Audit Department of the Company shall send the written information to <u>the Audit Committee</u>.</p> <p>.....</p>	
<p>Article XVII :Implementation and Amendment</p> <p>Upon these Procedures is approved by the Board of Directors, it shall be <u>sent to each Supervisors</u> and tabled in the Shareholders' Meeting for approval. Where there is an objection by a Director and there is a record or written statement, the Company shall also send the details of the objection by the Director to <u>each Supervisors</u> and present for deliberation in the Shareholders' Meeting. The same procedure shall be applicable at the time of</p>	<p>Article XVIII :Implementation and Amendment</p> <p>Upon these Procedures is <u>concurred by the Audit Committee and then</u> approved by the Board of Directors, it shall be tabled in the Shareholders' Meeting for approval. Where there is an objection by a Director and there is a record or written statement, the Company shall also send the details of the objection to <u>the Audit Committee</u> and present for deliberation in the Shareholders' Meeting. The same procedure shall be applicable at the time</p>	<p>Cooperate with the establishment of the Audit Committee to replace the supervisor's authority</p>

<p>amendment.</p> <p>In presenting the operating procedure to the Board of Directors for discussion in accordance with the preceding provisions, due consideration shall be taken of the opinions of the independent directors, and any objections or reservations of the independent directors shall be set out in the minutes of the Board of Directors.</p>	<p>of amendment.</p> <p>In presenting the operating procedure to the Board of Directors for discussion in accordance with the preceding provisions, due consideration shall be taken of the opinions of the independent directors, and any objections or reservations of the independent directors shall be set out in the minutes of the Board of Directors.</p> <p><u>The formation or amendment of the Operational Procedures for Fund Lending and Endorsement Guarantees shall be approved by more than one half of the members of the Audit Committee and shall be submitted to the Board of Directors for resolution. If not approved by more than half of all members of the audit committee, it may be approved by more than two-thirds of all directors, and it shall be set out in the minutes of the board meeting the resolution of the Audit Committee.</u></p> <p><u>All members of the Audit Committee and all directors referred to in the preceding paragraph shall be calculated on the basis of those who are actually in office. Matters which are not covered in these Procedures shall be administered in accordance with the relevant laws and regulations and the relevant provisions of the Company.</u></p>	
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Resolution:

Proposal 4 (Proposed by the Board of Directors)

Subject Matter: Proposal for the amendment of the "Methods for the Election of Directors and Supervisors" submitted for deliberation.

Description: In conjunction with the establishment of the "Audit Committee" in this year, and the amendment of the title as "Methods for Election of Directors", part of the "Method for the Election of Directors and Supervisors" part of the provisions is to be amended, and the comparison table of the provisions before and after amendment is as follows:

Yuan High-Tech Development Co.,Ltd.

Comparison table of the provisions before and after the amendment of the “Methods for the Election of Directors and Supervisors”

Articles	Original provisions	Provisions after amendment	Explanation
	Methods for the Election of Directors <u>and Supervisors</u>	Methods for the Election of Directors	Cooperate with the establishment of the Audit Committee to replace the supervisor's authority
Article I	The election of Directors <u>and Supervisors</u> of the Company shall be conducted in accordance with the provisions of these Methods.	The election of Directors of the Company shall be conducted in accordance with the provisions of these Methods.	Cooperate with the establishment of the Audit Committee to replace the supervisor's authority
Article II	The election of the Directors <u>and Supervisors</u> of the Company shall be conducted by means of a single name cumulative voting method. Unless otherwise provided by any laws, each share shall have a voting right equivalent to the number of Directors <u>or Supervisors</u> to be elected. The vote may be cast for a single candidate or distributed among multiple candidates. The name of the candidates shall be substituted by the number of certificate of attendance.	The election of the Directors of the Company shall be conducted by means of a single name cumulative voting method. Unless otherwise provided by any laws, each share shall have a voting right equivalent to the number of Directors to be elected. The vote may be cast for a single candidate or distributed among multiple candidates. The name of the candidates shall be substituted by the number of certificate of attendance.	Cooperate with the establishment of the Audit Committee to replace the supervisor's authority

Article III	At the beginning of the election, the Chairman shall appoint the scrutineers and vote counters to carry out various tasks.	At the beginning of the election, the Chairman shall appoint the scrutineers and the vote counters to carry out various tasks, <u>but the scrutineers shall have the status of shareholders.</u>	Amendments with statutory orde
Article IV	In accordance to the number of directors specified in the Company's Articles of Incorporation, for the election of Directors <u>and Supervisors</u> of the Company, the candidate with a higher number of votes (calculated based on the number of votes) shall be elected in order. If two or more persons have the same number of votes and the number of elected candidates exceed the specified number, the candidates shall draw lots to determine the outcome, and the Chairman shall draw lots on behalf of any person not in attendance. <u>Shareholders who are elected as Director and Supervisor in accordance with the preceding paragraph at the same time shall decide at their discretion whether to serve as a Director and a Supervisor. The vacancy shall be filled by the candidate with the succeeding majority votes in the election.</u>	In accordance to the number of directors specified in the Company's Articles of Incorporation, for <u>the election</u> of Directors of the Company, the candidate with a higher number of votes (calculated based on the number of votes) shall be elected in order. If two or more persons have the same number of votes and the number of elected candidates exceed the specified number, the candidates shall draw lots to determine the outcome, and the Chairman shall draw lots on behalf of any person not in attendance. <u>The number of votes mentioned in the preceding paragraph shall be calculated based on the number of votes casted at the physical venue of the Shareholders' Meeting plus the number of votes casted electronically.</u>	Cooperate with the establishment of the Audit Committee to replace the supervisor's authority
Article VI	The voter must indicate the name of the candidate in the "Elected Persons" field of the ballot paper and <u>fill up the Shareholder account number; if they are not a shareholder, they must indicate the name of the candidate and his unified identification card number.</u> If the candidate is a government or legal entity, the candidate account column of the ballot paper shall be filled with the name of the government <u>representative</u> or the name of the legal entity and the name of its representative; if there are multiple representatives, the name of the representatives shall be filled in separately.	The name <u>or</u> account <u>name</u> of the candidate must be filled in the "Elected Persons" field of the ballot paper. If the candidate is a government or legal entity, the candidate account <u>name</u> of the ballot paper shall be filled with the name of the government representative or the name of the legal entity, <u>as well as</u> the name of <u>that government or legal entity</u> and its representative; if there are multiple representatives, the name of the representatives shall be filled in separately.	Amendments with statutory orde

Article VII	<p>The ballot is invalid if any one of the following circumstances apply:</p> <p>I. Those who do not use <u>the ballot under Article 5</u> are <u>invalid</u>.</p> <p>II. Where more than two candidates are filled in the ballot paper.</p> <p>III. Those where the ballot paper has any other words written save for the name of the candidate, <u>shareholder's account number</u> or <u>unified identification number</u>.</p> <p>IV. Where there is any blurred or illegible handwriting or alternation.</p> <p>V. <u>Those where the candidate is a shareholder, his/her name and shareholder account number do not match those listed in the shareholder register; if the candidate is not a shareholder, his/her name and unified identification card number are not matched during verification.</u></p> <p>VI. <u>Those where the name of the candidate is the same as that of the other shareholder and the shareholder account number or the unified identification card number of the identity card were not filled in for identification.</u></p> <p>VII. Those who submitted a blank ballot paper into the ballot box.</p>	<p>The ballot is invalid if any one of the following circumstances apply:</p> <p>I. Those who do not use the ballot paper <u>prepared by the person with convening rights</u>.</p> <p>II. Those where <u>the same</u> ballot paper is filled with <u>two or</u> more candidates.</p> <p>III. Those where the ballot paper has any other words <u>written</u> save for the name or <u>account name</u> of the candidate.</p> <p>IV. Where there is any blurred or illegible handwriting or alternation.</p> <p>V. Those whose names of the candidate filled <u>and the list of director candidates</u> are not matched during verification.</p> <p>VI. Those who submitted a blank ballot paper into the ballot box.</p>	Amendments with statutory orde
Article IX	<p>The elected Directors <u>and Supervisors</u> will be issued a notice of successful election by the Board of Directors.</p>	<p>The elected Directors will be issued a notice of successful election by the Board of Directors.</p>	<p>Cooperate with the establishment of the Audit Committee to replace the supervisor's authority</p>

Resolution:

# Election Matters

Proposal 1(Withdrawn by the Board of Directors)

Cause of action: Re-election plan of director and submitted for election.

Explanation:

- I. The term of the directors of the Company expired on June 11th, 2022, and the directors were re-elected in the 2022 Annual General Meeting in accordance with the law.
- II. The Company has established an Audit Committee according to the Article 14-4 of the Securities Exchange Act, that the audit committee composed of all independent directors replaces the supervisors.
- III. In accordance with Article 13 of the Company's bylaw, there are nine directors (including three independent directors) to be elected. All directors shall be elected and nominated for a three-year term beginning on June 14th, 2022 and ending on June 13th, 2025.
- IV. The related information on the list of candidates for directors (including independent directors) is as follows:

<b>Position Category</b>	<b>Name</b>	<b>Education background</b>	<b>Experience</b>	<b>Current position</b>	<b>Current shareholding (Unit: shares)</b>
Director	Chen, Li-Min	National Chengchi University Graduate Institute of Business Administration	Chairman of the board of the Company General Manager of KUEN SUN	Chairman of the board of the Company General Manager of KUEN SUN	154,290
Director	Li, Yao-Kui	National Chengchi University Graduate Institute of Accounting	Independent Director of Taiwan Cooperative Bank Chairman of the Small & Medium Enterprise Credit Guarantee Fund of Taiwan	Vice Chairman of the board of the Company Million Trustful CPA Certified Public Accountant	500,897
Director	Zhao, Xi-Zheng	University of Alabama at Birmingham	Palit Microsystems Ltd. Vice President of Sales department General Manager of the Company	Cheif executive officer of the Company	0

<b>Position Category</b>	<b>Name</b>	<b>Education background</b>	<b>Experience</b>	<b>Current position</b>	<b>Current shareholding (Unit: shares)</b>
Director	Lin, Hong-Pei	Tatung University Graduate Institute of Information Engineering Study in Ph.D. in Department of Information Engineering, National University of Taiwan	Vice General Manager of Research and Development second department of the Company	General Manager of the Company	0
Director	Yang, Shi-Huai	National Central University Graduate Institute of Electrical Information	Vice General Manager of Research and Development first department of the Company	Vice General Manager of Research and Development first department of the Company	901,126
Director	Wei Sheng Investment Co., Ltd. Representative : Sun, Sheng	Feng Chia University Department of International Trade	Manager of Chang Hwa Bank	Supervisor of the Company	9,511,321
Independent Director	Guo, Dong-Long	National Chung Hsing University Public Administration Department	General Manager of E.Sun Bank Corporate Banking Chairman of E.Sun Venture Capital	Independent Director of Cambodia subsidiary Union Commercial Bank PLC. of E.Sun Bank	0
Independent Director	Nian, Xiao-Jing	Ph.D. of Graduate Institute of Clinical Medicine at National Taiwan University College of Medicine	Adjunct Assistant Professor of National Yang Ming Chiao Tung University and National Taiwan University	CEO of Liver Disease Prevention and Treatment Research Foundation	10,800
Independent Director	Lin, Hao-Sheng	Kensington Technology Institute	SKYWORKS Cellphone Baseband design house manager director	Vice General Manager of the Sales Department in Nan Chia Co., Ltd.	0

Election outcome:

# Other Matters

Proposal 1 (Proposed by the Board of Directors)

Subject Matter: Proposal to lift the restriction on competition of the new Directors and their representatives submitted for deliberation.

Explanation:

- I. Pursuant to Section 209 of the Company Act, a director shall, for himself or another person acting within the scope of the business of the Company, explain at Shareholders' Meeting on the material content of his action and obtain the consent thereof.
- II. If the newly appointed Director fits the above circumstances, under the premises that the Company's interests were not affected, it is agreed to lift the restriction on competition of the new director and his representatives.

Resolution:

# **Extempore Motions**

## **Adjournment**

# Appendices

## (I) Annual Business Report for the year of 2021

### I. Business results for the year of 2021

(I) Implementation outcome of Business Plan

The net operating income of the Company for year 2021 was NT\$ 1,792,439,000, a decrease of NT\$ 912,903,000, or 33.74% as compared with year 2020. The net profit after tax for the year 2021 was NT\$ 384,084,000, a decrease of 37.59% as compared with year 2020.

(II) Details of budget execution: Not applicable

(III) Financial income and expenses and profitability analysis

Item		Year 2021	Year 2020	
Financial Income and Expenditure	Non-operating income (NT\$ '000)	0	0	
	Non-operating expenses (NT\$ '000)	14	14,326	
Profitability	Return on assets (%)	17.59	32.38	
	Return on shareholders' equity (%)	24.29	47.06	
	Paid-up capital ratio (%)	Operating profit	120.03	233.93
		Net income before tax	120.03	229.68
	Net profit rate (%)	21.43	22.75	
	Earnings per share (NT\$)	9.66	15.41	

(IV) Status of Research and Development:

1. Technology and Development Overview YUAN High-Tech (Listing Stock Code: 5474) was established in 1990 and is headquartered in Taiwan. It is mainly engaged in the software and hardware business related to the design, development and manufacture of high-quality OEM/ODM capture cards, audio and video conversion boxes, and video integration with artificial intelligence embedded.

Looking back at year 2021, the industry for image capture has entered the era of high integration. Digital household automation further integrated the image capture system. In addition, high-quality image capture systems are indispensable in the wide applications of smart city and factory automation. In response to the many business opportunities appeared in the market, the Company has successively offer diversified and high-quality surveillance and audio-visual solutions in year 2021, and continue to observe industry dynamics and technological trends, through in-depth cooperation with upstream chip suppliers and combined with the FPGA designed by the Company, develop and research products based on various audio-visual processing and remote control combinations, while strictly monitor the production quality and stability of the products manufactured, and reasonably control the manufacturing costs, striving for the optimal balance between cutting-edge software and hardware design and production and manufacturing to provide customers with various highly competitive video and audio solutions.

Based on the experience and expertise accumulated over the years, the R&D Team has developed in various fields including hardware, drivers, firmwares, FPGA and SDK. The Company is able to vertically integrate various different hardware modules and software components, and combine the highly proprietary FPGA technology and research and development application strength of the Company by using the hardware components supplied by the chip suppliers, to further maximize commercial benefits by providing immediate response and product development and design improvement targeted to the needs of the market and customers.

On the other hand, the Company also continued to invest a large amount of resources in the enhancement of product production technology to reach the market niches and distinguish itself from the competitors with the widest and diverse range of products. Through the continuous evolution of products, the

Company responded to market changes and satisfied customer needs.

In recent years, the Company has actively invested in the development of imaging AI-related technology. It is expected that by combining the customer base and experience on audio-visual software technology accumulated over the years, it could help the existing image capture card customer base, to integrate with artificial intelligence technology seamlessly, and to introduce learning functions into the application of embedded system on chip (SoC: System on a Chip), to increase product value and the scope of image service coverage, including intelligent transportation, medical image recognition, facial recognition, customer flow analysis, behavior analysis...and etc. Through in-depth B2B exchanges and cooperation with end customers of the industry, for the application to activate intelligence of the image data accumulated by customers with our solid technology, we have discussed with the customers in all segments ranging from development of AI algorithms, the setting up of image databases, the design of special identification software, and the setting up of inference models, in order to help our customers to achieve the real AI technology landing. At present, the AI development of the Company has achieved good practical application in Taiwan and the Company actively participated in various intelligent construction projects of the government. Through the expertise in imaging technology, we provide solid audio and video technology support to different customer groups. We expect to make YUAN the best image AI technology development center in Taiwan within the next three years.

2. Technology or product successfully developed by the Company in year 2021

The technologies or products successfully developed during the year are as follows:

- A. 12G SDI TO AVP: 12G-SDI / SDVOE Video Converter Box
- B. AVP TO 12G SDI: SDVOE / 12G-SDI Video Converter Box
- C. DVI-DL TO HDMI20: DVI / HDMI2.0 Video Converter Box
- D. HD2HD-S: HDMI Video Converter Box
- E. HDMI20 TO 12G SDI-S Genlock: HDMI2.0/12G-SDI Video Converter Box
- F. M2 400 N2 AIO: M.2-interface 2-channels HDMI/SDI Video Capture Card Module
- G. M2 400 N2 HDMI: M.2-interface 2-channels HD HDMI Audio Capture Card Module
- H. M2 400 N4 TVI: M.2-interface 4-channels TVI analog High Definition Video Capture Card Module
- I. M2 700 N1 AIO: M.2 interface 1-channel HDMI/SDI Audio Capture Card Module
- J. M2 700 N1 HDV: M.2 interface 1-channel HDMI/DVI-I Audio Capture Card Module
- K. PD570 Pro 4K HDR: USB3.0 HDMI 4K Image Capture Box
- L. PD575 HDMI: USB3.0 HDMI High Definition Image Capture Box
- M. SC6D0 N1 AIO Lite V2: HDMI/SDI High Definition Live Network Recording Encoder
- N. SC400 N4L TVI: PCIe 4-channels TVI analog High Definition Video Capture Card
- O. SC410 N4 6G SDI: PCIe 4-channels 6G-SDI 4K Video Capture Card
- P. SC410 N4 HDMI Lite: PCIe 4-channels HDMI High Definition Video Capture Card
- Q. SC710 N1L AVP: PCIe 1-channel SDVoE 4K Video Capture Card
- R. SC710 N1L AVP-F: PCIe 1-channel SDVoE Optical 4K Optical Fiber Video Capture Card
- S. SC720 N1L DP14: PCIe 1-channel DP 4K Video Capture Card
- T. SC720 N4 12G SDI: PCIe 4-channels 12G-SDI 4k Video Capture Card
- U. SC720 N4 HDMI20: PCIe 4-channels HDMI.20 4K Video Capture Card

II. Summary of Business Plan for Year 2022

The Company will continue to have the video capture devices, video converters and other related audiovisual multimedia products as the main sales and marketing force. In view of the growing maturity of video products and fierce market competition, in respect of the future outlook, we hope to achieve the research and development progression and sales targets of the above-mentioned key products, continue to offer competitive

products and services in audio-video multimedia and other fields, and actively develop new markets and applications in order to effectively improve overall sales and profitability.

With years of accumulated R&D experience and professional technology, and a precise grasp of the market and technology trends, we are able to offer competitive products such as audio-visual multimedia and TV modules for brands and retail customers and OEM customers.

### III. Strategies for Future Development

- In respect of the industry which uses PC high-speed image display applications such as the fields of e-sports, medical and security, the current 4K60 technology can no longer meet the demand of the market. YUAN is going to develop 8K high magnification image capture cards. 8K UHD images can be presented in full clarity and sharpness. For live-broadcast of sports events and e-sports games, the performance is the most remarkable, allowing users to have the smoothest ultra high-definition presentation on ordinary display screen!
- Enhance the audio-video experience and professional applications and develop products that support ultra-high resolution throughout the line such as the relevant interface cards and conversion boxes.
- Intelligent edge computing can speed up AI image processing. We will strengthen the research and development of intelligent visual algorithms to create new solutions to integrate image capturing with embedded GPU/FPGA to help customers use AI to solve problems and upgrade the industry.
- With the accurate product market positioning and the Company's cutting-edge technology and capabilities in audio-visual processing, we are going to determine the product design and development direction in medium to long term, in order to master the opportunities and maintain product competitiveness.
- We offer PCIe/miniPCIe/M.2 image capture cards, USB 2.0/3.0 image capture boxes, video converter boxes and audio-video stream encoders to suit the demand of each market. The interfaces of various audio video products uses the same set of drivers and SDK compatible to Windows Directshow or Linux v4l2.

### IV. The Effects of External Competition, Regulatory and Overall Business Environment

- **The Application of Artificial Intelligence Image Edge Computing Embedded Computers**  
The size of the image material are huge. If the images are to be fully uploaded to the cloud, it would increase the load on the mobile network, and incur unnecessary communication costs. In addition, many image applications requires instantaneous performance. Transferring the image to the cloud and subsequently proceed for recognition will cause a delay in recognition, which is not suitable for some applications that require instant notifications and alerts. Therefore, the initial AI module computing in the front-end image capture device will first process and collect a large number of recognition results, and thereafter process by the AI models with trained high accuracy but relatively complicated in the cloud server. Through technologies such as model compression or knowledge distillation, etc, the model will be pushed to the front-end once again while maintaining high accuracy. The endless-cycle mutual assistance model leverages the respective capabilities of the front-end and the cloud, which not only greatly reduces network bandwidth, cloud GPU and storage requirements, but also enables the front-end devices to carry out various flexible and real-time applications.
- **The Integration of Portable Devices and Network Multimedia Products**  
In the post-personal computer era, smart terminal devices such as smart phones and tablets are gradually substituting the past habits of personal computer-centric usage, and the availability of information and entertainment on the go enhance the users' experience to a higher level. At the same time, Smart TVs and other display devices can also replace the functions which requires certain consumers to use personal computers in the past; therefore, there will be more content providers offering different network multimedia or streaming applications. With diverse applications and abundant content, it will also lead to the comprehensive upgrading of related peripheral industries. Therefore, the world's major suppliers of personal computers, smart phones, TVs and other devices are all aimed at providing a consistent and coherence consumer experience across diverse display devices.
- **The Application in Educational Recordings to Improve Student Learning Outcomes**  
In the current mature environment of surveillance technology, a complete record of teacher-student interaction is achievable. With the full documentation of the teacher's teaching activities, in addition to

helping the students who are absent from the class to keep up with the progress and listen to the teacher-student interaction, students who want to better improve themselves can also use the application to approach famous teachers in various localities; Besides, the teachers can also review their own teaching progress, outcome, or compare with the teachers who teach similar courses to improve their teaching ability.

For the management level, by fully documenting the teaching process, the management can improve the allocation of manpower, thereby reducing the burden of the teachers as well as strengthening the tutoring for students with poor learning results; and in addition to making adjustment to the teachers and students, the monitoring record can be used to review and confirm the teaching results and adjust the teaching outline and teaching policy.

■ **The Use in Remote Medical Monitoring to Improve Medical Judgment**

As compared to conventional care where the medical personnel must be physically present at the side of the patient and making record for the latest data, remote medical monitoring allows the doctors/central workstation to remotely access the patient's condition and related data, and thereby timely allocate medical resources to provide the best care for the patients.

While in the application in minimally invasive surgery or endoscopic viewing of the patient's body, instant and clear images can be obtained by using a more advanced audio-visual interface, which can be used by doctors to obtain more information when they are determining the patient's condition, and analyze the lesions that have not been examined before. The integrated back-end database can combine the patient image with the examination report to provide a reference for the treatment of patients with similar symptoms in the future.

■ **The Determination of Product Defects and Tests on the Production Line**

The monitoring product is suitable for recording product appearance, barcode reading, and the testing of finished product.

After the introduction of the monitoring products to be record for the devices under test, the production line is able to record the appearance and barcode of the products produced in a very short time, and the recorded images are used to compare whether the products have missing or wrong parts or incorrectly planted barcode serial numbers, etc.

The monitoring products are also suitable for product testing. Product testing on the conventional production line requires a screen supporting multiple interfaces to receive signals from different devices under test. By using monitoring products which support multiple interfaces, the production line can receive multiple signal sources by using traditional screens in combination with multi-interface monitoring cards; at the same time, products with multiple channels can also allows multiple production lines to share a single screen to greatly reduce the cost of purchasing display screens.

■ **Increase in the Demand for Advanced Intelligence Analytics Stimulates the Growth of Digital Surveillance**

The digital surveillance industry has been growing steadily in recent years as countries emphasize on the need to counter terrorism and maintain social safety. The development of the surveillance industry has evolved from traditional analog cameras and DVR recorders to IP and HDcctv and other related devices which support high-resolution, and from simple recording of video evidence and real-time viewing to proactive intelligent recognition analysis, online viewing and remote control. As the maturity of the technology and the difficulty of maintaining security gradually increase, the demand and importance of intelligent analysis such as facial recognition increases day by day. Mastering the front-end and back-end devices associated with high-resolution images will be an important part.

<b>Chairman</b>	<b>Chen, Li-Min</b>
<b>President</b>	<b>Lin, Hong-Pei</b>
<b>Accounting Supervisor</b>	<b>Luo, Jia-Ling</b>

## **(II) Report on Supervisor's Review**

### **Yuan High-Tech Development Co.,Ltd. Report on Supervisor's Review**

The Board of Directors presents the Company's Business Report, Financial Statements and Proposal on Earnings Distribution for year 2021. Among them, the Financial Statements of the Company were audited by Certified Public Accountant Feng, Min-Juan and Certified Public Accountant Xu, Yong-Jian of PricewaterhouseCoopers, and the audit report was issued. The aforementioned Business Report, Financial Statements and Proposal on Earnings Distribution have been reviewed by the Supervisors and no inconformity was noted. Hence, it is hereby reported in accordance with the provisions of Article 219 of the Company Act.

To:

YUAN High-Tech Development Co., Ltd. - 2021 Ordinary Annual Shareholders' Meeting

Supervisor: Sun, Sheng

Supervisor: Liu, Ying-Jun

March 21, 2022

# **(III)CPA's Audit Report**

Independent Auditors' Review Report

(111) Cai-Shen-Bao-Zi No. 21005043

To YUAN High-Tech Development Co., Ltd.,

## **Opinions**

The Balance Sheets as of December 31, 2021 and 2020, and the Comprehensive Income Statements, the Statements of Changes in Equity and Cash Flows Statements for the periods from January 1 to December 31, 2021 and 2020, as well as the Notes to the Financial Statements (including a summary of major accounting policies) of YUAN High-Tech Development Co., Ltd., (hereinafter referred to as “the Company”) have been audited by us.

In our opinion, the accompanying Financial Statements present fairly, in all material respects, the financial position of the Company as at December 31, 2021 and 2020, and its financial performance and cash flows for the periods from January 1 to December 31, 2021 and 2020, in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (“IFRS”), International Accounting Standards (“IAS”), and interpretations from International Financial Reporting Interpretations Committee (“IFRIC”) and Standing Interpretations Committee (“SIC”) endorsed by the Financial Supervisory Commission of the Republic of China.

## **Basis for Opinions**

We conducted our audits in accordance with the Regulations Governing the Auditing and Attestation of Financial Statements by Certified Public Accountants and Generally Accepted Auditing Standards (GAAS) of the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China (the “Code”), and we have fulfilled other ethical responsibilities in accordance with the Code. 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 of most significance in the audit of the Company’s Financial Statements for the year ended December 31, 2021. These matters were addressed in the context of our audit of the Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters for the Company's Financial Statements for the year ended December 31, 2021 are stated as follows:

## **Cut-off time for operating income recognition**

### Description

Please refer to Note IV(XXV) for accounting policies of revenue recognition and Note VI(XVI) for the accounting items of operating income. The Company's operating income in 2021 was NT\$1,792,439 thousand.

The sales pattern of the Company is primarily to sell the products to customers with the shipment of goods from the warehouse of the processing plant, and the revenue is recognized at the time of shipment (when control over the inventory is transferred to the customer). The Company recognizes sales revenue mainly based the changes of inventories at the warehouse contained in the reports and other related information provided by the warehouse custodian of the processing plant. In addition, the timing of sales recognition varies depending on the terms of the agreements with the customers. The process of revenue recognition involves numerous manual operations, which may result in inappropriate timing of sales revenue recognition or discrepancy between the quantity of physical inventory and the quantity reflected in the accounting records. Due to large volume of daily sales transactions of the Company, and the transaction amounts prior to and after the balance sheet date are significant to the Financial Statements, we identified the cut-off time for sales revenue as a key audit matter.

### Audit procedure to address the matter

We performed the following audit procedures in respect of the above key audit matter:

1. Understood the operating model of the Company and assessed the reasonableness of the Company's operating income cycle system.
2. Tested the appropriateness of internal control over the cut-off time of sales revenue for a specified period prior to and after the balance sheet date, including reviewing the supporting documents of shipment from the warehouse of the processing plant, and validating whether the changes in inventories had been accurately recorded in the proper period.
3. Conducted physical count of inventory quantities on site and checked if they were consistent with the quantities in accounting records. Looked into the reasons for the discrepancy between the physical count and the accounting records, and tested the adjustment items prepared by the Company to ensure that the major differences were adjusted and recorded.

## **The assessment of allowance for inventory valuation losses**

### Description

Please refer to Note IV(X) for accounting policies of inventory valuation, Note V(II) for uncertainty in accounting estimates and assumptions for inventory valuation, and Note VI(IV) for accounting items

in inventories. As of December 31, 2021, the Company's inventories and allowance for inventory valuation losses amounted to NT\$417,810 thousand and NT\$41,979 thousand, respectively.

The Company is mainly engaged in the manufacturing and sales of computer multimedia peripheral video converters and interface cards. Due to rapidly changing technology, the inventories are subject to the fluctuation in market prices and there is a higher risk of inventory losses arising from market value decline or obsolescence. The Company recognizes normal inventories at the lower of cost and net realizable value. Losses are recognized based on the net realizable value for those inventories individually identified as obsolete or damaged. The allowance for inventory valuation losses is provided for inventories measured at the lower of cost and net realizable value as well as inventories individually identified as obsolete or damaged. As the amounts of the Company's inventories are material, the types of inventories vary, and the estimates of net realizable value for individually obsolete or damaged inventories are subject to management's judgment, we considered the assessment of allowance for inventory valuation losses as a key audit matter.

#### Audit procedure to address the matter

We performed the following audit procedures in respect of the above key audit matter:

1. Ensured consistent application of accounting policies in relation to allowance for inventory valuation losses and assessed the reasonableness of these policies.
2. Obtained the details of net realizable value of inventory costs and the amounts of obsolete losses, checked related supporting documents, ensured it was accurately recalculated, and evaluated the basis and reasonableness of management's estimated net realizable value.
3. Reviewed relevant information obtained during the inventory count process, and asked management and related staff in charge of inventories if any sluggish, surplus, aged, obsolete or damaged inventories were missed out on the detailed inventory list.

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

To ensure that the Financial Statements do not contain material misstatements caused by fraud or errors, the management is responsible for preparing prudent Financial Statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, as well as the IFRS, IAS, law and regulation reviews and their announcements recognized by the Financial Supervisory Commission, and for preparing and maintaining necessary internal control procedures pertaining to the Financial Statements.

In preparation of the Financial Statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or

cease operations, or has no realistic alternative but to do so.

Those charged with governance (including members of the Audit Committee) are responsible for overseeing the Company's financial reporting process.

## **Auditors' Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatements, 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 in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error. Misstatements are considered material if misstated individual or aggregate amounts could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements.

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

1. Identify and evaluate the risk of material misstatements due to fraud or error in the Financial Statements; design and carry out appropriate countermeasures for the evaluated risk; and obtain sufficient and appropriate evidence as the basis for their audit opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Assess the appropriateness of the accounting policies adopted by the management, as well as the reasonableness of their accounting estimates and relevant disclosures.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall expression, structure and contents of the Financial Statements (including relevant Notes), and whether the Financial Statements fairly present relevant transactions and items.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence of the Republic of China, 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 the key audit matters in the audit of the Company's Financial Statements for the year ended December 31, 2021. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

PwC Taiwan

Feng, Min-Chuan

CPA

Hsu, Yung-Chien

Securities and Futures Bureau, Financial Supervisory  
Commission, R.O.C.

Approval Document No.: Jin-Guan-Zheng-Liu-Zi  
No.0960038033

Securities and Exchange Commission of the Ministry of  
Finance

Approval Document No.: the Ministry of Finance Securities  
& Futures Commission Letter No. (84) Taiwan-Finance-  
Securities-(6)-13377

March 21, 2022

# (IV) Financial Statements for year 2021

YUAN High-Tech Development Co., Ltd.  
Balance Sheet  
December 31, 2021 and 2020

Assets		Note	December 31, 2021		December 31, 2020	
			Amount	%	Amount	%
<b>Current assets</b>						
1100	Cash and cash equivalents	VI(I)	\$ 278,223	14	\$ 655,987	28
1150	Net notes receivable	VI(II)	9,620	-	2,874	-
1170	Net accounts receivable	VI(II)(III)	31,869	2	8,529	-
130X	Inventories	VI(IV)	375,831	18	333,571	14
1470	Other current assets	VI(III)	178,728	9	149,410	7
11XX	<b>Total current assets</b>		874,271	43	1,150,371	49
<b>Non-current assets</b>						
1600	Property, plant and equipment	VI(V)	1,092,552	54	1,093,383	47
1755	Right-of-use assets	VI(VI)	17,086	1	26,038	1
1760	Net amount of investment properties	VI(VIII) & VIII	22,309	1	22,442	1
1780	Intangible assets		3,083	-	5,452	-
1840	Deferred income tax assets	VI(XXII)	29,412	1	25,975	1
1900	Other non-current assets	VI(IX)	3,963	-	5,569	1
15XX	<b>Total non-current assets</b>		1,168,405	57	1,178,859	51
1XXX	<b>Total assets</b>		\$ 2,042,676	100	\$ 2,329,230	100

(Continued on the next page)

The notes to the financial statements attached hereto are part of this financial report and shall be referred to accordingly.

Chairman: Chen, Li-Min

Manager : Lin, Hung-Pei

Accounting Manager: Lo, Chia-Ling

**YUAN High-Tech Development Co., Ltd.**  
**Balance Sheet**  
**December 31, 2021 and 2020**

Unit: NT\$ thousand

Liabilities and equity	Note	December 31, 2021		December 31, 2020		
		Amount	%	Amount	%	
<b>Liabilities</b>						
<b>Current liabilities</b>						
2130	Contract liabilities - current	VI(XVI)	\$ 43,153	2	\$ 29,474	1
2150	Notes payable		53,596	3	199,338	9
2170	Accounts payable		74,330	4	214,301	9
2200	Other payables	VI(X)	99,250	5	123,882	5
2230	Current tax liabilities		45,382	2	154,467	7
2250	Liability provision - current	VI(XII)	23,110	1	20,851	1
2280	Lease liabilities - current		9,371	-	15,831	1
2300	Other current liabilities		3,583	-	3,170	-
21XX	<b>Total current liabilities</b>		<u>351,775</u>	<u>17</u>	<u>761,314</u>	<u>33</u>
<b>Non-current liabilities</b>						
2550	Liability provision - non-current	VI(XII)	43,161	2	38,574	2
2580	Lease liabilities - non-current		5,462	1	3,495	-
2600	Other non-current liabilities	VI(XI)	1,120	-	5,111	-
25XX	<b>Total non-current liabilities</b>		<u>49,743</u>	<u>3</u>	<u>47,180</u>	<u>2</u>
2XXX	<b>Total liabilities</b>		<u>401,518</u>	<u>20</u>	<u>808,494</u>	<u>35</u>
<b>Equity</b>						
Share capital						
3110	Share capital of common stock	VI(XIII)	403,559	20	337,298	14
Capital reserve						
3200	Capital reserve	VI(XIV)	793	-	793	-
Retained earnings						
3310	Legal capital reserve	VI(XV)	244,090	12	182,484	8
3350	Unappropriated earnings		1,031,012	50	1,038,457	45
Other equity						
3500	Treasury shares	VI(XIII)	( 38,296)	( 2)	( 38,296)	( 2)
3XXX	<b>Total equity</b>		<u>1,641,158</u>	<u>80</u>	<u>1,520,736</u>	<u>65</u>
Material Contingent Liabilities and Unrecognized Contractual Commitments						
Material Subsequent Events						
3X2X	<b>Total liabilities and equity</b>		<u>\$ 2,042,676</u>	<u>100</u>	<u>\$ 2,329,230</u>	<u>100</u>

The notes to the financial statements attached hereto are part of this financial report and shall be referred to accordingly.

Chairman: Chen, Li-Min

Manager : Lin, Hung-Pei

Accounting Manager: Lo, Chia-Ling

YUAN High-Tech Development Co., Ltd.  
Comprehensive Income Statement  
From January 1 to December 31, 2021 and 2020

Unit: NT\$ thousand  
(Except for earnings per share in NT\$)

Item	Note	2021		2020	
		Amount	%	Amount	%
4000 Operating income	VI(XVI)	\$ 1,792,439	100	\$ 2,705,342	100
5000 Operating costs	VI(IV)	( 994,604)	( 56)	( 1,596,446)	( 59)
5900 Gross profit		<u>797,835</u>	<u>44</u>	<u>1,108,896</u>	<u>41</u>
Operating expenses	VI(XI)(XX) (XXI)				
6100 Selling and marketing expenses		( 39,856)	( 2)	( 52,033)	( 2)
6200 Administrative expenses		( 112,399)	( 6)	( 114,338)	( 4)
6300 R&D expenses		( 158,688)	( 9)	( 153,494)	( 6)
6450 Expected credit loss	XII(II)	( 2,500)	-	-	-
6000 Total operating expenses		<u>( 313,443)</u>	<u>( 17)</u>	<u>( 319,865)</u>	<u>( 12)</u>
6900 Operating profit		<u>484,392</u>	<u>27</u>	<u>789,031</u>	<u>29</u>
Non-operating income and expenses					
7100 Interest income	VI(XVII)	624	-	3,036	-
7010 Other income	VI(XVIII)	9,328	1	9,813	1
7020 Other gains and losses	VI(XIX)	( 9,344)	( 1)	( 26,516)	( 1)
7050 Finance costs		( 622)	-	( 659)	-
7000 Total non-operating income and expenses		<u>( 14)</u>	<u>-</u>	<u>( 14,326)</u>	<u>-</u>
7900 <b>Net income before tax</b>		<u>484,378</u>	<u>27</u>	<u>774,705</u>	<u>29</u>
7950 Income tax expenses	VI(XXII)	( 100,294)	( 5)	( 159,285)	( 6)
8200 <b>Net profit in the current period</b>		<u>\$ 384,084</u>	<u>22</u>	<u>\$ 615,420</u>	<u>23</u>
<b>Items of other comprehensive income that will not be reclassified to profit or loss</b>					
8311 Gains (losses) on re-measurements of defined benefit plans	VI(XI)	\$ 1,730	-	\$ 811	-
8349 Income tax related to components that will not be reclassified to profit or loss	VI(XXII)	( 346)	-	( 162)	-
8300 <b>Other comprehensive income, net</b>		<u>\$ 1,384</u>	<u>-</u>	<u>\$ 649</u>	<u>-</u>
8500 <b>Total comprehensive income for the period</b>		<u>\$ 385,468</u>	<u>22</u>	<u>\$ 616,069</u>	<u>23</u>
Earnings per share	VI(XXIII)				
9750 Basic earnings per share		<u>\$ 9.66</u>	<u>9.66</u>	<u>\$ 15.41</u>	<u>15.41</u>
9850 Diluted earnings per share		<u>\$ 9.63</u>	<u>9.63</u>	<u>\$ 15.37</u>	<u>15.37</u>

The notes to the financial statements attached hereto are part of this financial report and shall be referred to accordingly.

Chairman: Chen, Li-Min

Manager : Lin, Hung-Pei

Accounting Manager: Lo, Chia-Ling

YUAN High-Tech Development Co., Ltd.  
Statement of Changes in Equity  
From January 1 to December 31, 2021 and 2020

Unit: NT\$ thousand

Note	Share capital of common stock	Capital reserve	Retained earnings			Total equity
			Legal capital reserve	Unappropriated earnings	Treasury shares	
<u>2020</u>						
Balance as of January 1, 2020	\$ 337,298	\$ 793	\$ 156,453	\$ 600,203	\$ -	\$ 1,094,747
Net profit in the current period	-	-	-	615,420	-	615,420
Other Comprehensive Income	-	-	-	649	-	649
Total comprehensive income for the period	-	-	-	616,069	-	616,069
Appropriation and distribution VI(XV) of earnings for 2019:						
Provision for legal surplus reserve	-	-	26,031	( 26,031 )	-	-
Cash dividends	-	-	-	( 151,784 )	-	( 151,784 )
Repurchase of treasury shares	-	-	-	-	( 38,296 )	( 38,296 )
Balance as of December 31, 2020	\$ 337,298	\$ 793	\$ 182,484	\$ 1,038,457	(\$ 38,296 )	\$ 1,520,736
<u>2021</u>						
Balance as of January 1, 2021	\$ 337,298	\$ 793	\$ 182,484	\$ 1,038,457	(\$ 38,296 )	\$ 1,520,736
Net profit in the current period	-	-	-	384,084	-	384,084
Other Comprehensive Income	-	-	-	1,384	-	1,384
Total comprehensive income for the period	-	-	-	385,468	-	385,468
Appropriation and distribution VI(XV) of earnings of 2020:						
Provision for legal surplus reserve	-	-	61,606	( 61,606 )	-	-
Cash dividends	-	-	-	( 265,046 )	-	( 265,046 )
Stock dividends	66,261	-	-	( 66,261 )	-	-
Balance as of December 31, 2021	\$ 403,559	\$ 793	\$ 244,090	\$ 1,031,012	(\$ 38,296 )	\$ 1,641,158

The notes to the financial statements attached hereto are part of this financial report and shall be referred to accordingly.

Chairman: Chen, Li-Min

Manager : Lin, Hung-Pei

Accounting Manager: Lo, Chia-Ling

YUAN High-Tech Development Co., Ltd.  
Cash Flow Statement  
From January 1 to December 31, 2021 and 2020

	Note	From January 1 to December 31, 2021	Unit: NT\$ thousand From January 1 to December 31, 2020
<b>Cash flows from operating activities</b>			
Current net profit before tax		\$ 484,378	\$ 774,705
Adjustments			
Income and expenses			
Depreciation expenses	VI(V)(VI)(VIII) (XX)	26,542	15,081
Amortization expenses	VI(XX)	4,729	4,262
Expected credit loss	XII(II)	2,500	-
Interest income	VI(XVII)	624	( 3,036 )
Loss on disposal of property, plant, and equipment	VI(XIX)	-	1
Profit from lease modification	VI(VI)(XIX)	-	( 6 )
Interest expense		622	659
Changes in assets/liabilities relating to operating activities			
Net changes in assets related to operating activities			
(Increase) decrease in notes receivable		( 6,746 )	835
Increase in accounts receivable		( 25,840 )	( 5,020 )
Increase in inventory		( 42,260 )	( 168,043 )
Increase in other current assets		( 29,318 )	( 36,629 )
Net change in liabilities related to operating activities			
Increase in contract liabilities - current		13,679	8,682
Increase (decrease) in notes payable		( 145,742 )	128,003
Increase (decrease) in accounts payable		( 139,971 )	138,780
Increase (decrease) in other payables		( 25,320 )	46,649
Increase (decrease) in other current liabilities		413	( 95 )
Increase in liability provision		6,846	12,130
Decrease in other non-current liabilities		( 2,261 )	( 2,227 )
Cash inflow from operating activities		121,627	914,731
Interest received		624	3,036
Interest paid		( 622 )	( 656 )
Income tax paid		( 213,162 )	( 68,007 )
Net cash inflow (outflow) from operating activities		( 91,533 )	849,104
<b>Cash flows from investing activities</b>			
Acquisition of property, plant and equipment	VI(V)	( 4,799 )	( 1,089,639 )
Acquisition of investment properties	VI(VIII)	-	( 459 )
Purchase of intangible assets		( 2,360 )	( 3,905 )
Decrease (increase) in refundable deposits		1,606	( 1,292 )
Net cash outflow from investment activities		( 5,553 )	( 1,095,295 )
<b>Cash flows from financing activities</b>			
Short-term loans		310,000	-
Repayment of short-term loans		( 310,000 )	-
Repayment of leasing principal	VI(XXIV)	( 15,632 )	( 17,646 )
Cash dividends	VI(XV)	( 265,046 )	( 151,784 )
Repurchase of treasury shares	VI(XIII)	-	( 38,296 )
Net cash outflow from financing activities		( 280,678 )	( 207,726 )
Decrease in cash and cash equivalents for the current period		( 377,764 )	( 453,917 )
Balance of cash and cash equivalents at the beginning of period		655,987	1,109,904
Balance of cash and cash equivalents at the end of the period		\$ 278,223	\$ 655,987

The notes to the financial statements attached hereto are part of this financial report and shall be referred to accordingly.

Chairman: Chen, Li-Min

Manager : Lin, Hung-Pei

Accounting Manager: Lo, Chia-Ling

# (V)Articles of Incorporation (Prior to Amendment)

## Yuan High-Tech Development Co.,Ltd.

### Articles of Incorporation

#### Chapter 1 General Principles

Article I : The Company is incorporated in accordance with the provisions of the Company Act and is named YUAN High-Tech Development Co., Ltd.

Article II : The Company's business are as follows:

- I. CC01080 Manufacturing of Electronic Component.
- II. CC01110 Manufacturing of Computers and its Peripherals.
- III. F113050 Wholesale of Computer and Transactional Equipment.
- IV. F113070 Wholesale of Telecommunications Equipment.
- V. F119010 Wholesale of Electronic Materials.
- VI. F213030 Retail of Computer and Transactional Equipment.
- VII. F213060 Retail of Telecommunications Equipment.
- VIII.F219010 Retail of Electronic Materials.
- IX. F401010 International Trade.
- X. F401021 Import of Telecommunications Regulated Radio Frequency Equipment.
- XI. ZZ99999 Save for licensed businesses, businesses that are not prohibited or restricted by laws can be operated.

Article III : The total amount of the Company's reinvestment shall not be subject to the limit of forty percent of the paid-up share capital, and may provide external guarantee business.

Article IV : The Company shall set up its head office in Taipei City, and may set up branches domestically and abroad by resolution of the Board of Directors when necessary.

Article V : The mode of announcement of the Company shall be in accordance with the provisions of Article 28 of the Company Act.

#### Chapter 2 Capital Stock

Article VI : The capital of the Company is set at NT\$ 800,000,000, divided into 80,000,000 shares with NT\$ 10 per share. The Board of Directors is authorized to issue new shares in stages where necessary.

The maximum amount of NT\$33,729,787 from the total capital in the preceding paragraph shall be retained for the issuance of employee stock option certificates of a total of 3,372,978shares with a nominal value of NT\$ 10 per share, which may be issued in stages in accordance with the resolutions of the Board of Directors.

Article VI-1 : If the proposed issue price of the employee share option is lower than the closing price of the Company's ordinary shares on the date of issuance, the employee share option certificate shall only be issued after a resolution at the shareholders' meeting where more than half of the shareholders holding more than half of the total number of shares issued are present and more than two-thirds of the shareholders present voted for the resolution.

If the Company intends to transfer shares to the Employees at a price lower than the average actual price of repurchase of shares, the Company shall, before the transfer, propose the same in the next shareholders' meeting where more than half of the shareholders holding more than half of the total number of shares issued are present and more than two-thirds of the shareholders voted for the resolution.

Article VII : The shares of the Company shall be in registered form and shall be issued under the signature or seal of the Directors acting on behalf of the Company after being duly signed in accordance with the laws. The shares may also be issued in a scripless manner, provided that it is lodged with a centralized securities depository institution.

Article VIII : Transfer of shares shall not be made within sixty (60) days prior to the Ordinary Annual Shareholders' Meeting, thirty (30) days prior to the Extraordinary Shareholders' Meeting, or five (5) days prior to the ex-date on which the Company decides to distribute dividends and bonuses or other benefits.

Article VIII-1 : Unless otherwise provided by the Company Act or the Securities Regulations, the shareholder services of the Company shall be conducted in accordance with the "Regulations Governing the Administration of Shareholder Services of Public Companies" issued by the Supervisory Authority.

### Chapter 3 Shareholders' Meeting

Article IX : The Shareholders' Meeting is divided into two types: Ordinary and Extraordinary meeting. The Ordinary Meeting is convened at least once a year and shall be convened within six months after the end of each fiscal year. The Extraordinary Meeting shall be convened in accordance with the laws as and when necessary.

Article X : When a Shareholder is not able to attend the Shareholders' Meeting for any reason, the Shareholder may sign or seal the Proxy Form printed and issued by the Company to appoint a proxy to attend on behalf and specifies the proxy's scope of the authorization. The use of the Proxy Form shall be administered in accordance with the "Regulations Governing the Use of Proxies for Attendance at Shareholder Meetings of Public Companies" promulgated by the Supervisory Authority, unless otherwise provided by the Company Act.

Article XI : The Shareholders of the Company shall have one vote per share, while those whose voting rights are restricted or fell under the circumstances in Paragraph 2 of Article 179 of the Company Act shall not have the right to vote.

Article XII : Unless otherwise provided by the Company Act, resolutions at the Shareholders' Meeting shall be passed in the presence of Shareholders representing more than half of the total number of issued shares and more than half of the Shareholders present voted for the resolution.

### Chapter 4 Director and Supervisor

Article XIII : The Company has five to nine directors, two supervisors for a three-year term. The election method of the Company is based on the candidate nomination system. The shareholders shall be selected from the list of candidates for directors and supervisors and may be re-elected. The number of independent directors in the aforesaid number of directors shall not be less than two and shall not be less than one-fifth of the number of directors.

The Board of Directors of the Company may also establish an Audit Committee consisting of all Independent Directors. The role of the Supervisors shall be substituted upon the establishment of the Audit Committee and the provisions in the Articles relating to the Supervisor shall henceforth be repealed. The duties, organisational rules, exercise of powers and other matters to be complied with by the Audit Committee shall be in accordance with the relevant regulations of the Securities Authority and the Company.

Article XIV : The Board of Directors shall be formed by the Directors. The Chairman of the Board of the Directors shall be elected among the Directors in the presence of more than two-thirds of the Directors and more than half of the Directors present voted for that election. One of the Directors may be elected as Vice-Chairman of the Board of

Directors in the same manner. The Chairman of the Board of Directors shall represent the Company externally and shall be the Chairman in Shareholders' Meeting and the Board of Directors internally.

Article XV : When the chairman, vice-chairman or director requests leave or is unable to exercise his/her powers for any reason, his/her agency shall be handled in accordance with the provisions of Articles 208 and 205 of the Company Law. If a board meeting is conducted by means of video conferencing, directors who participate in the meeting by such means shall be deemed to have attended the meeting in person.

The board of directors shall convene the meeting with the reasons stated and shall notify the directors and the supervisors in writing form seven days in advance, but it may be convened at any time in case of emergency.

The convening referred to in the preceding paragraph may be notified by fax or email.

Article XV-1 : The remuneration of the directors and supervisors is agreed upon by the authorised board of directors in accordance with the extent of their participation in the operations of company and the value of their contribution, the Company has to purchase liability insurance for all directors and supervisors.

## Chapter 5 Managerial Personnel

Article XVI : Article 16: The Company may have one (1) General Manager, whose appointment, dismissal and compensation shall be administered in accordance with the provisions of Article 29 of the Company Act.

Article XVII : Article 17: At the end of each fiscal year, the Company shall have its board of directors prepare (i) a business report (ii) financial statements (iii) the distribution of earnings or the proposal for allocation of losses and other forms, which shall be submitted to the supervisor for review 30 days before the regular shareholders' meeting and shall be submitted to the regular shareholders' meeting for approval in accordance with the law.

Article XVIII : The Company shall allocate no less than 2% of the employee remuneration and no more than 2% of the directors' and supervisors' remuneration after making up the loss based on the profit situation of the current year (that is, the profit before tax and deduct the remuneration of employees 、 directors and supervisors).

Article XVIII-1 : If there is any surplus earnings in the annual final accounts of the Company, the surplus shall first be used to pay taxes and to make up losses from previous years, and then 10% of the balance shall be allocated as the statutory surplus reserve. Save where the statutory surplus reserve has reached the total amount of the capital, such restriction shall not apply. After the appropriation or reversal of the special surplus earnings reserve in accordance with laws or the regulations of the Supervisory Authority, the remaining surplus and the undistributed surplus earnings at the beginning of the same period shall be the accumulated distributable earnings of the Shareholders. The Board of Directors shall formulate the surplus earning distribution proposal, and when the distribution is to be made in the form of issuance of new shares, the distribution proposal shall be submitted to the Shareholders' Meeting for resolution.

The dividends and bonuses distributed by the Company may be the whole or part of the statutory surplus reserves and capital reserve. If the distribution is to be made in the form of cash, the Board of Directors is authorised to do so by a resolution passed in the presence of more than two-third of the Directors and more than half of the Director present voted for the resolution, and thereafter report at the Shareholders' Meeting.

Article XIX :The dividends of the Company may be distributed in part or in full in the form of cash dividends. Wherein the stock dividend shall not be higher than 90% of the dividend distributed in the current year.

#### Chapter 6 Miscellaneous

Article XX :Article 20: All matters not covered in the Articles of Incorporation shall be administered in accordance with the provisions of the Company Act.

Article XXI :Article 21: These Articles of Incorporated was made on September 22, 1990. The first amendment was made on June 1, 1991. The second amendment was made on June 1, 1992. The third amendment was made on June 8, 1994. The fourth amendment was made on August 5, 1995. The fifth amendment was made on March 15, 1996. The sixth amendment was made on June 7, 1997. The seventh amendment was made on March 10, 1998. The eighth amendment was made on June 12, 1998. The ninth amendment was made on October 20, 1998. The tenth amendment was made on April 14, 2000. The eleventh amendment was made on June 7, 2001. The twelfth amendment was made on August 29, 2001. The thirteenth amendment was made on June 14, 2002. The fourteenth amendment was made on May 18, 2004. The fifteen amendment was made on June 14, 2005. The sixteenth amendment was made on June 9, 2006. The seventeenth amendment was made on June 13, 2007. The eighteenth amendment was made on June 13, 2008. The nineteenth amendment was made on June 19, 2009. The twentieth amendment was made on June 25, 2010. The twenty-first amendment was made on June 10, 2011. The twenty-second amendment was made on June 18, 2012. The twenty-third amendment was made on June 18, 2013. The twenty-fourth amendment was made on June 23, 2015. The twenty-fifth amendment was made on June 14, 2016. The twenty-sixth amendment was made on June 12, 2019. The twenty-seventh amendment was on June 8, 2020. The twenty-eighth amendment was made on July 20, 2021.

Yuan High-Tech Development Co.,Ltd.

Chairman: Chen, Li-Min

# **(VI) Procedures for Acquisition or Disposal of Assets (Prior to Amendment)**

## **Yuan High-Tech Development Co.,Ltd. Procedures for Acquisition or Disposal of Assets**

2019.06.12

### **Article I :Purpose**

This Procedure is specifically made in order to safeguard the assets and implement public disclosure of information.

### **Article II :Regulatory Basis**

This Procedure is made in accordance with Paragraph 1 of Article 36 of the Securities and Exchange Act (hereinafter referred to as the Act) and the relevant provisions of the Regulations Governing the Acquisition and Disposal of Assets by Public Companies.

### **Article III :Scope of Assets**

- I. Investments in stocks, government bonds, corporate bonds, financial bonds, securities representing interest in a fund, depositary receipts, call (put) warrants, beneficial interest securities, and asset-backed securities.
- II. Real property (including land, houses and buildings, investment property, and construction enterprise inventory) and equipment.
- III. Memberships.
- IV. Patents, copyrights, trademarks, franchise rights, and other intangible assets.
- V. Right-of-use assets.
- VI. Claims of financial institutions (including receivables, bills purchased and discounted, loans, and overdue receivables).
- VII. Derivatives.
- VIII. Assets acquired or disposed of in connection with mergers, demergers, acquisitions, or transfer of shares in accordance with law.
- IX. Other major assets.

### **Article IV :Definition**

- I. Derivatives: Forward contracts, options contracts, futures contracts, leverage contracts, or swap contracts, whose value is derived from a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable; or hybrid contracts combining the above contracts; or hybrid contracts or structured products containing embedded derivatives. The term "forward contracts" does not include insurance contracts, performance contracts, after-sales service contracts, long-term leasing contracts, or long-term purchase (sales) contracts.
- II. Assets acquired or disposed through mergers, demergers, acquisitions, or transfer of shares in accordance with law: Refers to assets acquired or disposed through mergers, demergers, or acquisitions conducted under the Business Mergers and Acquisitions Act, Financial Holding Company Act, Financial Institution Merger Act and other acts, or to transfer of shares from another company through issuance of new shares of its own as the consideration therefor (hereinafter "transfer of shares") under Article 156-3 of the Company Act.
- III. Related party or subsidiary: As defined in the Regulations Governing the Preparation of Financial Reports by Securities Issuers.
- IV. Professional appraiser: Refers to a real property appraiser or other person duly authorized by law to engage in the value appraisal of real property or equipment.
- V. Date of occurrence: Refers to the date of contract signing, date of payment, date of consignment trade, date of transfer, dates of boards of directors resolutions, or other date that can confirm the counterpart and monetary amount of the transaction, whichever date is earlier. Provided, for investment for which approval of the competent authority is required, the earlier of the above date or the date of receipt of approval by the competent authority shall apply.

- VI. Mainland China area investment: Refers to investments in the mainland China area approved by the Ministry of Economic Affairs Investment Commission or conducted in accordance with the provisions of the Regulations Governing Permission for Investment or Technical Cooperation in the Mainland Area.
- VII. Investment professional: Refers to financial holding companies, banks, insurance companies, bill finance companies, trust enterprises, securities firms operating proprietary trading or underwriting business, futures commission merchants operating proprietary trading business, securities investment trust enterprises, securities investment consulting enterprises, and fund management companies, that are lawfully incorporated and are regulated by the competent financial authorities of the jurisdiction where they are located.
- VIII. Securities exchange: "Domestic securities exchange" refers to the Taiwan Stock Exchange Corporation; "Foreign securities exchange" refers to any organized securities exchange market that is regulated by the competent securities authorities of the jurisdiction where it is located.
- IX. Over-the-counter venue ("OTC venue", "OTC"): "Domestic OTC venue" refers to a venue for OTC trading provided by a securities firm in accordance with the Regulations Governing Securities Trading on the Taipei Exchange; "Foreign OTC venue" refers to a venue at a financial institution that is regulated by the foreign competent authority and that is permitted to conduct securities business.

Article V : Investment Limit on Real Property for Non-Business Use and Marketable Securities

The limit on the acquisition of the above-mentioned assets by the Company and each Subsidiaries individually are as follows:

- (I) The total value of real property which are not meant for operation shall not exceed fifteen percent of the net value.
- (II) The total amount of investment in marketable securities shall not exceed fifty percent of the net value.
- (III) The total amount of investment in individual marketable securities shall not exceed twenty-five percent of the net value.

Article VI : A valuation report or opinion obtained by the Company from an accountant, lawyer or securities underwriter, which professional valuer and its appraiser, accountant, lawyer or securities underwriter shall comply with the following requirements:

- I. May not have previously received a final and unappealable sentence to imprisonment for 1 year or longer for a violation of the Act, the Company Act, the Banking Act, the Insurance Act, the Financial Holding Company Act, or the Business Entity Accounting Act, or for fraud, breach of trust, embezzlement, forgery of documents, or occupational crime. However, this provision does not apply if 3 years have already passed since completion of service of the sentence, since expiration of the period of a suspended sentence, or since a pardon was received.
- II. May not be a related party or de facto related party of any party to the transaction.
- III. If the Company should obtain the valuation reports of two or more professional appraisers, the different professional appraisers or valuers must not be related parties or actual related parties with each other.

When issuing a valuation report or opinion, the aforementioned person shall comply with the following matters:

- I. You should carefully evaluate your expertise, practical experience, and independence before accepting a case.
- II. When examining a case, appropriate operational procedures should be properly planned and implemented to formulate conclusions and issue a report or opinion; and the procedures, aggregated information and conclusions to be executed should be detailed in the work sheet.
- III. They shall conduct an item-by-item evaluation on the comprehensiveness, accuracy and reasonableness of the sources, parameters and information of the data used, as the basis

for issuing the valuation report or opinions.

- I. They shall issue a statement attesting to the professional competence and independence of the personnel who are involved in the preparation and issuance of the valuation report or opinion, and that they have evaluated and found that the information used is appropriate and accurate, and that they have complied with applicable laws and regulations.

## Article VII :Procedure for the Acquisition or Disposal of Real Property or Other Fixed Assets

### I.Evaluation and Operating Procedures

The acquisition or disposal of real property and other fixed assets by the Company shall be administered in accordance with the procedures on fixed asset cycle of the Company's internal control system.

### II.Procedure for the Determination of Transaction Conditions and Authorization Limits

- (I) The acquisition or disposal of real property shall be proposed to the Chairman of the Board of Directors in the form of analysis report, making reference to the published present value, appraised value and actual transaction price of real properties nearby and specify the transaction conditions and transaction price. Where the transaction amount is below NT\$ 10,000,000, the proposal shall be approved by the Chairman and subsequently tabled in the next Board of Directors' Meeting for noting; where the transaction amount exceeds NT\$ 10,000,000, the proposal shall be tabled and passed in the Board of Directors' Meeting prior to execution.
- (II) The acquisition or disposal of other fixed assets shall be carried out by either means of solicitation, price comparison, negotiation or tender. Where the transaction amount is below NT\$ 10,000,000 (inclusive), the approval shall be obtained in accordance to the levels of authority granted; where the transaction amount exceeds NT\$ 10,000,000, the proposal shall be approved by the General Manager and subsequently tabled and passed in the Board of Directors' Meeting prior to execution.
- (III) The Company shall acquire or dispose of assets subject to the procedures or other legal requirements specified by the Board of Directors. If any director objects and there is a record or written statement, the Company shall send the director's objection information to the respective supervisors. In presenting transactions for the acquisition or disposal of assets to the Board of directors for discussion in accordance with the foregoing provisions, due account shall be taken of the opinions of the independent directors, and any objections or reservations of the independent directors shall be set out in the minutes of the Board of Directors.

### III.Department Responsible for Execution

When the Company acquires or disposes real property or other fixed assets, the proposal shall be approved in accordance with the approval authority specified in the preceding paragraphs and thereafter executed by the user department and the management department.

### IV.Appraisal Report of Real Property or Other Fixed Assets

In the acquisition or disposal of real property, equipment, or right-of-use assets of the Company where the transaction amount reaches twenty percent of the Company's paid-up capital or NT\$ 300,000,000 or more, the Company, unless transacting with a domestic government agency, engaging others to build on its own land, engaging others to build on rented land, or acquiring or disposing of equipment or right-of-use assets thereof held for business use, shall obtain an appraisal report (Refer Annex 1 for the details to be recorded in the appraisal report) prior to the date of occurrence of the event from a professional appraiser and shall further comply with the following provisions:

- (I) Where due to special circumstances it is necessary to give a limited price, specified price, or special price as a reference basis for the transaction price, the transaction shall be submitted for prior approval by the Board of Directors; the same procedure

shall also be followed whenever there is any subsequent change to the terms and conditions of the transaction.

- (II) Where the transaction amount is NT\$ 1,000,000,000 or more, appraisals from two or more professional appraisers shall be obtained.
- (III) The valuation results of professional appraisers are in any of the following cases except that all the valuation result of the acquired assets is higher than the transaction amount or all the valuation result of the disposed assets is lower than the transaction amount. In addition, the professional appraisers should contact the accountant in accordance with the provisions of the statement of Auditing Standards No. 20 issued by the Accounting Research and Development Foundation of the Republic of China (hereinafter referred to as the Accounting Research and Development Foundation), and express specific opinions on the reason for the difference and the fairness of the transaction price:
  - 1. The one that has the difference between the valuation result and the transaction amount is more than 20% of the amount.
  - 2. The one that has the difference between the valuation results from two or more professional appraisers reaches more than 10% of the transaction amount.
- (IV) No more than 3 months may elapse between the date of the appraisal report issued by a professional appraiser and the contract execution date. Provided, where the publicly announced current value for the same period is used and not more than 6 months have elapsed, an opinion may be issued by the original professional appraiser.
- (V) Where the Company acquires or disposes of assets through court auction procedures, the certificate issued by the court may be substituted for the appraisal report or the Certified Public Accountant opinion.

#### Article VIII :Procedure for Processing of Acquisition or Disposal of Marketable Securities Investment

##### I. Evaluation and Operating Procedures

The purchase and sale of the Company's marketable securities shall be administered in accordance with the procedures on investment cycle of the Company's internal control system.

##### II. Procedure for the Determination of Transaction Conditions and Authorization Limits

- (I) The sale and purchase of marketable securities in a centralized trading market or a securities dealer's place of business shall be determined by the Responsible Department according to market conditions. If the transaction amount is less than NT\$ 30,000,000 (inclusive), the transaction shall be approved by the Chairman of the Board of Directors and subsequently tabled in the next Board of Directors' Meeting for noting, and an analysis report on the long and short-term unrealized profit or loss of the marketable securities shall be presented at the same time; where the transaction amount exceeds NT\$ 30,000,000, the proposal shall be tabled and passed in the Board of Directors' Meeting prior to execution.
- (II) For the sale and purchase of marketable securities which are not traded in a centralised trading market or a securities dealer's place of business, the Company shall, prior to the date of occurrence of the event, obtain the financial statements of the issuing company for the most recent period, certified or reviewed by a Certified Public Accountant, for reference in appraising the transaction price, taking into account the net value per share, profitability and future development potential, etc. Where the transaction amount is less than NT\$ 30,000,000 (inclusive), the transaction shall be approved by the Chairman of the Board of Directors and subsequently tabled in the next Board of Directors' Meeting for noting, and an analysis report on the long and short-term unrealized profit or loss of the marketable securities shall be presented at the same time; where the

transaction amount exceeds NT\$ 30,000,000, the proposal shall be tabled and passed in the Board of Directors' Meeting prior to execution.

(III) The Company shall acquire or dispose of assets subject to the procedures or other legal requirements specified by the Board of Directors. If any director objects and there is a record or written statement, the Company shall send the director's objection information to the respective supervisors. In presenting transactions for the acquisition or disposal of assets to the Board for discussion in accordance with the foregoing provisions, due account shall be taken of the opinions of the independent directors, and any objections or reservations of the independent directors shall be set out in the minutes of the Board of Directors.

III. Department Responsible for Execution

When the Company invests in marketable securities, the proposal shall be approved in accordance with the approval authority specified in the preceding paragraph and thereafter executed by the Finance Department.

IV. Get the feedback from experts

(I) Where the Company acquires or disposes of marketable securities under any of the following circumstances, and the transaction amount is 20% of the Company's paid-in capital or NT \$300 million or more, it shall, prior to the date of occurrence, contact an accountant to express its opinion on the reasonableness of the transaction price. If an accountant is required to employ an expert reporter, it shall comply with the provisions of the Auditing Standards No.20 issued by the Accounting Research and Development Foundation. However, this does not apply if the marketable securities are publicly quoted in an active market or otherwise stipulated by the Financial Supervisory Commission (hereinafter referred to as the Commission).

(II) If the Company acquires or disposes of assets through court auction procedures, the certificate issued by the court may be substituted for the appraisal report or the Certified Public Accountant opinion.

Article IX :Processing procedures for related party transactions

I. When the Company acquires or disposes an asset from or to a related party, in addition to adhering to the procedure on the acquisition and disposal of real property set out in Article 7, the Company shall ensure that the necessary resolutions are adopted and the reasonableness of the transaction terms are appraised in accordance with the following provisions. Where the transaction amount reaches ten percent or more of the Company's total assets, the Company shall also obtain an appraisal report from a professional appraiser or a CPA's opinion in line with the preceding provisions. When judging whether a transaction counterparty is a related party, in addition to legal formalities, the substance of the relationship shall also be considered.

II. Evaluation and Operating Procedures

If the Company acquires or disposes of real estate or its right-of-use assets from related parties, or acquires or disposes of other assets other than real estate or its right-of-use assets with related parties, and the transaction amount is 20% of the company's paid-up capital, 10% of the total assets, or NT \$300 million or more, in addition to buying and selling domestic bonds, bonds subject to repurchase and reverse repurchase, conditions, and currency market funds issued by the domestic subscription or buyback securities investment trust enterprise, the Company shall submit the following information to the Board of Directors for approval and the supervisor able to sign a contract and make payment:

- (I) The purpose, necessity and expected benefits of acquiring or disposing of assets.
- (II) Reasons for selecting related parties as trading partners.
- (III) In order to obtain the real estate or the right-of-use assets from the related parties,

the relevant information for evaluating the reasonableness of the intended transaction conditions in accordance with the provisions of subsection 1 to 4 and 6 of the Paragraph 3 in this Article.

- (IV) The original acquisition date and price of the related party, the trading partner and its relationship with the company and related parties and other matters.
- (V) The monthly cash income and expense forecast within the year from the month of the contract signed; also, the assessment of the necessity of the trade and the reasonableness of the use of funds.
- (VI) Valuation report issued by a professional praisers, or the opinion of an accountant, obtained in accordance with the provisions of the preceding article.
- (VII) Restrictions on this transaction and other important agreements.

The calculation of the transaction amount mentioned in the preceding paragraph shall be carried out in accordance with the provisions of Subsection 6 of Paragraph 1 of Article 14 and shall be based on the date of the occurrence of the fact of the current transaction within one year and shall be calculated retroactively for one year. The part submitted to the Board of Directors for approval and the supervisor for approval in accordance with the provisions of these procedures shall not be counted again.

For the following transactions between the Company and its Parent Company, Subsidiary or Subsidiary in which it directly or indirectly holds 100% of the issued shares or total capital, the Board of Directors may, in accordance with Subparagraph 3 of Paragraph 1 of Article 7, authorise the Chairman of the Board of Directors to grant advance approval within a specified limit, and thereafter table to the next Board of Directors Meeting for ratification:

- I. Acquisition or disposal of equipment for business use or its right-of-use assets.
- II. Acquisition or disposal of right-of-use of real property for business use.  
When submitting to the Board for discussion in accordance with the Paragraph 2, due consideration shall be given to the opinions of the independent directors, and any objections or reservations of the independent directors shall be set out in the minutes of the Board of Directors.

### III. Reasonableness assessment of transaction costs

- (I) Where the Company acquires real property or right-of-use assets thereof from a related party, the Company shall evaluate the reasonableness of the transaction costs by the following means:
  - 1. Based upon the related party's transaction price plus necessary interest on funding and the costs to be duly borne by the buyer. "Necessary interest on funding" is imputed as the weighted average interest rate on borrowing in the year the company purchases the property; provided, it may not be higher than the maximum non-financial industry lending rate announced by the Ministry of Finance.
  - 2. Total loan value appraisal from a financial institution where the related party has previously created a mortgage on the property as security for a loan; provided, the actual cumulative amount loaned by the financial institution shall have been 70 percent or more of the financial institution's appraised loan value of the property and the period of the loan shall have been 1 year or more. However, this shall not apply where the financial institution is a related party of one of the transaction counterparties.

- (II) Where land and structures thereupon are combined as a single property purchased or leased in one transaction, the transaction costs for the land and the structures may be separately appraised in accordance with either of the means listed in the preceding paragraph.
- (III) The Company that acquires the real estate or right-of-use assets thereof from a related party, and appraises the cost of the real estate or right-of-use assets thereof in accordance with the provisions of Paragraph 3 (1) and (2) of this Article shall also engage a Certified Public Accountant for review and render specific opinions.
- (IV) When the results of the Company's appraisal conducted in accordance with the provisions of Paragraph 3 (1) and (2) of this Article in relation to the acquisition of real estate or right-of-use assets thereof from a related party are uniformly lower than the transaction price, the matter shall be handled in accordance with the provisions of Paragraph 3 (5) of this Article. However, where the following circumstances exist, objective evidence has been submitted and specific opinions on reasonableness have been obtained from a professional real estate appraiser and a Certified Public Accountant, this restriction shall not apply:
  1. Where the related party acquires undeveloped land or leases land for further construction, it may prove that it meets any of the following conditions:
    - (1) Where the undeveloped land is appraised in accordance with the method specified in the preceding Article, structures according to the related party's construction cost plus reasonable construction profit are valued in excess of the actual transaction price. The reasonable construction profit shall be deemed the average gross operating profit margin of the related party's construction division over the most recent 3 years or the gross profit margin for the construction industry for the most recent period as announced by the Ministry of Finance, whichever is lower.
    - (2) Completed transactions by unrelated parties within the preceding year involving other floors of the same property or neighbouring or closely valued parcels of land, where the land area and transaction terms are similar after calculation of reasonable price discrepancies in floor or area land prices in accordance with standard property market sale or leasing practices.
  2. Where the Company acquiring real estate or obtaining real estate right-of-use assets through leasing, from a related party provides evidence that the terms of the transaction are similar to the terms of completed transactions involving neighbouring or closely valued parcels of land of a similar size by unrelated parties within the preceding year. Completed transactions involving neighbouring or closely valued parcels of land in the preceding paragraph in principle refers to parcels on the same or an adjacent block and within a distance of no more than 500 meters or parcels close in publicly announced current value; transactions involving similarly sized parcels in principle refers to transactions completed by unrelated parties for parcels with a land area of no less than 50% of the property in the planned transaction; within the preceding year in the preceding paragraph refers to the year preceding the date of occurrence of the acquisition of the real estate or obtainment of the right-of-use assets thereof.
- (V) Where the Company acquires the real estate or right-of-use assets thereof from a related party, and the results of the appraisal conducted in accordance with the provisions of Paragraph 3 (1) and (2) of this Article are uniformly lower than the transaction price, the following matters shall be handled. The Company and a public company that uses the equity method to account for its investment in the Company which have set aside a special reserve under the preceding paragraph may not utilize the special reserve until it has recognized a loss on decline in market value of the assets it purchased or leased at a premium, or they have been

disposed of, or the leasing contract has been terminated, or adequate compensation has been made, or the status quo ante has been restored, or there is other evidence confirming that there was nothing unreasonable about the transaction, and the Financial Supervisory Commission has given its consent.

1. The Company shall set aside a special reserve in accordance with the provisions of Article 41 (1) of the Securities and Exchange Act against the difference between the real estate transaction price and the appraised cost, and may not be distributed or used for capital increase or issuance of bonus shares. Where a public company uses the equity method to account for its investment in the Company, then the special reserve called for under provisions of Article 41 (1) of the Securities and Exchange Act shall be set aside pro rata in a proportion consistent with the share of public company's equity stake in the other company.
  2. The supervisor shall be handled in accordance with the provisions of Article 28 of the Company Law.
  3. Actions taken pursuant to points 1 and 2 of Paragraph 3 (5) of this subsection shall be reported to a Shareholders' Meeting, and the details of the transaction shall be disclosed in the annual report and any investment prospectus.
- (VI) Where the Company acquires the real estate or right-of-use assets thereof from a related party under any of the following circumstances, the acquisition shall be conducted in accordance with the relevant appraisal and operating procedures stipulated in Paragraphs 1 and 2 of this Article, and the appraisal provisions of Paragraph 3 (1), (2) and (3) of this Article regarding the reasonableness of transaction costs shall not apply:
1. The related party acquires the real estate or right-of-use assets thereof through inheritance or as a gift.
  2. More than five years will have elapsed from the time the related party signed the contract to acquire the real estate or right-of-use assets thereof to the signing date for the current transaction.
  3. The real estate is acquired through signing of a joint development contract with the related party, or through engaging a related party to build real estate, either on the Company's own land or on rented land.
  4. The real estate right-of-use assets for business use are acquired by the Company with its parent or subsidiaries, or by its subsidiaries in which it directly or indirectly holds 100% of the issued shares or authorized capital.
- (VII) When the Company acquires the real estate or right-of-use assets thereof from a related party, it shall also comply with Paragraph 3 (5) of this Article if there is other evidence indicating that the acquisition was not an arms length transaction.

Article X : Procedure for acquiring or disposing of membership certificates or intangible assets or its right-of-use assets

(I) Evaluation and Operating Procedures

The acquisition or disposal of memberships or intangible assets or their right-of-use assets by the Company shall be handled in accordance with the internal control system of the Company and the fixed asset circulation procedures.

(II) Procedure for the Determination of Transaction Conditions and Authorization Limits

1. To obtain or dispose of a membership, an analytical report shall be prepared and reported to the General Manager by reference to the fair market price, the resolution of the transaction conditions and the transaction price. If the amount is less than 1% of the paid-in capital or NT \$3 million, it shall be submitted to the General Manager for approval and shall be reported to the Board of Directors at the latest meeting afterwards; if the amount exceeds NT \$3 million, it shall be submitted to the Board of Directors for approval.

2. The acquisition or disposal of intangible assets or their right-of-use assets shall be reported to the chairman of the board of directors in the form of an analytical report by reference to the expert appraisal report or the fair market price, the resolution of the transaction conditions and the transaction price. If the amount is less than 10% of the paid-in capital or NT\$ 20 million, the report shall be submitted to the chairman of the board of directors for approval and shall be reported to the Board of Directors at the latest meeting afterwards; if the amount exceeds NT\$ 20 million, it shall be submitted to the board of directors for approval.
3. The Company shall acquire or dispose of assets subject to the procedures or other legal requirements specified by the Board of Directors. If any director objects and there is a record or written statement, the Company shall send the director's objection information to the respective supervisors. The Board of Directors shall, when discussing a transaction to acquire or dispose of assets in accordance with the foregoing provisions, give due consideration to the opinions of the Independent Directors, who shall, if they have any objections or reservations, set out in the minutes of the Board of Directors.

(III) Department Responsible for Execution

When the Company acquires or disposes of memberships or intangible assets or their right-of-use assets, the usage department and the Finance Department or administrative department shall be responsible for the implementation after the approval in accordance with the approval authority of the preceding paragraph.

(IV) Expert evaluation report of membership certificates or intangible assets or their right-of-use assets

1. The Company shall request expert appraisal reports for acquisition or disposal of memberships for which the transaction amount exceeds 1% of the paid-in capital or NT\$ 3 million.
2. The Company shall request expert appraisal reports for acquisition or disposal of intangible assets or their right-of-use assets for which the transaction amount exceeds 10% of the paid-in capital or NT\$ 20 million.
3. In addition to transactions with domestic government agencies, the Company shall, prior to the date of occurrence, contact an accountant to express its opinion on the reasonableness of the transaction price, and the accountant shall handle the transaction amount of the intangible assets or the right-of-use assets or the membership card which is 20% of the paid-in capital of the Company or more than NT \$300 million in accordance with the provisions of the Audit Standards No. 20 issued by the Accounting Research and Development Foundation.

Article X-1: The calculation of the transaction amounts referred to in the preceding four Articles shall be done in accordance with the provisions of Paragraph 1 (6) of Article 14, and within the preceding year as used herein refers to the year preceding the date of occurrence of the current transaction. Items for which an appraisal report from a professional appraiser or a CPA's opinion has been obtained need not be counted toward the transaction amount.

Article XI :Procedure for Acquisition or Disposal of Receivables by a Financial Institution

In principle, the Company does not engage in the acquisition or disposal of receivables by a financial institution. If it wishes to engage in the acquisition or disposal of receivables by a financial institution in the future, it will report to the Board of Directors for approval before finalizing its appraisal and operating procedures.

Article XII :Procedure for obtaining or disposing of derivatives

I. Transaction Principles and Strategies

(I)Type of Transaction

1. Derivative financial instruments engaged by the Company refer to transaction contracts (such as forward contracts, options, futures, interest rates or exchange

rates, swaps, combined contracts formed by combining the aforementioned instruments, among others) whose value is derived from such instruments as assets, interest rates, exchange rates, indices or other benefits.

2. Matters related to bond margin transactions shall be handled mutatis mutandis in accordance with the relevant provisions of this Procedure. Bond transactions with repurchase conditions shall not be subject to the provisions of this Procedure.

(II) Operating (hedging) strategies

The Company engages in transactions of derivative financial instruments for hedging purposes. The transaction instruments should be selected to avoid the risks arising from the business operations of the Company. The currency held must be consistent with the actual foreign currency demand of the Company for import and export transactions. In principle, the Company's overall internal part (referring to foreign currency income and expenditure) should be self-balanced to reduce the Company's overall foreign exchange risk and save the foreign exchange operating costs. Other specific-purpose transactions must be carefully evaluated and reported to the Board of Directors for approval before they can be carried out.

(III) Division of powers and responsibilities

1. Finance Department

(1) Trader

- A. Responsible for formulating the strategy for transaction of financial instruments of the company as a whole.
- B. Traders shall periodically calculate positions every two weeks, list market information, conduct trend judgments and risk assessments, and formulate operational strategies, which shall be used as the basis for engaging in transactions after being approved by the approval authority.
- C. Execute the transaction in accordance with the authorised authority and the established strategy.
- D. Whenever there is a material change in the financial market and the trader determines that the established strategy is no longer applicable, an assessment report shall be issued and the strategy shall be reformulated at any time. After approval by the General Manager, they shall be used as the basis for engaging in the transaction.

(2) Accounting Personnel

- A. Execute Transaction Confirmation.
- B. Review whether transactions are conducted in accordance with delegated authority and established strategies.
- C. Reviews are conducted on a monthly basis and review reports are submitted to the General Manager.
- D. Accounting processing.
- E. Declarations and announcements are made in accordance with the requirements of the Securities and Futures Commission.

(3) Delivery Person: Performs a delivery task.

(4) Derivative commodity approval authority

- A. Approval authority for hedging transactions

Approved by	Daily Trading Permissions	Net Cumulative Part Trading Permissions
President	US\$ 30,000 (inclusive)	US\$ 10,000 (inclusive)
Chairman	US\$ 30,000 or more	US\$ 20,000 or more

- B. Other special-purpose transactions shall be reported to the Board of Directors for approval before they are carried out.
  - C. The Company shall acquire or dispose of assets subject to the procedures or other legal requirements specified by the Board of Directors. If any director objects and there is a record or written statement, the Company shall send the director's objection information to the respective supervisors. The Board of Directors shall, when discussing a transaction to acquire or dispose of assets in accordance with the foregoing provisions, give due consideration to the opinions of the Independent Directors, who shall, if they have any objections or reservations, set out in the minutes of the Board of Directors.
2. Audit Department
- Responsible for understanding the adequacy of the internal control of derivatives trading and auditing the transaction department's compliance with the operating procedures, analyzing the transaction cycle, making an audit report, and delivering it to the inspector for inspection before the end of the month following the completion of the audit project. In addition, the internal auditor shall immediately complete the report audit and notify the inspector and the independent director if there is a risk of major violations or major losses to the company.
3. Performance appraisal
- (1) Hedging transactions
    - A. Performance is evaluated on the basis of the profit or loss generated between the cost of the company's book exchange rate and the engagement in derivative financial transactions.
    - B. In order to fully understand and express the evaluation risk of the transaction, the Company evaluates the profit or loss using the monthly evaluation method.
    - C. The Finance Department shall provide foreign exchange position evaluation and foreign exchange market trends and market analysis to the General Manager for management reference and instruction.
  - (2) Specific-purpose Transactions
 

Actual profit or loss is used as the basis for performance appraisal and the accountants are required to periodically prepare reports for management reference.
4. Definition of total contract amount and loss cap
- (1) Total Contract Amount
    - A. Hedging transaction limit
    - B. The Finance Department shall control the overall position of the Company to avoid transaction risks, and the amount of hedging transactions shall not exceed two-thirds of the overall net position of the Company.
    - C. Specific-purpose Transactions
 

Based on the prediction of market changes, the Finance Department shall formulate a strategy as required and report it to the General Manager and the Chairman of the Board of Directors for approval before proceeding. The total contract amount of the Company's net cumulative position in specific-purpose transactions is limited to US\$ 1 million.
  - (2) Definition of loss cap
    - A. In the case of a specific-purpose transaction contract, a stop point shall be established after the establishment of the position to prevent excess losses. The ceiling of the stop point shall not exceed 10% of the amount of the transaction contract.
    - B. The amount of individual contract losses shall not exceed US\$ 20,000 or

about 5% of the amount of the trading table, whichever is the lower amount.

C. The maximum annual loss for operations of specific-purpose transactions of the Company is US\$ 300,000.

## II. Risk management measures

### (I) Credit Risk Management:

Based on the fact that the market is subject to various factors, which may cause operational risks of derivative financial instruments, the following principles are applied in the management of market risks:

- (1) Counterparties: Mainly well-known domestic and foreign financial institutions.
- (2) Transaction Commodities: Limited to commodities provided by well-known domestic and foreign financial institutions.
- (3) Transaction Amount: Uncancelled transaction amount of the same counterparty, not exceeding 10% of the total authorised amount, unless otherwise approved by the General Manager.

### (II) Market Risk Management:

Mainly open foreign exchange transaction market provided by banks, not considering futures market for the time being.

### (III) Liquidity Risk Management:

In order to ensure market liquidity, the financial products must be selected based on a high degree of liquidity (i.e., readily available on the market), the financial institution to which the transaction is entrusted must have sufficient information and the ability to trade on any market at any time.

### (IV) Cash flow risk management

In order to ensure the stability of the Company's working capital, the source of funds for the Company to engage in derivatives trading is limited to its own funds, and the operating amount shall take into account the cash receipts and disbursements forecast for the next three months.

### (V) Operational Risk Management

1. Firmly follow firm-authorised limits, operational processes and internal audits to avoid operational risks
2. Personnel engaging in derivatives trading may not serve concurrently in other operations such as confirmation and settlement
3. Risk measurement, monitoring, and control personnel shall be assigned to a different department than the personnel in the preceding subparagraph and shall report to the Board of Directors or senior supervisors with no responsibility for trading or position decision-making.
4. Derivatives trading positions held shall be evaluated at least once per week; however, positions for hedging transactions required by business shall be evaluated at least twice per month. Evaluation reports shall be submitted to senior supervisors authorized by the Board of Directors.

### (VI) Commodity risk management

Insider traders shall have complete and correct expertise in financial instruments and require banks to fully disclose risks in order to avoid the risk of misuse of financial instruments.

### (VII) Legal Risk Management:

Documents signed with financial institutions shall be reviewed by foreign exchange and legal or legal counsel specialists before being duly signed to avoid legal risk.

## V. Internal audit system

- (V) Internal auditors shall periodically understand the fairness of the internal control of derivative transactions, and monthly check the compliance of the trading department with the procedures for dealing with derivative transactions and analyze the transaction cycle to form an audit report. If any

major violations are discovered, they shall notify the supervisor in writing.

- (VI) The internal auditors shall report the audit report together with the annual audit of the internal audit operation before the end of February of the following year in accordance with the provisions of the Securities and Futures Commission, and shall report the improvement of abnormal matters before the end of May of the following year at the latest for future reference in accordance with the provisions of the Securities and Futures Commission. (If the Company is already a listed or OTC company, this shall apply; if the Company is publicly offered but has not been listed on the OTC, this shall apply from 2004)

#### VI. Periodic evaluation method

- (I) The Board of Directors shall authorise senior supervisors to periodically monitor and evaluate whether the derivatives trading are actually conducted in accordance with the transaction procedures established by the Company and whether the risks assumed are within the permitted scope and whether the abnormalities in the market value evaluation report (if the position held has exceeded the loss cap) shall be reported to the Board of Directors immediately and the corresponding measures shall be taken.
- (II) Derivatives trading positions held shall be evaluated at least once per week; however, positions for hedging transactions required by business shall be evaluated at least twice per month. Evaluation reports shall be submitted to senior supervisors authorized by the Board of Directors.

#### VII. Principles of Supervision and Management of the Board of Directors when Engaging in Derivatives Trading

- (I) The Board of Directors shall designate senior supervisors to supervise and control the risks of derivatives trading at any time, and the management principles shall be as follows:
  - 1. Periodically evaluate the risk management measures currently employed are appropriate and are faithfully conducted in accordance with these Guidelines and the procedures for engaging in derivatives trading formulated by the Company.
  - 2. When irregular circumstances are found in the course of supervising transactions and profit-loss circumstances, appropriate measures shall be adopted and a report immediately made to the Board of Directors; where the Company has independent directors, an independent director shall be present at the meeting and express an opinion.
- (II) Periodically evaluate whether derivatives trading performance is consistent with established operational strategy and whether the risk undertaken is within the Company's permitted scope of tolerance.
- (III) The Company shall report to the soonest meeting of the Board of Directors after it authorizes the relevant personnel to handle derivatives trading in accordance with its Procedures for Engaging in Derivatives Trading.
- (IV) The Company engaging in derivatives trading shall establish a log book in which details of the types and amounts of derivatives trading engaged in, Board of Directors approval dates, and the matters required to be carefully evaluated under paragraphs 4 (2), 5 (1) and (2) of this Article shall be recorded in detail in the log book.

#### Article XIII :Procedures for processing of merger, demerger, acquisition or share transfer

##### I. Evaluation and Operating Procedures

- (I) When the Company handles a merger, demerger, acquisition or transfer of shares, it is appropriate to entrust attorneys, CPAs and underwriters to jointly discuss the estimated schedule of statutory procedures, and the project team shall be organised in accordance with the statutory procedures. Prior to convening the meeting of the Board of Directors to resolve on the matter, a CPA, attorney, or securities underwriter shall be engaged to give an opinion on the reasonableness of the share exchange ratio, acquisition price, or distribution of cash or other property to shareholders, and submit it to the Board of Directors for deliberation and approval. However, the requirement of obtaining an aforesaid opinion on reasonableness issued by an expert may be exempted in the case of a

merger by the Company of a subsidiary in which it directly or indirectly holds 100% of the issued shares or authorized capital, and in the case of a merger between subsidiaries in which the Company directly or indirectly holds 100% of the respective subsidiaries' issued shares or authorized capital.

- (II) The Company shall prepare a public report to shareholders detailing important contractual content and matters relevant to the merger, demerger, or acquisition prior to the Shareholders' Meeting and include it along with the expert opinion referred to in paragraph 1 (1) of this Article when sending shareholders notification of the Shareholders' Meeting for reference in deciding whether to approve the merger, demerger, or acquisition. Provided, where a provision of another act exempts a company from convening a Shareholders' Meeting to approve the merger, demerger, or acquisition, this restriction shall not apply. In addition, where the Shareholders' Meeting of any one of the companies participating in a merger, demerger, or acquisition fails to convene or pass a resolution due to lack of a quorum, insufficient votes, or other legal restriction, or the proposal is rejected by the Shareholders' Meeting, the companies participating in the merger, demerger or acquisition shall immediately publicly explain the reason, the follow-up measures, and the preliminary date of the next Shareholders' Meeting.

## II. Other precautions to be taken

- (I) **Date of the Board meeting:** A company participating in a merger, demerger, or acquisition shall convene a board of directors meeting and Shareholders' Meeting on the day of the transaction to resolve matters relevant to the merger, demerger, or acquisition, unless otherwise provided by other laws or the Financial Supervisory Commission is notified in advance of extraordinary circumstances and grants consent. A company participating in a transfer of shares shall call a board of directors meeting on the day of the transaction, unless otherwise provided by other laws or the Financial Supervisory Commission is notified in advance of extraordinary circumstances and grants consent.
- (II) **Prior confidentiality undertakings:** Every person participating in or privy to the plan for merger, demerger, acquisition, or transfer of shares shall issue a written undertaking of confidentiality and may not disclose the content of the plan prior to public disclosure of the information and may not trade, in their own name or under the name of another person, in any stocks or other equity based securities of any company related to the plan for merger, demerger, acquisition, or transfer of shares.
- (III) **Principles for determination and change of the share exchange ratio or the acquisition price:** Companies that conduct a merger, demerger, acquisition, or transfer of shares, prior to convening the meeting of the Board of Directors of both parties to resolve on the matter, shall engage a CPA, attorney, or securities underwriter to give an opinion on the reasonableness of the share exchange ratio, acquisition price, or distribution of cash or other property to shareholders, and submit it to the Shareholders' Meeting. In principle, the share exchange ratio or acquisition price may not be changed at will, unless the conditions for the change have been stipulated in the contract and have been publicly disclosed. The share exchange ratio or acquisition price may be changed as follows:
  1. Cash capital increase, issuance of convertible corporate bonds, or the issuance of bonus shares, issuance of corporate bonds with warrants, preferred shares with warrants, stock warrants, or other equity based securities
  2. An action, such as a disposal of major assets, that affects the company's financial operations.
  3. An event, such as a major disaster or major change in technology, that affects shareholder equity or share price.
  4. An adjustment where any of the companies participating in the merger, demerger, acquisition, or transfer of shares from another company, buys back treasury stock.
  5. An increase or decrease in the number of entities or companies participating in the merger, demerger, acquisition, or transfer of shares.

6. Other terms/conditions that the contract stipulates may be altered and that have been publicly disclosed.
- (IV) Contents of the contract: The contract of the companies participating in the merger, demerger, acquisition or share transfer shall, in addition to the provisions of Article 317-1 of the Company Act and Article 22 of the Business Mergers And Acquisitions Act, state the following matters.
1. Handling of breach of contract.
  2. Principles for the handling of equity based securities previously issued or treasury stock previously bought back by any company that is extinguished in a merger or that is demerged.
  3. The amount of treasury stock participating companies are permitted under law to buy back after the record date of calculation of the share exchange ratio, and the principles for handling thereof.
  4. The manner of handling changes in the number of participating entities or companies.
  5. Preliminary progress schedule for plan execution, and anticipated completion date.
  6. Scheduled date for convening the legally mandated Shareholders' Meeting if the plan exceeds the deadline without completion, and relevant procedures.
- (V) Upon a change in the number of companies participating in a merger, demerger, acquisition or share transfer: After public disclosure of the information, if any company participating in the merger, demerger, acquisition, or share transfer intends further to carry out a merger, demerger, acquisition, or share transfer with another company, all of the participating companies shall carry out anew the procedures or legal actions that had originally been completed toward the merger, demerger, acquisition, or share transfer; except that where the number of participating companies is decreased and the Shareholders' Meeting of a participating company has adopted a resolution authorizing the Board of Directors to alter the limits of authority, such participating company may be exempted from calling another Shareholders' Meeting to resolve on the matter anew.
- (VI) When participating in a merger, demerger, acquisition, or transfer of another company's shares, a company that is listed on an exchange or has its shares traded on an OTC market shall prepare a full written record of the following information and retain it for 5 years for reference:
1. Basic identification data for personnel: Including the occupational titles, names, and national ID numbers (or passport numbers in the case of foreign nationals) of all persons involved in the planning or implementation of any merger, demerger, acquisition, or transfer of another company's shares prior to disclosure of the information.
  2. Dates of material events: Including the signing of any letter of intent or memorandum of understanding, the hiring of a financial or legal advisor, the execution of a contract, and the convening of a Board of Directors meeting.
  3. Important documents and minutes: Including merger, demerger, acquisition, and share transfer plans, any letter of intent or memorandum of understanding, material contracts, and minutes of meetings of the Board of Directors.
- (VII) Where any of the companies participating in a merger, demerger, acquisition, or transfer of shares is not a public company, the Company shall sign an agreement with the non-public company whereby the latter is required to abide by the date of convening the Board meeting under paragraph (2) (1) of this Article, the prior confidentiality undertaking under paragraph (2), the change in the number of companies participating in the merger, demerger, acquisition or share transfer under paragraph (5) and the provisions of paragraph (6).

#### Article XIV :Information Disclosure Procedure

- I. Items subject to public announcement and regulatory filing and threshold requiring public announcement and regulatory filing
  - (I) Acquisition or disposal of real estate from a related party, or acquisition or disposal of assets other than real estate from a related party where the transaction amount reaches 20% or more of paid-in capital, 10% or more of the Company's total assets, or NT\$ 300 million or more. However, this shall not apply to trading of domestic government bonds, bonds under repurchase and resale agreements, or subscription or redemption of currency market funds issued by domestic securities investment trust enterprises.
  - (II) Merger, demerger, acquisition, or transfer of shares.
  - (III) Losses from derivatives trading reaching the maximum amount of aggregate losses or losses on individual contracts set out in the prescribed handling procedures.
  - (IV) Where the type of assets acquired or disposed of belongs to the equipment or right-of-use assets thereof for business use, and furthermore the counterparty is not a related party, and the transaction amount meets any of the following criteria:
    1. The paid-in capital of the Company is less than NT\$ 10 billion, and the transaction amount reaches NT\$ 500 million or more.
    2. The paid-in capital of the Company is NT\$ 10 billion or more, and the transaction amount reaches NT\$ 1 billion or more.
  - (V) Acquisition or disposal by the Company in the construction business of real estate or right-of-use assets thereof for construction use, and furthermore the counterparty is not a related party, and the transaction amount reaches NT\$ 500 million or more; among such cases, if the Company has the paid-in capital of NT\$10 billion or more, and it is disposing of real estate from a completed construction project that it constructed itself, and furthermore the counterparty is not a related party, then the threshold shall be a transaction amount reaching NT\$ 1 billion or more.
  - (VI) Where land is acquired under an arrangement on engaging others to build on the Company's own land, engaging others to build on rented land, joint construction and allocation of housing units, joint construction and allocation of ownership percentages, or joint construction and separate sale, and furthermore the counterparty is not a related party, and the amount the Company expects to invest in the transaction does not reach NT\$ 500 million or more.
  - (VII) Where the transaction amount reaches up to 20% of the Company's paid-up capital or NT\$300 million or more. save for assets transactions, disposal of creditors rights by financial institutions or investment in Mainland China as stated in the preceding six paragraphs. But shall not be applicable to the following situations:
    1. Sale and purchase of domestic bonds.
    2. Where done by professional investors —securities trading on securities exchanges or OTC markets, or subscription of ordinary corporate bonds or general bank debentures without equity characteristics (excluding subordinated debt) that are offered and issued in the domestic primary market, or subscription or redemption of securities investment trust funds or futures trust funds, or subscription by a securities firm of securities as necessitated by its undertaking business or as an advisory recommending securities firm for an emerging stock company, in accordance with the rules of the Taipei Exchange.
    3. Trading of bonds under repurchase and resale agreements, or subscription or redemption of currency market funds issued by domestic securities investment trust enterprises.

The foregoing transaction amount shall be calculated as follows, and within the preceding year as used herein refers to the year preceding the date of occurrence of the current

transaction. Items that have been announced in accordance with the regulations need not be counted toward the transaction amount.

1. The amount of any individual transaction.
2. The cumulative transaction amount of acquisitions and disposals of the same type of underlying asset with the same counterparty within the preceding year.
3. The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of real estate or right-of-use assets thereof within the same development project within the preceding year.
4. The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of the same security within the preceding year.

## II. Timeframe for Public Announcement and Regulatory Filing

Assets acquired or disposed of by the Company, which have an announceable item in paragraph 1 of this Article and for which the transaction amount reaches a threshold requiring public announcement and regulatory filing under this Article, shall be announced and declared within two days from the date of the occurrence.

## III. Public announcement and regulatory filing procedures

- (I) The Company shall make public announcement and regulatory filing of the relevant information on the website designated by the Securities and Futures Commission.
- (II) The Company shall compile monthly reports on the status of derivatives trading engaged in up to the end of the preceding month by the Company and any subsidiaries of the Company that are not domestic public companies and enter the information in the prescribed format into the information reporting website designated by the Financial Supervisory Commission by the 10th day of each month.
- (III) When the Company at the time of public announcement makes an error or omission in an item required by regulations to be publicly announced and so is required to correct it, all the items shall be again publicly announced and reported in their entirety within two days counting inclusively from the date of knowing of such error or omission.
- (IV) The Company acquiring or disposing of assets shall keep all relevant contracts, meeting minutes, log books, appraisal reports and CPA, attorney, and securities underwriter opinions at the company, where they shall be retained for 5 years unless otherwise provided by other laws.
- (V) Where any of the following circumstances occurs with respect to a transaction that the Company has already publicly announced and reported in accordance with the preceding Article, a public report of relevant information shall be made on the information reporting website designated by the Financial Supervisory Commission within two days counting inclusively from the date of occurrence of the event:
  1. Change, termination, or rescission of a contract signed in regard to the original transaction.
  2. A company that is listed on an exchange or has its shares traded on an OTC market has not completed the merger, demerger, acquisition, or transfer of another company's shares by the scheduled date set forth in the contract.
  3. Change to the originally publicly announced and reported information.

#### IV.Format of public announcement

- (I) The format of public announcement of the matters and contents to be announced for the Company's trading of securities of the Parent Company and its Subsidiaries or Affiliates in the domestic and foreign centralized markets or the Taipei Exchange is set out in Annex II.
- (II) The format of public announcement of the matters and contents to be announced for the acquisition of real estate under an arrangement on engaging others to build on the Company's own land, joint construction and allocation of housing units, joint construction and allocation of ownership percentages, or joint construction and separate sale is set forth in Annex III.
- (III) The format of public announcement for the acquisition or disposal of real estate and other fixed assets and the acquisition of real estate from a related party is set forth in Annex IV.
- (IV) The format of public announcement for trading of securities, memberships and intangible assets and disposal of receivables by financial institutions on markets other than the centralized markets or OTC markets is set forth in Annex V.
- (V) The format of public announcement for investments in mainland China is set forth in Annex VI.
- (VI) The format of public announcement for derivatives trading within two days from the date of the occurrence is set forth in Annex VII-I.
- (VII) The format of public announcement for derivatives trading before the 10th day of each month is set forth in Annex VII-II.
- (VIII) The format of public announcement for merger, demerger, acquisition or transfer of shares is set forth in Annex VIII.

Article XV : The subsidiaries of the Company shall deal with the matters in accordance with the following provisions:

- I. The Subsidiary shall also formulate the “Procedure for Acquisition or Disposal of Assets” in accordance with the relevant provisions of the “Regulations Governing the Acquisition and Disposal of Assets by Public Companies”, which shall be reported to the Board of Shareholders of both parties upon adoption by the Board of Directors of the Subsidiary, and shall comply with the same in case of any amendments.
- II. A subsidiary shall acquire or dispose of the assets in accordance with the provisions of the Company.
- III. Where a subsidiary is not a public company and the acquisition or disposal of assets reaches a threshold requiring public announcement and regulatory filing set forth in the “Regulations Governing the Acquisition and Disposal of Assets by Public Companies”, the parent company shall also handle the public announcement and regulatory filing on behalf of the subsidiary.
- IV. The paid-in capital or total assets of the parent company (the Company) shall be the standard applicable to a subsidiary in determining whether, relative to paid-in capital or total assets, it reaches a threshold requiring public announcement and regulatory filing.

Article XV-1 : For the calculation of 10% of total assets under this Procedure, the total assets stated in the most recent parent company only financial report or individual financial report prepared under the Regulations Governing the Preparation of Financial Reports by Securities Issuers shall be used.

In the case of a company whose shares have no par value or a par value other than NT\$10- for the calculation of transaction amounts of 20% of paid-in capital under this Procedure, 10% of equity attributable to owners of the parent company shall be substituted; for calculations under the provisions of this Procedure regarding transaction amounts relative to paid-in capital of NT\$ 10 billion, NT\$ 20 billion of equity attributable to owners of the parent company shall be substituted.

Article XVI :Penalties

Any employee of the Company who undertakes to acquire and dispose of assets in violation of the provisions of this Procedure shall be periodically reported for assessment in accordance with the personnel management practices and the Employee Handbook of the Company and shall be subject to a lighter and heavier punishment in accordance with the circumstances.

Article XVII :Implementation and Amendment

Upon the "Procedures for Acquisition or Disposal of Assets" of the Company is approved by the Board of Directors, it shall be sent to each Supervisor and tabled in the Shareholders' Meeting for approval. The same procedure shall be applicable at the time of amendment. Where there is an objection by a Director and there is a record or written statement, the Company shall also send the details of the objection by the Director to each Supervisors. In addition, if the Company has appointed Independent Directors, when the "Procedures for Acquisition or Disposal of Assets" is tabled to the Board of Directors for deliberation, the opinions of each Independent Director shall be duly considered. If the independent directors make any objections or reservations, it shall be recorded in the minutes of the Board of Directors meeting.

Article XVIII :Miscellaneous

Any matters not covered in this Procedure shall be handled in accordance with the relevant laws and regulations.

# **(VII) Operating Procedures for Loaning of Funds and Making Endorsements/ Guarantees (Before amendment)**

## **Yuan High-Tech Development Co.,Ltd. Operating Procedures for Loaning of Funds and Making Endorsements/Guarantees**

2019.06.12

### **Section I General Principles**

#### **Article I-1: Basis**

In order to enable the Company's loaning of funds to comply with the Operating Procedures and strengthen the financial management of making the endorsements / guarantees and reduce the operational risk, these Operating Procedures are formulated in accordance with the provisions of Article 36-1 of the Securities and Exchange Act.

**Article I-2:** The Company shall handle loaning of funds and make endorsements / guarantees for others in accordance with the provisions of this Procedure.

**Article I-3:** Subsidiary and parent company referred to in this Procedure shall be as determined under the Regulations Governing the Preparation of Financial Reports by Securities Issuers.  
Net worth referred to in this Procedure means the balance sheet equity attributable to the owners of the parent company under the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

### **Section II Loaning of Funds**

**Article II :** The loan borrower, the aggregate amount of loans and the maximum amount permitted to a single borrower

(I) In accordance with the provisions of the Company Act, the Company shall not loan funds to any of its shareholders or any other person except under the following circumstances:

1. Where a company or firm has a business transaction with the Company which calls for a loan arrangement "business transaction" referred to in the foregoing means the purchase or sale of goods with the Company.
2. The company or firm for which a short-term financing with the Company is necessary; shall be limited to those company or firm with more than 20% of the shares held by the Company for which a short-term financing is necessary due to business needs. Financing amount means the cumulative balance of the public company's short-term financing and shall not exceed 40% of the lender's net worth.  
"Short-term" referred to in the foregoing, as interpreted in the previous letter from the Ministry of Economic Affairs, means the period of one year or one operating cycle, (whichever is longer).

The restriction in paragraph 1 (2) shall not apply to the limits on inter-company loans of funds between overseas companies in which the Company holds, directly or indirectly, 100% of the voting shares, nor to loans of fund to the Company by any overseas company in which the Company holds, directly or indirectly, 100% of the voting shares. The period of loaning of funds shall be exceed one year in principle, but may be extended by one year if approved by the the resolution of the Board of Directors.

When a responsible person of the Company violates the provisions of paragraph 1, the responsible person shall bear joint and several liability with the borrower for repayment; if the Company suffers damage, the responsible person also shall be liable for damages.

(II) The aggregate amount of loans and the maximum amount permitted to a single borrower

1. If funds are loaned to companies or firms with business transactions, the total loan amount shall be limited to no more than 20% of the net worth of the Company, while the amount of individual loan shall be limited to the amount of business transactions between the two parties in the most recent year. The amount of business transactions referred to is the higher of the amount of purchases or sales between the two parties.
2. If funds are loaned to companies or firms for which a short-term financing is necessary, the total amount of the loan shall be limited to no more than 20% of the net worth of the Company; the amount of individual loan shall be limited to no more than 10% of the net worth of the Company.

Article III :Duration of loans and calculation of interest.

- (I) The term of each loan of funds shall commence from the date of loan, which is in principle not more than one year or one operating cycle (whichever is longer).
- (II) Interest on loans shall be calculated on a daily basis. The sum of the daily loan balances (i.e., the total cumulative interest) is multiplied by the annual interest rate and then divided by 365 to obtain the amount of interest. The annual interest rate shall in principle not be lower than the average interest rate of the Company on short-term bank loans.
- (III) Unless otherwise specified, interest on loans shall be paid once a month in principle, and the borrower shall be notified to pay the interest on time one week before the agreed interest payment date.

Article IV :Review Procedures

(I)Application Procedures

1. The borrower shall provide the basic information and financial information, fill in the application form, describe the purpose of the funds, and submit it to the Finance Department of the Company during the loan period.
2. Where funds are loaned for reasons of business dealings, the management personnel of the Finance Department of the Company shall evaluate whether the amount of the loan is commensurate to the amount of the business transaction; where short-term financing is needed, the reasons for and conditions of extending loans shall be enumerated, and a credit investigation shall be conducted. The relevant information and the proposed loaning conditions shall be reported to the head of the Finance Department and the general manager, and then to the Board of Directors for resolution.
3. Loans of funds between the Company and its parent company or subsidiaries, or between its subsidiaries, shall be submitted for a resolution by the Board of Directors pursuant to the preceding paragraph, and the Chairman may be authorized, for a specific borrowing counterparty, within a certain monetary limit resolved by the Board of Directors, and within a period not to exceed one year, to give loans in installments or to make a revolving credit line available for the counterparty to draw down.
4. The "certain monetary limit" mentioned in the preceding paragraph on authorization for loans extended by the Company or any of its subsidiaries to any single entity shall not exceed 10% of the net worth on the most current financial statements of the lending company, except for the loaning of funds between foreign subsidiaries in which the Company directly or indirectly holds 100% of voting shares
5. When the Company loans funds to others, it shall take into full consideration the opinion of each Independent Director. If an Independent Director expresses any dissent or reservation, it shall be noted in the minutes of the meeting of the Board of Directors.

(II)Credit Investigation

1. For the initial borrower, the borrower shall provide the basic information and financial information for the purpose of credit investigation.
2. In principle, if the borrower continues to borrow, the credit investigation shall be conducted again at the time of submitting the borrowing, and in case of a major or emergency event, it shall be conducted at any time as the case may be.
3. If the financial condition of the borrower is good and an CPA for the annual financial statements is entrusted to process the financing, the investigation report in which the one-year has not lapsed may continue to be used, and such report together with the report certified by the CPA for the said period shall be used as a reference for loaning.
4. The impact of the loans on the operational risk, financial condition and shareholders'

equity of the Company shall also be assessed when the Company conducts a credit investigation over the borrower.

(III) Loan Approval and Notification

1. Where the Board of Directors resolves not to loan the funds upon credit investigation and evaluation, the management personnel shall promptly reply to the borrower with the reason for refusal.
2. Where the Board of Directors resolves to approval the loaning the funds upon credit investigation and evaluation, the management personnel shall promptly notify the borrower, detailing the loan conditions of the Company, including the limit, term, interest rate, collateral and guarantor, etc., and request the borrower to sign the contract within the time limit.

(IV) Sign up for warranty

1. The contract terms for the loan shall be prepared by the management personnel, reviewed by the supervisor and sent to the legal counsel for review before the contract is signed.
2. The contract terms shall be consistent with the approved terms and conditions of the loan, and the borrower and the joint guarantor shall complete the guarantee procedures by the management personnel after signing and affixing the contract.

(V) Appraisal of Value of Collateral and Rights Creation

If a collateral is involved in the loan, the borrower shall provide the collateral and complete the pledge or mortgage creation formalities, and the Company shall also appraise the value of the collateral to secure the Company's claims.

Article V :Repayment

After the loan is disbursed, attention shall be paid to the financial, business and credit conditions of the borrower and the guarantor. If any collateral is provided, attention shall be paid to whether there is any change in the value of the collateral. The borrower shall be notified to repay the principal and interest one month prior to the maturity of the loan.

1. The interest payable shall be calculated when the borrower repays the loan upon maturity, and the promissory note, borrowing document and other debt repayment certificates shall be cancelled and returned to the borrower only after the principal and interest are settled together.
2. If the borrower applies for the mortgage to be written off, the borrower shall first check whether there is any loan balance to decide whether to agree to the mortgage write-off.

Article VI :Points to Note for Loaning of Funds to Others

- I. Before making a loan of funds to others, the Company shall carefully evaluate whether the loan is in compliance with these Operating Procedures. The Company may loan funds to others only after the evaluation results have been submitted to and resolved upon by the Board of Directors. The Company shall not empower any other person to make such decision.
- II. The Company's internal auditors shall audit the Operating Procedures for Loaning Funds to Others and the implementation thereof no less frequently than quarterly and prepare written records accordingly. They shall promptly notify all the Supervisors and Independent Directors in writing of any material violation found.
- III. Where, as a result of changes of condition of the Company, the entity for which the loan is made no longer meets the requirements of this Procedure, or the balance of the loan exceeds the limit, the audit unit shall urge the Finance Department to set a time limit to recover the loans exceeding the limit, and submit the rectification plans to all the supervisors and independent directors, and shall complete the rectification according to the timeframe set out in the plan.
- IV. The undertaker shall prepare a detailed statement of the funds loaned to other companies in the previous month before the 10th of each month, and submit it for review on a step-by-step basis.

**Section 3 Endorsement/Guarantee**

Article VII :The endorsements/guarantees referred to in this Procedure include:

- (I) Financing endorsements/guarantees refer to bill discount financing, endorsement or guarantee made to meet the financing needs of another company, and issuance of a separate negotiable instrument to a non-financial enterprise as security to meet the financing needs of the Company itself.

- (II) Customs duty endorsement/guarantee, meaning an endorsement or guarantee for the Company itself or another company with respect to customs duty matters.
- (III) Other endorsements/guarantees, meaning endorsements or guarantees beyond the scope of the above two subparagraphs.
- (IV) Any creation by the Company of a pledge or mortgage on its chattel or real estate as security for the loans of another company shall also comply with this Procedure.

**Article VIII :Entity for which the endorsement/guarantee is made**

Except where each capital contributing shareholder makes endorsements/ guarantees for its jointly invested company in proportion to its shareholding percentage, the entity of the Company for which the endorsement/guarantee is made is limited to the following companies:

1. A subsidiary with a business relationship.
2. An invested company that directly holds more than 50% of the ordinary share equity.
3. A parent company and its subsidiaries and the invested company that holds more than 50% of the ordinary share equity in aggregate.
4. A parent company that holds more than 50% of ordinary share equity, either directly by the Company or indirectly through subsidiaries.

Companies in which the Company holds, directly or indirectly, 90% or more of the voting shares may make endorsements/guarantees for each other, and the amount of endorsements/guarantees may not exceed 10% of the net worth of the Company. Provided that this restriction shall not apply to endorsements/guarantees made between companies in which the Company holds, directly or indirectly, 100% of the voting shares.

**Article IX :Limit of endorsement/guarantee**

1. The total amount of the Company's external endorsement/guarantee shall not exceed 50% of the net worth of the current period. The limit of the endorsement/guarantee for a single enterprise shall not exceed 20% of the net worth for the current period, but shall not exceed 30% of the net worth for a single overseas affiliate, and shall not exceed the total amount of the transactions with the Company in the most recent year if the endorsement/guarantee is made as a result of a business relationship (the amount of goods purchased or sold between the two parties, whichever is higher). The net worth shall be based on the most recent financial statements certified or reviewed by a CPA.
2. The total amount of external endorsements/guarantees for the Company and its subsidiaries as a whole shall not exceed 50% of the net worth of the Company, and the limit of the endorsement/guarantee for a single enterprise shall not exceed 20% of the net worth of the Company.
3. Where the Company and its subsidiaries agree that the total amount of the endorsements/guarantees is more than 50% of the net worth of the Company, they shall explain in the Shareholders' Meeting the necessity and reasonableness thereof.

**Article X :Hierarchy of decision-making authority and delegation thereof**

The Company's endorsement/guarantee shall be made upon approval of the resolution made by the Board of Directors. However, in the interest of time, the Board of Directors may authorize the Chairman (or the General Manager, either one) to make a decision within 30% of the current net worth, submit a report thereafter to the Board of Directors for approval, and report the relevant information to the Board of Shareholders for reference. When the Company makes endorsements/guarantees to others, it shall take into full consideration each Independent Director's opinion. If an Independent Director expresses any dissent or reservation, it shall be noted in the minutes of the meeting of the Board of Directors.

**Article XI :Procedures for making endorsements/guarantees.**

- (I) When an endorsement/guarantee enterprise is required to use the amount of the endorsement/guarantee within the limit, it shall provide the basic information and financial information, and fill in the application form and submit the application to the Finance Department of the Company. The Finance Department shall conduct a detailed appraisal and carry out the credit investigation work. The appraisal items include their necessity and reasonableness, engagement in endorsement/guarantee for reasons of business dealings, whether the amount of the endorsement/guarantee is commensurate to the amount of the business transaction, the impact on the Company's operational risk, financial condition and shareholders' equity, and whether the collateral and the appraisal of value of collateral should

be obtained.

- (II) The management personnel of the Finance Department of the Company shall compile the aforementioned relevant information and appraisal results. If the cumulative balance of the then endorsement/guarantee has not exceeded the net worth by 30% for the current period, they shall apply to the Chairman (or the General Manager, either one) for approval, and thereafter submit the report to the Board of Directors for approval. If the cumulative balance of the endorsement/guarantee has exceeded the net value by 30% for the current period, it shall be submitted to the Board of Directors for approval and be handled in accordance with the resolution of the Board of Directors.
- (III) The endorsement/guarantee registration form established by the Finance Department shall record in detail the following information for the record: the entity for which the endorsement/guarantee is made, the amount, the date of approval by the Board of Directors or of authorization by the Chairman, the date on which the endorsement/guarantee is made, the matters to be carefully evaluated under these Regulations, the content of the collateral and its appraised value, and the conditions and date of release from the liability of the endorsement/guarantee, among others
- (IV) The endorsement/guarantee enterprise shall, at the time of repayment, copy and submit the repayment information to the Company in order to release the Company from liability for the guarantee and shall be recorded on the endorsement/guarantee registration form.
- (V) The Finance Department shall evaluate and record the contingent loss for endorsements/guarantees, and shall adequately disclose information on endorsements/guarantees in its financial reports and provide CPAs with relevant information for implementation of necessary audit procedures.
- (VI) When the Company or its subsidiary makes endorsements/guarantees for a subsidiary whose net worth is less than half of the paid-in capital, the Company's internal auditors shall, in addition to the handling under the provisions of the preceding paragraph, audit the Operating Procedures for Endorsements/Guarantees for Others and the implementation thereof no less frequently than quarterly and prepare written records accordingly. They shall promptly notify all the Supervisors and Independent Directors in writing of any material violation found.  
In the case of a subsidiary with shares having no par value or a par value other than NT\$ 10, for the paid-in capital in the calculation under subparagraph 11 of the preceding paragraph, the sum of the share capital plus paid-in capital in excess of par shall be substituted.

#### Article XII :Custody of Corporate Chops and Procedures

The corporate chop shall be the dedicated chop for endorsements/guarantees registered with the Ministry of Economic Affairs, which shall be kept in the custody of a person designated by the Chairman as authorized by the Board of Directors, and may be used to seal or issue negotiable instruments only in accordance with the Operating Procedures prescribed by the Company.

#### Article XIII :Points to Note for Making Endorsements/Guarantees:

- (I) The Company's internal auditors shall audit the Operating Procedures for Endorsements/Guarantees for Others and the implementation thereof no less frequently than quarterly and prepare written records accordingly. They shall promptly notify all the Supervisors and Independent Directors in writing of any material violation found.
- (II) In the event that the entity for which the endorsement/guarantee is made fails to meet the requirements of Article 8 of these Procedures that originally met due to a change in circumstances of the Company, or if the amount of the endorsement/guarantee exceeds the limit set out in Article 9 of these Procedures due to a change in the basis for calculating the limit, the audit unit shall urge the Finance Department to discharge the amount or excess of the endorsement/guarantee of the said entity in entirety at the expiration of the term stipulated in the contract or within a specific period, and shall submit the rectification plans to all the Supervisors and Independent Directors, and complete the rectification according to the timeframe set out in the plan, and report the same to the Board of Directors.
- (III) Where the Company needs to exceed the limits set out in these Procedures to satisfy its business requirements, and where the conditions set out in these Procedures are complied with, it shall obtain approval from the Board of Directors and half or more of the Directors shall act as joint guarantors for any loss that may be caused to the Company by the excess endorsement/guarantee. It shall also amend these Procedures accordingly and submit the

same to the Shareholders' Meeting for ratification after the fact. If the Shareholders' Meeting does not give consent, the Company shall adopt a plan to discharge the amount in excess within a given time limit.

The Board of Directors shall, in its deliberations, take into full consideration each Independent Director's opinion. If an Independent Director expresses any dissent or reservation, it shall be noted in the minutes of the meeting of the Board of Directors.

#### **Section IV Information Disclosure (After Public Issue)**

##### **Article XIV :Public announcement and regulatory filing procedures**

###### **I. Lending to Others**

- (I) The Company and the Subsidiaries shall enter the balance of the loans of the Company and the Subsidiaries in the previous month into the Market Observation Post System before the 10th of each month.
- (II) The Company whose balance of loans reach one of the following levels shall enter such event into the Market Observation Post System within two days commencing immediately from the date of occurrence:
  - (1) The balance of loans to others reaches 20% or more of the Company's net worth as stated in its latest financial statement.
  - (2) The balance of loans to a single enterprise reaches 10% or more of the Company's net worth as stated in its latest financial statement.
  - (3) The amount of new loans of funds reaches NT\$ 10 million or more, and reaches 2% or more of the Company's net worth as stated in its latest financial statement.
- (III) The Company shall announce and report on behalf of any subsidiary thereof that is not a public company of the Republic of China any matters that such subsidiary is required to announce and report pursuant to all subparagraphs of the preceding paragraph.
- (IV) The Company shall evaluate the status of its loans of funds and reserve sufficient allowance for bad debts, and shall adequately disclose relevant information in its financial reports and provide CPAs with relevant information for implementation of necessary auditing procedures.

###### **II. Endorsements/Guarantees**

- (I) The Company and the Subsidiaries shall enter the balance of the endorsements/guarantees of the Company and the Subsidiaries in the previous month into the Market Observation Post System before the 10th of each month.
- (II) The Company and its subsidiaries whose endorsements/guarantees reach one of the following levels shall enter such event into the Market Observation Post System within two days commencing immediately from the date of occurrence:
  1. The balance of endorsements/guarantees reaches 50% or more of the Company's net worth as stated in its latest financial statement.
  2. The balance of endorsements/guarantees for a single enterprise reaches 20% or more of the Company's net worth as stated in its latest financial statement.
  3. The balance of endorsements/guarantees for a single enterprise reaches NT\$ 10 million or more and the aggregate amount of all endorsements/guarantees for, carrying value of equity method investment in, and balance of loans to, such enterprise reaches 30% or more of the Company's net worth as stated in its latest financial statement.
  4. The amount of new endorsements/guarantees reaches NT\$ 30 million or more, and reaches 5% or more of the Company's net worth as stated in its latest financial statement.
- (III) The Company shall enter into the Market Observation Post System on behalf of any subsidiary thereof that is not a public company of the Republic of China any matters that such subsidiary is required to enter into the Market Observation Post System pursuant to all subparagraphs of the preceding paragraph.
- (IV) The Company shall evaluate or record the contingent loss for endorsements/guarantees and shall adequately disclose relevant information in its financial reports and provide CPAs with relevant information for implementation

of necessary audit procedures.

- III. The “date of occurrence” in these Procedures means the date of contract signing, date of payment, dates of Boards of Directors resolutions, or other date that can confirm the entity and monetary amount of the loan of funds or endorsement/guarantee, whichever date is earlier.

Article XV : Procedures for Controlling and Managing Loans of Funds to Others and Endorsements/Guarantees by Subsidiaries

- I. Procedures for Controlling and Managing Loans of Funds to Others by Subsidiaries
- (I) Where a subsidiary of the Company intends to make loans to others, the Company shall instruct it to formulate its own Operating Procedures for Loaning Funds to Others, and it shall comply with the Procedures when loaning funds; provided, however, that the net worth shall be calculated on the basis of the net worth of the subsidiary.
  - (II) The subsidiary shall prepare a detailed statement of the funds loaned to other companies in the previous month before the 10th (exclusive) of each month , and submit it to the Company for review.
  - (III) The subsidiary's internal auditors shall audit the Operating Procedures for Loaning Funds to Others and the implementation thereof no less frequently than quarterly and prepare written records accordingly. They shall promptly notify the audit unit of the Company in writing of any material violation found, and the audit unit of the Company shall submit the written information to all the Supervisors and Independent Directors.
  - (IV) When the auditors of the Company conduct an audit to the subsidiaries according to the annual audit plan, they shall also understand the implementation of the subsidiaries' Operating Procedures for Loaning Funds to Others. If any deficiencies are found, they shall continuously track their ratification and prepare a tracking report to be submitted to the General Manager (or the Chairman, depending on to which unit the audit unit belongs).
- II. Procedures for Controlling and Managing Endorsements/Guarantees by Subsidiaries
- (I) Where a subsidiary of the Company intends to make endorsements/guarantees for others, the Company shall instruct it to formulate its own Operating Procedures for Endorsements/Guarantees for Others, and it shall comply with the Procedures when making endorsements/guarantees; provided, however, that the net worth shall be calculated on the basis of the net worth of the subsidiary.
  - (II) The subsidiary shall prepare a detailed statement of the endorsements/guarantees made for others in the previous month before the 10th (exclusive) of each month , and submit it to the Company for review.
  - (III) The subsidiary's internal auditors shall audit the Operating Procedures for Endorsements/Guarantees for Others and the implementation thereof no less frequently than quarterly and prepare written records accordingly. They shall promptly notify the audit unit of the Company in writing of any material violation found, and the audit unit of the Company shall submit the written information to all the Supervisors and Independent Directors.
  - (IV) When the auditors of the Company conduct an audit to the subsidiaries according to the annual audit plan, they shall also understand the implementation of the subsidiaries' Operating Procedures for Endorsements/Guarantees for Others. If any deficiencies are found, they shall continuously track their ratification and prepare a tracking report to be submitted to the General Manager (or the Chairman, depending on to which unit the audit unit belongs).

Article XVI :Penalties

Any manager of the Company and officer who violates these Operating Procedures shall be periodically reported for assessment in accordance with the personnel management practices and the Employee Handbook of the Company, and shall be subject to a lighter and heavier punishment in accordance with the circumstances. (Please determine according to the actual situation and considerations of each company)

Article XVII :Implementation and Amendment

Upon approval by the Board of Directors, these Procedures shall be submitted to each Supervisor and submit them for approval by the Shareholders' Meeting; where any Director expresses dissent and it is contained in the minutes or a written statement, the Company shall submit the dissenting opinion to each Supervisor and for discussion by the Shareholders' Meeting. The same shall apply to any amendments to these Procedures.

When the Company submits the Operating Procedure for discussion by the Board of Directors under the preceding paragraph, it shall take into full consideration each Independent Director's opinion. If an Independent Director expresses any dissent or reservation, it shall be noted in the minutes of the meeting of the Board of Directors.

# **(VIII) Measures for Election of Directors and Supervisors (Before amendment)**

**Yuan High-Tech Development Co.,Ltd.**

## **Methods for the Election of Directors and Supervisors**

- Article I : The election of the Directors and Supervisors of the Company shall be conducted in accordance with the provisions of these Measures.
- Article II : The election of the Directors and Supervisors of the Company shall be conducted by means of a single cumulative registered election method. Unless otherwise provided by decree, each share shall have an election right equal to the number of Directors or Supervisors to be elected. A single person may be elected or distributed among the electors, and the names of the electors may be substituted by a certificate of attendance number.
- Article III : At the beginning of the election, the Chairman shall appoint the scrutineers and vote counters to carry out various tasks.
- Article IV : In accordance with the quotas determined by the Articles of Incorporation, those candidates with a higher number of votes (calculated based on the number of votes) in order shall be elected as the Director and Supervisor of the Company. If two or more persons have the same number of votes and exceed the specified quotas, the results shall be determined by the draw among those with the same number of votes, and the draw shall be made by the Chairman on behalf of the non-attendees. Shareholders who are elected as Director and Supervisor in accordance with the preceding paragraph at the same time shall decide at their discretion whether to serve as a Director and a Supervisor. The vacancy shall be filled by the candidate with the succeeding majority votes in the election.
- Article V : The ballot papers shall be prepared by the Board of Directors, which shall be counted and distributed to each shareholder according to the number of persons to be elected (one person, one vote), and their voting rights shall be added.
- Article VI : Electors must indicate the name of the candidate and shareholder account number in the "Candidate" column of the ballot paper; if the candidate is not a shareholder, they must indicate the name of the candidate and the unified ID card number. If the candidate is a government or legal entity, the name of the government representative or legal entity and the name of its representative shall be filled in the identification column of the candidate on the ballot paper; if there are more than one representative, the name of each representative shall be filled in separately.
- Article VII : The ballot paper is invalid under any of the following circumstances:
- I. Where the ballot paper under Article 5 is not used are considered invalid.
  - II. Where more than two candidates are filled in the ballot paper.
  - III. Where the words other than the name of the candidate, the shareholder account number, or the unified ID card number are written.
  - IV. Where there is any blurred or illegible handwriting or alternation.
  - V. Where the filled-in candidate is a shareholder and his/her name and shareholder account number do not match those listed in the register of shareholder; where the filled-in candidate is not a shareholder, and his/her name and unified ID card number do not match upon verification.

VI. Those where the name of the candidate is the same as that of the other shareholder and the shareholder account number or the unified identification card number of the identity card were not filled in for identification.

VII. Those who submitted a blank ballot paper into the ballot box.

Article VIII : The votes shall be counted on the spot after polling, and the result shall be announced by the Chairman on the spot.

Article IX : The elected Directors and Supervisors shall be notified of their election separately by the Board of directors.

Article X : (Delete).

Article XI : Matters not stipulated in these Measures shall be subject to the provisions of the Company Act and other relevant decree.

Article XII : These Measures have been adopted and amended by the Shareholders' Meeting.

# (IX) Rules of Procedure for Shareholders' Meetings

## Yuan High-Tech Development Co.,Ltd.

### Rules of Procedure for Shareholders' Meetings

- Article I : The Rules of Procedure of the Shareholders' Meeting of the Company shall be governed by these Rules unless otherwise provided by decree or bylaw.
- Article II : The Company shall have a register of names to be signed by or on behalf of the attending shareholders. The number of shares in attendance shall be calculated according to the shares indicated by the attendance book and sign-in cards handed in plus the number of shares whose voting rights are exercised by correspondence or electronically.
- Article III : The attendance and voting of the Shareholders' Meeting shall be calculated based on shares.
- Article IV : The Shareholders' Meeting shall be convened at the place where the Company is located or a venue that facilitates the attendance of shareholders and is suitable for the convening of the Shareholders' Meeting. The time of the meeting shall not be earlier than 9:00 a.m. or later than 3:00 p.m., and the opinions of Independent Directors shall be fully taken into consideration.
- Article V : If the Shareholders' Meeting is convened by the Board of Directors, the Chairman of the Board of Directors shall be the Chairman of the meeting. If the Chairman requests leave or is unable to exercise his powers for any reason, the Vice-chairman shall serve on his behalf. If there is no Vice-chairman or the Vice-chairman also requests leave or is unable to exercise his powers for any reason, the Chairman shall appoint an Executive Director to serve on his behalf. If there is no Executive Director, a Director shall be appointed to serve on his behalf. If the Chairman does not appoint any person to serve on his behalf, each of the Executive Director or Director shall appoint a person to serve on his behalf.
- The Executive Director or Director who serves as the Chairman of the meeting as stipulated in the preceding paragraph shall be the one who has been in office for more than six months and is an expertise in the financial and business conditions of the Company. The same shall apply to the representative of a Director of a corporation who serves as the Chairman of the meeting.
- If a Shareholders' Meeting is convened by a convener with the right to convene other than the Board of Directors, the said convener shall serve as the Chairman of the meeting, and if there are two or more conveners, one of them shall be appointed.
- Article VI : The Company may appoint an appointed attorney, CPA or relevant person to attend the Shareholders' Meeting.
- Personnel who arrange for the Shareholders' Meeting shall wear identification cards or armbands.
- Article VII : The Company shall make continuous and uninterrupted audio and video recordings of the shareholders' debriefing process, the proceedings of the meeting and the entire polling and counting processes from the commencement of the shareholders' debriefing.
- The aforementioned audio-visual data shall be kept for at least one year. However, if a shareholder files a lawsuit in accordance with Article 189 of the Company Act, it shall be kept until the end of the lawsuit.
- Article VIII : The Chairman shall declare the commencement of the meeting at the same time as it has been held and shall announce the number of non-voting votes, the number of shares present and other relevant information.

Provided that when the number of attending shareholders representing more than half of the total number of issued shares does not constitute the quorum, the Chairman may announce adjournment of the meeting no more than twice and no more than one hour in aggregate. If the shareholders representing more than one-third of the total amount of the issued shares are present despite those representing more than half of the total number of issued shares do not still constitute the quorum after the adjournment for the second time, a tentative resolution may be adopted in accordance with Article 175 (1) of the Company Act, and the shareholders shall be notified of the tentative resolution and convening a further Shareholders' Meeting within one month.

Prior to the end of the meeting, if the number of shares represented by the shareholders present reaches more than half of the total number of issued shares, the Chairman may revert the tentative resolution to the meeting for a vote in accordance with the provisions of Article 174 of the Companies Act.

Article IX : If the Shareholders' meeting is convened by the Board of Directors, its agenda shall be determined by the Board of Directors, and relevant resolutions (including ex-temporary motions and amendments to original proposals) shall be adopted on a case-by-case basis. The meeting shall be held in accordance with the scheduled agenda and shall not be changed without the resolution of the Shareholders' Meeting.

If the Shareholders' Meeting is convened by a convener with the right to convene other than the Board of Directors, the provisions of the preceding paragraph shall apply.

The Chairman shall not declare the meeting adjourned without a resolution before the closure of the items in the agenda (including ex-temporary motions) scheduled in the first two paragraphs. If the Chairman declares the meeting adjourned in violation of the Rules of Procedure, the other members of the Board of Directors shall promptly assist the Shareholders present and elect a person as chairman of the meeting with the consent of a majority vote of the shareholders present to continue the meeting in accordance with the procedure prescribed by law.

After the adjournment of the meeting, the Shareholders shall not elect a chairman to continue the meeting at the original address or another venue.

Article X : Before the speech, the shareholders present shall fill in the speech strip indicating the essence of the speech, the account number of the shareholder (or the number of the attendance card) and the name of the account holder, and the Chairman shall determine the order in which the speech shall be delivered.

A shareholder in attendance who has submitted a speaker's slip but does not actually speak shall be deemed to have not spoken. When the content of the speech does not correspond to the subject given on the speaker's slip, the spoken content shall prevail.

When an attending shareholder is speaking, other shareholders may not speak or interrupt unless they have sought and obtained the consent of the chair and the shareholder who has the floor; the chair shall stop any violation.

Article XI : No more than two statements by each Shareholder on the same proposal may be made without the consent of the Chairman, each of which shall not exceed five minutes.

If a Shareholder speaks in violation of the provisions of the preceding paragraph or outside the scope of the agenda, the Chairman may stop his/her speech.

Article XII : When a legal person is entrusted to attend a Shareholders' Meeting, the said legal person may only appoint one representative to attend the meeting.

When the government or a juristic person is a shareholder, it may be represented by more than one representative at a shareholders' meeting.

When a juristic person shareholder appoints two or more representatives to attend a shareholders' meeting, only one of the representatives so appointed may speak on the same proposal.

- Article XIII : After an attending shareholder has spoken, the chair may respond in person or direct relevant personnel to respond.
- Article XIV : The chair shall allow ample opportunity during the meeting for explanation and discussion of proposals and of amendments or extempore motions put forward by the shareholders; when the chair is of the opinion that a proposal has been discussed sufficiently to put it to a vote, the chair may announce the discussion closed, call for a vote, and schedule sufficient time for voting.
- Article XV : Vote monitoring and counting personnel for the voting on a proposal shall be appointed by the chair, provided that all monitoring personnel shall be shareholders of Aurora.  
The vote counting operation of the Shareholders' Meeting vote or election proposal shall be conducted publicly at the Shareholders' Meeting, and after the vote counting is completed, the result of the vote shall be announced on the spot, including the weights of the statistics, and recorded.
- Article XVI : When the meeting is in progress, the chairman may, at such time as he/she deems appropriate, declare a break.
- Article XVII : The vote on the proposal shall be passed with the consent of a majority vote of the shareholders present, unless otherwise provided by the Companies Act and the Articles of Incorporation.  
At the time of voting, after the total number of voting rights of the Shareholders present is announced by the chairman or his/her designed person on a case-by-case basis, the Shareholders shall vote on a case-by-case basis, and the results of the shareholders' consent, opposition and abstention shall be entered into the Market Observation Post System on the day after the Shareholders' Meeting is held.
- Article XVIII : In the event of an amendment to or replacement of the same proposal, the chairman shall determine the order of voting together with the original proposal. When any one among them is passed, the other proposals will then be deemed rejected, and no further voting shall be required.
- Article XIX : The chairman may direct the inspector (or security guard) to assist in maintaining the order at the venue. Inspectors (or security guards) shall wear an armband with the word "inspector" when they are present to assist in maintaining the order.
- Article XX : Matters not stipulated in these Rules shall be handled in accordance with other relevant decree and the Articles of Incorporation of the Company.
- Article XXI : These Rules shall enter into force upon adoption by the Shareholders' Meeting and shall be amended in the same manner.

# (X) Shareholdings of Directors and Supervisors

## Yuan High-Tech Development Co.,Ltd. Shareholdings of Directors and Supervisors

As of the book closure date for the Shareholders' Meeting (April 16, 2022), the shareholdings of the Directors and Supervisors of the Company were as follows:

I. Details of the minimum number of shares to be held by all Directors and Supervisors and the number of shares held in the register of shareholders

Title	Number of shares to be held	Number of Shares Registered in the Register of Shareholders
Director	3,600,000 (Note)	10,913,344
Supervisor	360,000 (Note)	603,180

II. Details of the number of shares held by Directors and Supervisors

Title	Name	Number of Shares Registered in the Register of Shareholders
Chairman	Wei Sheng Investment Co., Ltd.	9,511,321
Director	Representative: Chen, Li-Min	
Director	Representative: Zhao, Xi-Zheng	
Director	Representative: Li, Shi-Long	
Director	Representative: Lin, Hong-Pei	
Director	Li, Yao-Kui	500,897
Director	Yang, Shi-Huai	901,126
Independent Director	Huang, Shu-Zhen	6,000
Independent Director	Zeng, Hong-Chih	0
Supervisor	Liu, Ying-Jun	603,180
Supervisor	Sun, Sheng	0

Note: The shareholding of Independent Directors appointed by a public company shall not be included in the total number of statutory shares; if two or more Independent Directors are appointed, the shareholding ratio of all Directors and Supervisors other than Independent Directors calculated according to the statutory ratio shall be reduced to 80%.