

Stock Code : 5474

YUAN

YUAN High-Tech Development Co., Ltd.

2022

**Annual Report
(Translation)**

Printed on May 25, 2023

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YUAN High-Tech Development Co., Ltd.

2022 Annual Report

Notice to Readers:

For the convenience of readers, the Annual Report has been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese version shall prevail.

I. The name, the professional title and the telephone number of the Company's spokesperson:

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Title: General Manager

Telephone Number:(02)2392-1233

Email:yuan.service@yuan.com.tw

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Professional Title: Finance and Accounting Manager

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III. Name, address, website, and telephone of the stock transfer handling institution:

Name: Capital Securities Corp., Ltd.

Address: 2F, G/F, No. 97, Sec. 2, Dunhua South Road, Taipei, Taiwan

Website:www.capital.com.tw

Telephone Number:(02)2703-5000

YUAN High-Tech Development Co., Ltd.

IV. Name, Address, Website, and Telephone Number of Accounting Firm and Name of the CPA Auditing and Certifying the Financial Report of the Most Recent Year:

Names of Accountants: Minjuan Feng, Yongjian Xu

Accounting Firm: PricewaterhouseCoopers (PwC) Taiwan

Address: 27F, No. 333, Sec. 1, Keelung Road, Taipei, Taiwan

Website:www.pwctw.com.tw

Telephone Number:(02)2729-6666

Chairman: Zhao, Xi-Zheng

Date of Publication: May 25, 2023

V. Overseas Securities Exchange: None

VI. Company Website:https://www.yuan.com.tw/

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Chapter 1 Letter to Shareholders

I. 2022 Annual Business Results

(I) Business Plan Implementation Results

The Company's net revenue for 2011 was NT \$1,372,773,000, representing a decrease of NT \$419,666,000 or 23.41% compared with the previous year. 2022 annual net profit after tax of NT\$314,304,00, net profit after tax decreased by 18.17% compared with 2021.

(II) Budget implementation: Not applicable

(III) Analysis of Financial Revenues and Profitability

Analysis Item		2021	2022	
Financial Revenue and Expenditure	Non-Operating Income (in thousands)	9,952	45,053	
	Non-Operating Expenses (in thousands)	9,966	2,828	
Profitability	Return on assets(%)	17.59	15.13	
	Return on equity of shareholders(%)	24.29	18.48	
	Percentage of paid-in capital(%)	Operating Income	120.03	84.38
		Pre-tax net profit	120.03	94.84
	Net Profit Rate(%)	21.43	22.90	
Earnings per share (NT\$)	9.66	7.91		

(IV) Research Development Status:

1. Technology and R&D Overview

Founded in 1990 and headquartered in Taiwan, Satellite Technology (Upper Cabinet Stock Code: 5474) is mainly engaged in the design, development and manufacture of high-quality OEM/ODM image capture cards, video and video conversion boxes, multimedia streaming codecs and artificial intelligence embedded systems and software integration related businesses.

Based on years of accumulated experience and expertise, the R&D team has developed various fields including hardware, drive, firmware, FPGA and SDK. The company can vertically integrate a variety of different hardware modules and software components, utilize hardware components from chip suppliers, and match its own FPGA technology and R&D application strength, and make real-time responses and product R&D and design improvements for the needs of the market and customers to maximize business interests. On the other hand, the Company also continues to invest a lot of resources in upgrading its production technology to achieve a market niche and differentiate itself from its competitors by offering the widest and most diverse range of products to meet market changes and customer needs through continuous product evolution.

In recent years, due to the growing influence of COVID-19 on the world, the growing demand of the multimedia industry has made the development and launch of products such as audio and video streaming, high-definition recording and broadcasting attract continuous attention. In this context, Satellite Technology continues to develop and expand its high, medium and low product lines to meet the diverse needs of customers. At present, the 4K60 product line is quite complete, and the products provided include video signal capture cards (boxes), hardware compressed video capture cards, video converters, streaming video codecs and AI-related technologies required by various industries. In order to meet the needs of the market, the company is planning to develop 8K ultra-high-resolution video signal capture products to provide users with the ultimate video experience; at the same time, the company is developing 8K ultra-high-resolution video codecs, ultra-high-resolution video converters and video streaming boxes that support the new generation of radio and television specifications to meet the arrival of the next generation of multimedia video. The Company is fully committed to the research and development of cutting-edge audio-visual and digital surveillance products and technology applications, expanding and cultivating our R&D workforce, and investing in a variety of related testing instruments and signal simulation equipment to ensure that all new products can pass and obtain relevant national testing certifications and safety regulations before they are launched.

The image capture industry has entered a highly integrated era. Various industries have begun to link automation through image capture products and artificial intelligence. Many widespread applications of smart cities and factory automation are also indispensable for high-quality image capture systems. In recent years, the company has actively invested in the development of image AI-related technologies, and expects to combine many years of accumulated images. Audio software technology customer base and experience, to help the existing image acquisition card customer base, seamlessly engage artificial intelligence technology, but also the learning function into the embedded system single chip (SoC: System on a Chip) application, enhance product value, the scope of imaging services, including, intelligent transportation, medical image recognition, face recognition, passenger flow analysis, behavioral 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, our AI technology has landed cases all over Taiwan.

At the end of 2022, it also built Taiwan's top imaging AI technology development center at the headquarter of YUAN High-Tech, and actively participated in various intelligent construction projects of the government. In the future, the company will continue to focus on product innovation and technology development to provide better products and services to meet the changing needs of customers.

2. Technologies or products successfully developed by the company in 2022

The following technologies or products were successfully developed during the year:

- A. HDMI20 and SDVoE transceiver: HDMI2.0/SDVoE two-way audio and video conversion box
- B. HDMI20 to SDVOE V2: HDMI2.0/SDVoE Converter
- C. SC6E0 N1 AIO Lite: HDMI/SDI Live Webcast Video Editor/Decoder
- D. SC400 N1 full: 1 HDMI/SDI/analog signal HD video capture card
- E. SC400 N1 MC HDV: Mini PCIe interface 1 channel HDMI/VGA/YPbPr HD video capture card
- F. SC400 N1L AIO: 1-channel HDMI/SDI/analog signal HD semi-high video capture card
- G. SC400 N1L HDAV: 1-channel HDMI/CVBS/S-Video high-definition semi-high-definition video capture card
- H. SC410 N2L SDI: 2-channel SDI 4K semi-high video capture card
- I. SC410 N2L SDI: 2-channel SDI 4K semi-high video capture card
- J. SC410 N4 SDI: 4-channel SDI 4K video capture card
- K. SC420 N16-X4 TVI: PCIe × 4 interface 16-channel TVI analog HD video capture card
- L. SC710 N1L 12g SDI + HDMI20: 1 channel HDMI2.0/12G-SDI 4K semi-high video capture card
- M. SC710 N2 12g SDI: 2-channel 12g-SDI 4K video capture card
- N. SC720 N4 SDVOE AVP C: 4-channel SDVoE 4K video capture card
- O. SC720 N4 SDVOE AVP F: 4-channel SDVoE fiber 4K video capture card
- P. Stream to HDMI: HDMI streaming video decoder
- Q. UB575G HDMI: USB UVC interface HDMI HD video capture card

II. 2023 Annual Business Plan Summary

This year, the company will continue to use ultra-high-resolution image capture cards, video converters and AV over IP streaming video multimedia products as the main marketing force, and provide industrial solutions to provide software and hardware integration systems to provide more competitive products and services. Multimedia video, digital monitoring, Internet of Things (IoT), AI-related applications market is booming, due to the maturity of mobile networks and the expansion of network bandwidth, the popularization of portable devices, as well as upstream suppliers of technology development, in 2022, related products and equipment also bring great impact on the market and consumers.

The company's products in the field of AV over IP streaming audio and video cover the product layout of 100m to 25g, and focus on the development of intelligent edge computing to accelerate the speed of AI image processing, provide customers with better solutions, and participate in indicative exhibitions around the world to pay attention to market and technology trends, and formulate medium and long-term product design and development direction through actual customer facing, dynamically adjust product market positioning and development direction to master the initiative and maintain product competitiveness.

Through in-depth cooperation with upstream chip suppliers, coupled with self-designed FPGA lines, develop and research products based on various video processing and remote-control combinations, at the same time strictly control the production quality and stability of products, and reasonably control production costs, strive for the best balance between cutting-edge software and hardware design and production, in order to provide customers with highly competitive video and audio solutions.

III. Future Development Strategies

Leading the Future of Ultra-High-Resolution Extraction

In order to meet the market demand for high-speed image display, 2022 released the world's first 8K60/4K120 ultra-high magnification image capture card, 8K UHD image can be presented completely clear and sharp, especially suitable for sports live, e-sports games and other fields, so that users have the most fluent ultra-high-definition picture on the general display screen.

In response to market demand, we continue to launch a full line of products that support ultra-high resolution related interface cards and conversion boxes, including PCIe/miniPCIe/M.2/MIP1 image capture cards, USB 2.0/3.0/3.2 image capture boxes, 2D/3D video conversion boxes and video streaming encoders, and launch the world's first 8K60/4K120 ultra-high magnification image capture card in 2022. Such a product line is especially suitable for sports live, e-sports games and other fields, so that users have the most fluid ultra-high-definition screen on the general display screen, but also in line with the 8K ultra-high resolution and AV over IP trend. Various audio-visual products across all interfaces use the same set of drivers and SDKs that are compatible with mainstream Windows, Linux, NVIDIA Jeston and macOS operating systems, and the cross-platform design provides a consistent video framework to improve product compatibility and ease of use.

Low latency and stable and reliable AV over IP product layout

With the popularity of 4K resolution, more and more application scenarios need to support high-resolution image streaming, AV over IP system can achieve high definition, low latency and stable and reliable video transmission, thereby improving work efficiency and comprehensive cost-effectiveness, in order to achieve high-quality 4K60 streaming, our AV over IP product line spans 100m to 25g, providing a variety of efficient encoding schemes, including H.264, H.265 and AV1. These coding schemes not only support up to 4K60 resolution and high-quality image effects, but also provide low latency and high stability of streaming transmission.

Different streaming protocols are used for different application scenarios, such as RTSP, RTMP, SRT, and TS. In order to facilitate customer use, our AV over IP product line is constantly expanding the communication protocol, and at the end of 2022, we released a streaming codec transceiver that can support NDI ®, NDI ® | HX and SDVoE protocols at the same time, which supports a variety of different streaming formats to meet customer needs in different application scenarios.

Image Processing Platform with Artificial Intelligence

With the diversification of market demand and the continuous development of technology gradually mature, high-resolution digital surveillance security has become a significant development trend, in order to meet the needs of various applications, from the front end to the back end of the overall system came into being. Satoshi continues to integrate advanced artificial intelligence technology on image capture and embedded systems, relying on real-time, non-destructive, easy installation and other advantages, while continuously optimizing the AI inference module of edge computing to accelerate the speed and accuracy of image analysis, developing an intelligent image processing platform for industry applications, providing high-quality, delay-free intelligent image application solutions through efficient image processing, and is committed to leading the security industry to a higher level of development.

IV. The impact of the external competitive environment, regulatory environment and overall business environment

● Application of Image Technology in Edge Embedded Devices

Edge computing Embedded computers have limited computing power and may not be able to handle image processing tasks that require a lot of computing. If the algorithm for processing images is too complex, it may lead to excessive energy consumption or poor heat dissipation, which may affect the stability and life of the system, and at the same time consider the need to transfer a large amount of image data from the camera or memory to the embedded computer for processing. This requires handling issues such as high-speed data transfer, data compression and storage to avoid inaccurate image analysis results due to data loss or transmission delays.

Therefore, in the edge computing embedded computer for image processing, appropriate optimization and improvement are required in hardware, software and system architecture to ensure the efficiency and accuracy of image processing, while ensuring the stability and security of the system.

● Advanced AI Analytics Industry Solutions

With the continuous development of monitoring technology, all walks of life to protect asset safety, improve production efficiency, maintain public order and other needs are also getting higher and higher. For example, enterprises can prevent theft and protect intellectual property rights through surveillance systems; medical institutions can improve ward security and protect patient privacy through video surveillance; and government agencies can maintain social security and reduce crime through surveillance systems. However, the use of artificial intelligence image analysis technology may also bring some social and ethical issues, such as privacy protection, fairness, etc., must be carefully considered and solved.

● AV over IP Multimedia Streaming Integration Application

Streaming video and audio signals need to be encoded, compressed, packaged and transmitted from the transmitting end to the receiving end, in the transmission process, high-quality images require greater bandwidth, if encoded and compressed improperly, it may lead to poor picture quality, especially for applications that require high-quality images.

In the field of AV over IP, each industry has its own characteristics and application scenarios, and the specific choice should be decided according to needs. 100m is usually used in video conferencing, remote monitoring, live broadcasting and other fields such as RTSP, RTMP, HLS, SIP, WebRTC, ONVIF, SRT, NDI | Hx, Dante AV-H. 1G bandwidth can achieve low-latency, high-quality video transmission, commonly used in the advertising TV industry video production, virtual studio, etc., related to Full NDI and Dante AV-UTRLA and other communication protocols. By 10g, compared to other AV over IP solutions, SDVoE uses proprietary codecs to achieve 4K60 4: 4: 4 latency-free transmission and even supports 8K video transmission.

There are many different technical standards and equipment in the field of AV over IP, and the biggest challenge may be incompatibilities between devices, resulting in installation and operation difficulties.

Chairman	Zhao, Xi-Zheng
General Manager	Lin, Hong-Pei
Accounting Supervisor	Luo, Jia-Ling

Chapter 2 Company Profile

I. Established: October 1, 1990

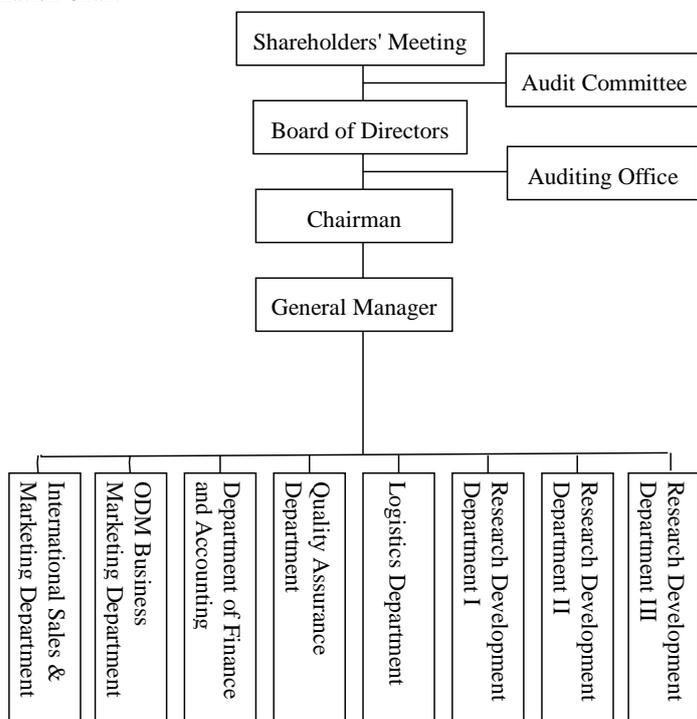
II. Company History:

1. October 1990 Established with a capital of NT\$5 million, formerly known as YUAN CO., LTD., had engaged in the trading of electronic and computer parts
2. July 1994 Increased capital to NT\$15 million in cash, increased capital to NT\$20 million, expanded the business scale and reorganize into a joint-stock company
3. July 1995 In order to expand our business, we moved to Dongxing Road in Taipei
4. March 1996 Increased capital to NT\$20 million in cash and increased capital to NT\$40 million
5. June 1997 Increased capital to NT\$80 million in cash and increased capital to NT\$120 million
6. April 1998 Increased capital of NT\$30 million in cash and increased capital to NT\$150 million
7. July 1998 Leased a plant in Taoyuan, purchased machinery and equipment, and officially set up a production line.
8. July 1998 Official opening of the new plant in Taoyuan
9. December 1998 Transact NT \$60 million in cash and NT \$15 million in surplus, increasing the capital to NT \$240 million only
10. October 1999 The amount of paid-in capital increased to NT\$250,000,600,000 from surplus to capital increase of NT\$1,206,000,000
11. October 2000 The amount of paid-in capital increased to NT\$265,973,000 from surplus to capital increase of NT\$13,313,000
12. January 2001 Company moved to Ruiguang Road, Neihu District, Taipei
13. March 2001 Company Stock Over-the-Counter
14. October 2001 Company moved to Dunhua North Road, Taipei
15. December 2001 Transferred surplus to increase capital by NT\$12,612,770, increasing paid-in capital to NT\$278,585,270
16. November 2003 The company moved to the current address of Zhongxiao East Road, Taipei
17. July 2007 The capital increased to NT\$587,126,00, and the paid-in capital increased to NT\$337,297,870.
18. September 2021 Transfer of surplus to capital increased to NT\$66,261,570, and the paid-in capital increased to NT\$403,559,440

Chapter 3 Corporate Governance Report

I. Organization

(I) Organization Chart



(II) The business of each major division:

Name of Department	Organization
Auditing Office	Audit, analyze abnormalities and make suggestions for improving the company's systems.
International Sales & Marketing Department	Promote sales, advertising, and product planning for domestic and international markets.
ODM Business Marketing Department	NOTE BOOK ODM manufacturer, product design, and sales.
Research Development Department I Research Development Department II Research Development Department III	Development and design of new products, preparation of technical specifications and feasibility evaluation, and drafting and distributing product design drawings.
Quality Assurance Department	Responsible for quality control, product verification, and quality abnormality analysis.
Department of Finance and Accounting	(1) Responsible for company financial management, accounting, budget management, stock affairs, payroll, etc. (2) Planning and execution of all human resources matters. (3) Asset management, benefits and insurance operations.
Logistics Department	Responsible for production, manufacturing, materials and other related matters.

II. Information of Directors, Independent Directors, Supervisors and Key Managerial Personnel:

(I) Directors, Independent Directors and Supervisors:

1. Information of Directors, Independent Directors and Supervisors

April 22, 2023

Title	Nationality/ Place of Registration	Name	Gender Age (Note 2)	Date Elected	Term	Date of first election (Note 3)	Shareholding When Elected		Current Shareholding		Spouse & Minor Shareholding		Shares Held in Others' Names		Primary Education (Note 4)	Currently holding concurrent positions in the Company and other companies	Executives, Directors or Supervisors who Are Spouses or within the Second Degree of Kinship		
							Held at the end of the Period	%	Held at the end of the Period	%	Held at the end of the Period	%	Held at the end of the Period	%			Title	Name	Relationship
Chairman	R.O.C.	Zhao, Xi-Zheng	Male 51-60	2022/06/14	3	2007/06/13	0	0%	0	0%	20,400	0.05%	0	0%	* University of Alabama at Birmingham * Deputy General Manager of Tongde Co., Ltd. * Chief Executive Officer of the Company	Chairman of the Board the Company	N/A	N/A	N/A
Corporate Director	R.O.C.	Wei Sheng Investment Co., Ltd. (Note 1)	-	2022/06/14	3	2001/08/29	9,511,321	23.57%	9,408,321	23.31%	0	0%	0	0%	Corporate Director of YUAN HIGH-TECH DEVELOPMENT CO., LTD.	N/A	N/A	N/A	N/A
Representative of Corporate Director (Note 1)	R.O.C.	Sheng Sun	Male 61-70	2022/06/14	3	2006/06/09	9,511,321	23.57%	9,408,321	23.31%	0	0%	0	0%	* Department of International Trade, Fengjia University * Changhua Bank Manager * Supervisor of the Company	Directors of the Company	N/A	N/A	N/A
Director	R.O.C.	Li, Yao-Kui	Male 61-70	2022/06/14	3	2001/08/29	500,897	1.24%	500,897	1.24%	0	0%	0	0%	* National Chengchi University Graduate Institute * Independent Director, Co-operative Treasury Bank * Chairman of SME Credit Guarantee Fund	* Vice-Chairman of the Company * Certified accountant of Xinyi Accounting Firm	N/A	N/A	N/A

Title	Nationality/ Place of Registration	Name	Gender Age (Note 2)	Date Elected	Term	Date of first election (Note 3)	Shareholding When Elected		Current Shareholding		Spouse & Minor Shareholding		Shares Held in Others' Names		Primary Education (Note 4)	Currently holding concurrent positions in the Company and other companies	Executives, Directors or Supervisors who Are Spouses or within the Second Degree of Kinship		
							Held at the end of the Period	%	Held at the end of the Period	%	Held at the end of the Period	%	Held at the end of the Period	%			Title	Name	Relationship
Director	R.O.C.	Lin, Hong-Pei	Male 41-50	2022/06/14	3	2019/06/12	0	0%	0	0%	0	0%	0	0%	* Institute of Information Engineering, Datong University * Deputy General Manager of R&D Department 2 of the Company	President of the Company	N/A	N/A	N/A
Director	R.O.C.	Chen, Li-Min	Male 71-80	2022/06/14	3	1999/01/26	154,290	0.38%	154,290	0.38%	1,276,113	3.16%	0	0%	* Graduate School of Business Administration at Chengchi University * Chairman of the Board the Company	General Manager of Kunshan Construction	Director and Deputy General Manager	Yang, Shi-Huai	Brother-in-law
Director	R.O.C.	Yang, Shi-Huai	Male 51-60	2022/06/14	3	1999/01/26	901,126	2.23%	901,126	2.23%	0	0%	0	0%	* Institute of Information Electronics, Chuang University * Vice President of R&D Department 1 of the Company	Deputy General Manager of R&D Department of the Company	Director	Chen, Li-Min	Brother-in-law
Independent Director	R.O.C.	Guo, Dong-Long	Male 71-80	2022/06/14	3	2022/06/14	0	0%	0	0%	0	0%	0	0%	* Department of Public Administration, Zhongxing University * General Manager of Yushan Bank * Chairman of Yushan Venture Capital	* Independent Director of the Company * Yushan Bank, an independent director of United Commercial Bank of Cambodia	N/A	N/A	N/A

Title	Nationality/ Place of Registration	Name	Gender Age (Note 2)	Date Elected	Term	Date of first election (Note 3)	Shareholding When Elected		Current Shareholding		Spouse & Minor Shareholding		Shares Held in Others' Names		Primary Education (Note 4)	Currently holding concurrent positions in the Company and other companies	Executives, Directors or Supervisors who Are Spouses or within the Second Degree of Kinship		
							Held at the end of the Period	%	Held at the end of the Period	%	Held at the end of the Period	%	Held at the end of the Period	%			Title	Name	Relationship
Independent Director	R.O.C.	Lin, Hao-Sheng	Male 51-60	2022/06/14	3	2022/06/14	0	0%	0	0%	0	0%	0	0%	* Kensington Technology Institute * SKYWORKS Cellphone Baseband design house manager director	* Deputy General Manager of Business Department of Nanjia Co., Ltd.	N/A	N/A	N/A
Independent Director	R.O.C.	Nian, Xiao-Jing	Female 41-50	2022/06/14	3	2022/06/14	10,800	0.27%	10,800	0.27%	0	0%	0	0%	* Doctoral Program, Institute of Clinical Medicine, Taiwan University School of Medicine * Adjunct Assistant Professor at Yangming Chiao Tung University and Taiwan University	* Chief Executive Officer, Good Liver Foundation * Executive Director of the National Health Foundation * Assistant Professor, University of Taiwan * Yangming Jiaotong University Assistant Professor * Department of Family Medicine, Taiwan National University Hospital			

Title	Nationality/ Place of Registration	Name	Gender Age (Note 2)	Date Elected	Term	Date of first election (Note 3)	Shareholding When Elected		Current Shareholding		Spouse & Minor Shareholding		Shares Held in Others' Names		Primary Education (Note 4)	Currently holding concurrent positions in the Company and other companies	Executives, Directors or Supervisors who Are Spouses or within the Second Degree of Kinship		
							Held at the end of the Period	%	Held at the end of the Period	%	Held at the end of the Period	%	Held at the end of the Period	%			Title	Name	Relationship
Independent Director	R.O.C.	Huang, Shu-Zhen	Female 51-60	2019/06/12	3	2011/12/09	5,000	0.01%	6,000	0.01%	0	0%	0	0%	* Department of Accounting, Chungyu Institute of Technology * Independent Director of the Company	Beley International Finance Manager	N/A	N/A	N/A
Independent Director	R.O.C.	Zeng, Hong-Chi	Male 51-60	2019/06/12	3	2011/12/19	0	0%	0	0%	0	0%	0	0%	* Department of Electronics, Qinyi University of Science and Technology * R & D associate, PALIT MICROSYSTEMS LTD.	Research and Development Associate of Beley International	N/A	N/A	N/A
Supervisor	R.O.C.	Liu, Ying-Jun	Female 51-60	2019/06/12	3	2007/06/13	603,180	1.50%	603,180	1.50%	0	0%	0	0%	* National Taipei University of Business * General Manager of Tongde Co., Ltd.	Supervisor of the Company	N/A	N/A	N/A
Supervisor	R.O.C.	Sheng Sun	Male 61-70	2019/06/12	3	2006/06/09	0	0%	0	0%	0	0%	0	0%	* Department of International Trade, Fengjia University * Changhua Bank Manager	Supervisor of the Company	N/A	N/A	N/A

Note 1: Sheng Sun, the representative of Weisheng Investment (Stock) Company.

Note 2: Please list the actual age and express it in a range of 41~50 years old or 51~60 years old.

Note 3: Enter the time when you first became a director or supervisor of the Company, and include a note if there was an interruption.

Note 4: If you have worked for a certified public accountant firm or a related company during the preceding period, you should specify the position's title and responsibilities.

2. Major Shareholder

- (1) **Directors and supervisors are representatives of corporate shareholders whose shareholding percentage is at least 10% or whose shareholding percentage is among the top 10 shareholders**

April 22, 2023

Corporate shareholder name (Note 1)	Major shareholders of corporate shareholders (Note 2)
Wei Sheng Investment Co., Ltd.	Yang, Yi-Lan 25.00% Li, Shi-Long 75.00%

Note 1: If the director or supervisor is a representative of a corporate shareholder, the name of the corporate shareholder should be entered.

Note 2: Enter the names of the major shareholders of the corporation (the top ten in terms of their shareholding) and their shareholding percentages. If the major shareholder is a corporation, the following table 2 should be completed.

- (2) **A substantial shareholder of a corporate shareholder who is a representative of a corporate shareholder**

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Corporate shareholder name (Note 1)	Major shareholders of corporate shareholders (Note 2)
N/A	N/A

Note 1: If the major shareholder in Table 1 above is a legal entity, the name of the legal entity should be entered.

Note 2: Enter the names of the major shareholders of the corporation (the top ten in terms of their shareholding) and their shareholding percentages.

3. The information of the directors, independent directors and supervisors and the circumstances listed below

(1) Disclosure of professional qualifications of directors and supervisors and independence of independent directors:

Qualifications Name	Professional Qualifications and Experience (Note 1)	Independence Criteria (Note 2)	Number of Other Public Companies where the Individual Concurrently Serves as an Independent Director
Chairman Zhao, Xi-Zheng	<ul style="list-style-type: none"> ● Chairman of the Board of the Company ● Former President of the Company ● Former Deputy General Manager of Tongde Co., Ltd. ● There are no cases under Article 30 of the Company Act. 	1. No spouse or relative within two degrees of kinship with other directors.	0
Director Li, Yao-Kui	<ul style="list-style-type: none"> ● Vice Chairman of the Company ● Former Chairman of the Board of Directors of the Small and Medium Enterprises and Credit Guarantee Fund ● Certified accountant of Xinyi Accounting Firm ● There are no cases under Article 30 of the Company Act. 	1. No spouse or relative within two degrees of kinship with other directors.	0
Director Lin, Hong-Pei	<ul style="list-style-type: none"> ● President of the Company ● Former Deputy General Manager of R&D Department 2 of the Company ● There are no cases under Article 30 of the Company Act. 	1. No spouse or relative within two degrees of kinship with other directors.	0
Representative of the Corporate Director Sheng Sun	<ul style="list-style-type: none"> ● Former Manager of Chang Hwa Bank ● Former Supervisor of the Company ● There are no cases under Article 30 of the Company Act. 	1. No spouse or relative within two degrees of kinship with other directors.	0
Director Chen, Li-Min	<ul style="list-style-type: none"> ● Director of the Company ● Former Chairman of the Board of the Company ● General Manager of Kunshan Construction ● There are no cases under Article 30 of the Company Act. 	1. He is related to Mr. Yang, Shi-Huai as a second-degree relative.	0
Director Yang, Shi-Huai	<ul style="list-style-type: none"> ● Deputy General Manager of R&D Department 1 of the Company ● There are no cases under Article 30 of the Company Act. 	1. He is related to Mr Chen, Li-Min as a second-degree relative.	0

Qualifications Name	Professional Qualifications and Experience (Note 1)	Independence Criteria (Note 2)	Number of Other Public Companies where the Individual Concurrently Serves as an Independent Director
Independent Director Guo, Dong-Long	<ul style="list-style-type: none"> ●Independent Director of the Company ●General Manager of Yushan Bank ●Chairman of Yushan Venture Capital ●Independent Director of United Commercial Bank of Cambodia, a subsidiary of Yushan Bank ● There are no cases under Article 30 of the Company Act. 	1. No spouse or relative within two degrees of kinship with other directors.	1
Independent Director Lin, Hao-Sheng	<ul style="list-style-type: none"> ●Independent Director of the Company ●Deputy General Manager of Business Department of Nanjia Co., Ltd. ● There are no cases under Article 30 of the Company Act. 	1. No spouse or relative within two degrees of kinship with other directors.	0
Independent Director Nian, Xiao-Jing	<ul style="list-style-type: none"> ●Independent Director of the Company ●Chief Executive Officer of the Liver Disease Prevention & Treatment Research Foundation ●Chief Executive Officer of the Good Liver Foundation ●Chief Executive Officer of the Taiwan Health Foundation ●Adjunct Assistant Professor of National Taiwan University ●Adjunct Assistant Professor of National Yang Ming Chiao Tung University ●Adjunct Attending Physician of Department of Family Medicine, National Taiwan University Hospital ● There are no cases under Article 30 of the Company Act. 	1. No spouse or relative within two degrees of kinship with other directors.	0

Qualifications Name	Professional Qualifications and Experience (Note 1)	Independence Criteria (Note 2)	Number of Other Public Companies where the Individual Concurrently Serves as an Independent Director
Independent Director Huang, Shu-Zhen	<ul style="list-style-type: none"> ● Financial Manager of Beley International Co., Ltd. ● Former Independent Director of the Company ● There are no cases under Article 30 of the Company Act. 	<ol style="list-style-type: none"> 1. Upon assuming office, an independent director of the Company shall complete a declaration of independence and have the Company report to the competent authorities the qualifications of the independent director (at the time of his or her election). 2. The independent director complies with the provisions of the Regulations Governing the Establishment and Compliance of Independent Directors of Public Companies. 	0

Qualifications Name	Professional Qualifications and Experience (Note 1)	Independence Criteria (Note 2)	Number of Other Public Companies where the Individual Concurrently Serves as an Independent Director
Independent Director Zeng, Hong-Chi	<ul style="list-style-type: none"> ● Research and Development Associate of Beley International ● Former Independent Director of the Company ● There are no cases under Article 30 of the Company Act. 	<ol style="list-style-type: none"> 1. Upon assuming office, an independent director of the Company shall complete a declaration of independence and have the Company report to the competent authorities the qualifications of the independent director (at the time of his or her election). 2. The independent director complies with the provisions of the Regulations Governing the Establishment and Compliance of Independent Directors of Public Companies. 	0
Supervisor Sheng Sun	<ul style="list-style-type: none"> ● Director of the Company ● Former Manager of Chang Hwa Bank ● Former Supervisor of the Company ● There are no cases under Article 30 of the Company Act. 	<ol style="list-style-type: none"> 1. No spouse or relative within two degrees of kinship with other directors. 	0
Supervisor Liu, Ying-Jun	<ul style="list-style-type: none"> ● General Manager of Tongde Co., Ltd. ● Former Supervisor of the Company ● There are no cases under Article 30 of the Company Act. 	<ol style="list-style-type: none"> 1. No spouse or relative within two degrees of kinship with other directors. 	0

(2) Diversity and Independence of the Board of Directors:

The Board of Directors of the Company shall be accountable to the shareholders' meeting for the practices and arrangements of its corporate governance system and shall ensure that the Board of Directors shall exercise its authority in accordance with the provisions of the Act, the Articles of Incorporation or the resolution of the shareholders' meeting. All members of the Board of Directors shall have the knowledge, skills and experience necessary to perform their duties. To achieve the ideal goal of corporate governance, the Board of Directors overall shall have:

1. Ability to make operational judgments.
2. Ability to perform accounting and financial analysis.
3. Ability to conduct management administration.
4. Ability to conduct crisis management.
5. Knowledge of the industry.
6. International perspective.
7. Ability to lead.
8. Ability of decision-making.

1 Board of Directors Diversity Information:

Board Diversity In order to strengthen corporate governance and promote the sound development of board composition and structure, the composition of the board of directors takes into consideration various needs such as the company's operational structure, business development direction, future development trends, and evaluates various diversity aspects, such as basic composition (e.g., gender, nationality, age, etc.), professional experience (e.g., banking, insurance, securities, asset management, etc.), and professional knowledge and skills (e.g., accounting, legal, information technology, risk management, etc.).

The current board of directors of the Company consists of nine directors, including three independent directors, and members have rich experience and expertise in the fields of finance, business and management. In addition, the Company also attaches importance to gender equality in the composition of its board of directors, with the current ratio of nine directors, including one female director, reaching 11.11%, and will strive to increase the number of female directors to one-third in the future. The relevant implementation scenarios are listed in the table below.:

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Core Projects Name of Director	Basic Composition						Industry Experience				Professional capabilities						
	Country Citizenship	Gender	Employees of the Company	Age			Seniority of Independent Director			Bank	Securities	Insurance	Asset management	Account Manager	Law	Information Technology	Risk Management
				Below 60	61~70	71~75	3 years with below	3~9 Years	Over 9 years								
Zhao, Xi-Zheng	Republic of China	Male	v	v												v	
Li, Yao-Kui	Republic of China	Male	v		v				v					v			v
Lin, Hong-Pei	Republic of China	Male	v	v												v	
Chen, Li-Min	Republic of China	Male				v							v				v
Yang, Shi-Huai	Republic of China	Male	v	v												v	
Sheng Sun	Republic of China	Male				v			v								v
Guo, Dong-Long	Republic of China	Male				v	v		v			v					v
Lin, Hao-Sheng	Republic of China	Male		v			v									v	
Nian, Xiao-Jing	Republic of China	Female		v			v					v					v

2 Management Succession Planning

According to the company's development direction and goals, in the company's succession planning, the successor must possess not only professional ability but also personality traits of honesty and integrity and values that are consistent with the company.

A. Succession Planning for Board Members

At present, the Company has nine directors (including three independent directors), all of whom have the capabilities required for business, financial accounting or corporate business, and the structure of the Board of Directors and the background of the members of the Board of Directors of the Company will continue the current structure. Regarding the succession planning of the Board of Directors, we maintain good communication with the existing corporate shareholders from time to time and discuss the selection of the successor. As for the part of independent directors, they are required by law to have working experience in business, law, finance, accounting, or corporate

business to be selected by professionals in the academic and industrial fields within the country.

B. Management Succession Planning

The company regularly reviews and selects the potential list of each level, establishes a talent pool, and conducts training programs. The content of the talent development program includes professional ability, management ability, personal development plan and job rotation mode:

- a. Through the mechanism of work practice reports and participation in important meetings on goals and management, we develop the ability to make decisions and provide feedback from senior managers through regular performance evaluations and help individuals develop guidance in the process.
- b. Through cross-functional or cross-departmental job rotations, project task planning and execution, double-hatting, and work agency, we cultivate diversified working abilities and perspectives and provide practical experience.
- c. Participate in internal and external related training to develop decision making judgment according to individual development needs each year.
- d. Establish a complete training record and regularly review the talent development plan to adjust according to the organization's operational needs.
- e. We encourage middle and senior-level talents to give full play to their creativity and learn on their initiative by proposing further studies, research or diversified training and internship programs and let the company provide resource support or adjust the design of their duties to facilitate the diversity and toughness of the company's overall human resources.

Note 1: Professional Qualifications and Experience: Specify the professional qualifications and experience of individual directors and supervisors, and if they are members of the Audit Committee and have accounting or financial expertise, describe their accounting or financial background and work experience, and state whether they have not been subject to the provisions of Article 30 of the Company Act.

Note 2: The independent director shall state the circumstances of independence, including but not limited to whether they, their spouse, or a relative within the second degree of consanguinity is a director, supervisor or employee of the Company or its affiliates; the number and proportion of shares held by them, their spouse, or a relative within the second degree of consanguinity (or in the name of another person); whether they are a director, supervisor or employee of a company with a specific relationship with the Company (refer to Article 3, Paragraph 1, Paragraphs 5 to 8 of the Regulations Governing the Establishment and Compliance of Independent Directors of Public Companies); and the amount of compensation received for the provision of business, legal, financial and accounting services to the Company or its affiliates in the last two years.

(II) Information on the President, Vice Presidents, Assistant Vice Presidents, and Supervisors of Divisions and Branch Units

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Title (Note 1)	Country Citizenship	Name	Gender	Date Elected	Shareholding		Shares Held by Spouse and Minor Children		Shares Held in Others' Names		Primary Education (Note 2)	Position Held with Other Companies	Managerial Officer who Are Spouses or within the Second Degree of Kinship		
					Held at the end of the Period	%	Held at the end of the Period	%	Held at the end of the Period	%			Title	Name	Relationship
Chairman	R.O.C.	Zhao, Xi- Zheng	Male	2021/08	0	0%	20,400	0.05%	0	0%	* University of Alabama at Birmingham * Deputy General Manager of Tongde Co., Ltd.	N/A	N/A	N/A	N/A
General Manager	R.O.C.	Lin, Hong- Pei	Male	2021/08	0	0%	0	0%	0	0%	* Institute of Information Engineering, Datong University * Vice President of R&D Department 2 of the Company	N/A	N/A	N/A	N/A
Vice President	R.O.C.	Yang, Shi-Huai	Male	1998/04	901,126	2.23%	0	0%	0	0%	* Institute of Electrical Engineering, Chuo University * Vice President of R&D Department 1 of the Company	N/A	Chairman	Chen, Li-Min	Brother-in- law
Finance and Accounting Manager	R.O.C.	Luo, Jia- Ling	Female	2004/06	0	0%	0	0%	0	0%	* Department of Accounting, Tamkang University * Audit of the Company	N/A	N/A	N/A	N/A

Note 1: The information of the general manager, vice president, assistant manager, heads of departments and branches, and anyone whose position is equivalent to the general manager, vice president or assistant manager, regardless of title, shall also be disclosed.

Note 2: If you have worked for a certified public accountant firm or a related company during the preceding period, you should specify the position's title and responsibilities.

Note 3: If the general manager or equivalent (top manager) and the chairman of the board of directors are the same people, spouses or relatives of one another, the reasons, reasonableness, necessity, and measures (such as increasing the number of independent directors and having a majority of directors who are not also employees or managers, etc.) should be disclosed.

(III) Remuneration paid to directors, supervisors, general manager and deputy general manager for the most recent year

1. Remuneration of directors (including independent directors) (aggregated to match the level of disclosure of names)

(Unit: Thousand NT\$)

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Title	Name	Remuneration Paid to Directors								Ratio of Total Amount of A, B, C, and D to Net Income (Note 10)		Relevant Remuneration Received by Directors who Are Also Employees						Proportion of total after-tax net income of items A, B, C, D, E, F and G (Note 10)		Receipt of remuneration from businesses other than subsidiaries (Note 11)			
		Remuneration (A) (note 2)		Severance Pay and Pension (B)		Remuneration of Directors (C) (Note 3)		Business Execution Fees (D) (Note 4)				Salaries, bonuses and special expenses, etc. (E) (Note 5)		Severance Pay and Pension (F)		Employee compensation (G) (Note 6)							
		The Company	Companies in the Consolidated Financial Statements (Note 7)	The Company	Companies in the Consolidated Financial Statements (Note 7)	The Company	Companies in the Consolidated Financial Statements (Note 7)	The Company	Companies in the Consolidated Financial Statements (Note 7)	The Company	Companies in the Consolidated Financial Statements (Note 7)	The Company	Companies in the Consolidated Financial Statements (Note 7)	The Company	Companies in the Consolidated Financial Statements (Note 7)	Cash	Stock	Cash	Stock		The Company	Companies in the Consolidated Financial Statements (Note 7)	
Chairman	Zhao, Xi-Zheng																						
Director	Li, Yao-Kui																						
Director	Lin, Hong-Pei																						
Director	Weisheng Investment Co., Ltd. Representative: Sheng Sun	4,418	4,418	0	0	7,974	7,974	0	0	3.94%	3.94%	25,300	25,300	0	0	695	0	695	0	12.21%	12.21%	0	
Director	Chen, Li-Min																						
Director	Yang, Shi-Huai																						
Independent Director	Guo, Dong-Long																						
Independent Director	Lin, Hao-Sheng	1,080	1,080	0	0	0	0	0	0	0.34%	0.34%	0	0	0	0	0	0	0	0	0.34%	0.34%	0	
Independent Director	Nian, Xiao-Jing																						
Independent Director	Huang, Shu-Zhen																						
Independent Director	Zeng, Hong-Chi	240	240	0	0	0	0	0	0	0.08%	0.08%	0	0	0	0	0	0	0	0	0.08%	0.08%	0	

1. Please describe the policy, system, criteria and structure for the compensation of independent directors and the relevance of the amount of payment to the responsibilities, risks and time commitment of the directors: Following the Company's Articles of Incorporation, the Board of Directors is authorized to determine the compensation of directors and supervisors based on the extent of their participation and the value of their contributions to the Company's operations.
The Company shall distribute the directors' and supervisors' remuneration at a rate of not more than 2% of the pre-tax income for the year, less the benefit of employee remuneration and directors' and supervisors' remuneration, which will vary with the pre-tax income.
2. Except as disclosed in the table above, remuneration received by the directors of the Company for services rendered to all companies included in the financial statements (e.g., as consultants to non-employees) in the most recent year: None

Director remuneration range table

Range of Remuneration Paid to Directors of the Company	Name of Director			
	Total Remuneration (A+B+C+D)		Total Remuneration (A+B+C+D+E+F+G)	
	The Company (Note 8)	All Companies in the Consolidated Financial Statements (Note 9) H	The Company (Note 8)	All Companies in the Consolidated Financial Statements (Note 9) I
Less than NT\$1,000,000	Wei Sheng Investment - Li, Shi-Long Wei Sheng Investment - Zhao, Xi-Zheng Wei Sheng Investment - Lin, Hong-Pei	Wei Sheng Investment - Li, Shi-Long Wei Sheng Investment - Zhao, Xi-Zheng Wei Sheng Investment - Lin, Hong-Pei	Wei Sheng Investment - Li, Shi-Long	Wei Sheng Investment - Li, Shi-Long
NT\$1,000,000 (inclusive) ~ NT\$2,000,000 (exclusive)	Wei Sheng Investment - Sun, Sheng Zhao, Xi-Zheng Chen, Li-Min Lin, Hong-Pei Yang, Shi-Huai	Wei Sheng Investment - Sun, Sheng Zhao, Xi-Zheng Chen, Li-Min Lin, Hong-Pei Yang, Shi-Huai	Wei Sheng Investment - Sun, Sheng Chen, Li-Min	Wei Sheng Investment - Sun, Sheng Chen, Li-Min
NT\$2,000,000 (inclusive) ~ NT\$3,500,000 (exclusive)	Wei Sheng Investment - Chen,	Wei Sheng Investment -	Zhao, Xi-Zheng; Lin, Hong-Pei	Zhao, Xi-Zheng; Lin, Hong-Pei

	Li-Min	Chen, Li-Min		
NT\$3,500,000 (inclusive) ~ NT\$5,000,000 (exclusive)	Li, Yao-Kui	Li, Yao-Kui		
NT\$5,000,000 (inclusive) ~ NT\$10,000,000 (exclusive)			Li, Yao-Kui Yang, Shi-Huai Wei Sheng Investment - Zhao, Xi-Zheng Wei Sheng Investment - Lin, Hong-Pei	Li, Yao-Kui Yang, Shi-Huai Wei Sheng Investment - Zhao, Xi-Zheng Wei Sheng Investment - Lin, Hong-Pei
NT\$10,000,000 (inclusive) ~ NT\$15,000,000 (exclusive)				
NT\$15,000,000 (inclusive) ~ NT\$30,000,000 (exclusive)				
NT\$30,000,000 (inclusive) ~ NT\$50,000,000 (exclusive)				
NT\$50,000,000 (inclusive) ~ NT\$100,000,000 (exclusive)				
Over NT\$100,000,000				
Total (persons)	10	10	9	9

Independent Directors' Remuneration Scale

Range of Remuneration Paid to Directors of the Company	Name of Director			
	Total Remuneration (A + B + C + D)		Total of the first seven gratuities (A + B + C + D + E + F + G)	
	The Company (Note 8)	All companies in the financial report (Note 9) H	The Company (Note 8)	All Companies in the Consolidated Financial Statements (Note 9) I
Less than NT\$1,000,000	Huang, Shu-Zhen; Zeng, Hong-Chi; Guo, Dong-Long; Lin, Hao-Sheng; Nian, Xiao-Jing	Huang, Shu-Zhen; Zeng, Hong-Chi; Guo, Dong-Long; Lin, Hao-Sheng; Nian, Xiao-Jing	Huang, Shu-Zhen; Zeng, Hong-Chi; Guo, Dong-Long; Lin, Hao-Sheng; Nian, Xiao-Jing	Huang, Shu-Zhen; Zeng, Hong-Chi; Guo, Dong-Long; Lin, Hao-Sheng; Nian, Xiao-Jing
NT\$1,000,000 (inclusive) ~ NT\$2,000,000 (exclusive)				
NT\$2,000,000 (inclusive) ~ NT\$3,500,000 (exclusive)				
NT\$3,500,000 (inclusive) ~ NT\$5,000,000 (exclusive)				
NT\$5,000,000 (inclusive) ~ NT\$10,000,000 (exclusive)				
NT\$10,000,000 (inclusive) ~ NT\$15,000,000 (exclusive)				
NT\$15,000,000 (inclusive) ~ NT\$30,000,000 (exclusive)				
NT\$30,000,000 (inclusive) ~ NT\$50,000,000 (exclusive)				
NT\$50,000,000 (inclusive) ~ NT\$100,000,000 (exclusive)				
Over NT\$100,000,000				
Total (persons)	5	5	5	5

Note 1: The names of directors shall be listed separately (corporate shareholders shall list the names of corporate shareholders and their representatives separately), and the amount of each payment shall be disclosed in aggregate. If a director is also the general manager or vice president, he/she should fill in this table and the following table (3-1) or (3-2).

Note 2: It refers to directors' most recent annual compensation (including director's salary, salary increment, severance pay, various bonuses, incentive payments, etc.).

Note 3: The amount of directors' remuneration approved by the board of directors for the most recent year is included.

Note 4: The most recent year's expenses related to the execution of business by the directors (including travel expenses, special expenses, various allowances, dormitories, in-kind provision of vehicles, etc.). If provided with housing, a car or other transportation, or exclusive personal expenses, the type and cost, rent (actual or fair market calculation), fuel cost, and other costs of the assets provided must be disclosed. If provided with a driver, the relevant compensation paid to the driver must be stated in the note, but such compensation will not be included.

Note 5: The term "director" refers to the salary, salary increment, severance pay, various bonuses, incentive payments, car and horse expenses, certain expenses, multiple allowances, dormitory, auto and other in-kind provisions, etc., received by the directors and employees (including the president, vice president, other managers and employees) in the most recent year. If provided with housing, a car or other transportation, or exclusive personal expenses, the type and cost, rent (actual or fair market calculation), fuel cost, and other costs of the assets provided must be disclosed. If provided with a driver, the relevant compensation paid to the driver must be stated in the note, but such compensation will not be included. As stipulated in IFRS 2, share-based payments including obtaining employee stock options and employee restricted stock awards and participation in a cash capital increase shall be calculated as remuneration.

Note 6: The amount of employee compensation (including stock and cash) received by a director who is also an employee (including also a general manager, vice president, other managers and employees) in the most recent year should be disclosed as approved by the board of directors in the most recent year. If the amount cannot be estimated, the proposed distribution amount for this year should be calculated in proportion to the actual distribution amount last year. It should also be listed in Schedule I-III.

Note 7: The total amount of remuneration paid to the Company's directors by all companies in the consolidated report (including the Company) should be disclosed.

Note 8: The total amount of each remuneration paid by the Company to each director is disclosed in the name of the director at the level at which he or she is vested.

Note 9: The total amount of each remuneration paid to each director of the Company by all companies in the consolidated report (including the Company) should be disclosed, and the names of the directors should be disclosed at the level to which they are attributed.

Note 10: Net income refers to net income after tax for the most recent year. If International Financial Reporting Standards are adopted, net income refers to the net income stated in the parent only company financial statements or individual financial reports for the most recent year.

Note 11:

- a. This column should explicitly state the amount of remuneration received by the directors of the Company from businesses other than subsidiaries.
- b. If a director of the Company receives remuneration from a business other than a subsidiary, the payment received by the director of the Company from a business other than a subsidiary should be included in column I of the remuneration scale and the name of the column should be changed to "All Businesses Invested in the Company".
- c. Remuneration refers to the compensation, remuneration and remuneration received by the directors of the Company in their capacity as directors, supervisors or managers of the Company's businesses other than subsidiaries, (including remuneration to employees, directors and supervisors) and business execution expenses.

* The disclosure of remuneration in this table differs in concept from Income Tax Act, thus is provided for the purpose of information disclosure, not tax purposes.

2. Supervisor's remuneration (aggregated matching grade distance disclosure method)

(Unit: NTD thousand)

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Title	Name	Remuneration of Supervisors						Percentage of total after-tax net income of items A, B and C (Note 8)		Receipt of remuneration from businesses other than subsidiaries (Note 9)
		Remuneration (A) (note 2)		Compensation (B) (Note 3)		Business Execution Expense (C) (Note 4)		The Company	Companies in the Consolidated Financial Statements (Note 5)	
		The Company	Companies in the Consolidated Financial+ Statements (Note 5)	The Company	Companies in the Consolidated Financial Statements (Note 5)	The Company	Companies in the Consolidated Financial Statements (Note 5)			
Supervisor	Liu, Ying-Jun	120	120	0	0	0	0	0.04%	0.04%	0
Supervisor	Sheng Sun									

Supervisor Remuneration Range Table

Range of Remuneration to Supervisors	Name of Supervisor	
	Total Remuneration (A + B + C)	
	The Company (Note 6)	All companies in the financial statements (Note 7)D
Less than NT\$1,000,000	Liu, Ying-Jun; Sun, Sheng	Liu, Ying-Jun; Sun, Sheng
NT\$1,000,000 (inclusive) ~ NT\$2,000,000 (exclusive)		
NT\$2,000,000 (inclusive) ~ NT\$3,500,000 (exclusive)		
NT\$3,500,000 (inclusive) ~ NT\$5,000,000 (exclusive)		
NT\$5,000,000 (inclusive) ~ NT\$10,000,000 (exclusive)		
NT\$10,000,000 (inclusive) ~ NT\$15,000,000 (exclusive)		
NT\$15,000,000 (inclusive) ~ NT\$30,000,000 (exclusive)		
NT\$30,000,000 (inclusive) ~ NT\$50,000,000 (exclusive)		
NT\$50,000,000 (inclusive) ~ NT\$100,000,000 (exclusive)		
Over NT\$100,000,000		
Total (persons)	2	2

- Note 1: The names of the supervisors shall be listed separately (corporate shareholders shall list the names of the corporate shareholders and their representatives separately), and the amount of each payment shall be disclosed in a summary manner.
- Note 2: It refers to the most recent year's supervisors' compensation (including supervisors' salaries, duty increments, severance pay, various bonuses and incentives, etc.).
- Note 3: The remuneration for supervisors approved by the board of directors in the most recent year is included.
- Note 4: The most recent year's expenses (including car and horse expenses, special expenses, various allowances, dormitories, vehicles, etc.) are paid to the supervisor for the execution of the business. If provided with housing, a car or other transportation, or exclusive personal expenses, the type and cost, rent (actual or fair market calculation), fuel cost, and other costs of the assets provided must be disclosed. If provided with a driver, the relevant compensation paid to the driver must be stated in the note, but such compensation will not be included.
- Note 5: The total amount of each remuneration paid to the Company's supervisors by all companies in the consolidated report (including the Company) should be disclosed.
- Note 6: The total amount of each remuneration paid by the Company to each Supervisor is disclosed in the name of the Supervisor at the vesting level.
- Note 7: The total amount of remuneration paid to each supervisor of the Company by all companies in the consolidated report (including the Company) should be disclosed, and the names of the supervisors should be disclosed at the level to which they belong.
- Note 8: Net income refers to net income after tax for the most recent year. If International Financial Reporting Standards are adopted, net income refers to the net income stated in the parent only company financial statements or individual financial reports for the most recent year.
- Note 9:
- The amount of remuneration the Company's supervisors receive from businesses other than subsidiaries should be clearly stated in this column.
 - If the Company's supervisors receive remuneration from businesses other than subsidiaries, the remuneration received by the Company's supervisors from businesses other than subsidiaries should be included in column D of the remuneration scale, and the name of the column should be changed to "all businesses that have been reinvested".
 - Remuneration refers to the compensation, remuneration (including remuneration to employees, directors and supervisors) and business execution costs of the Company's supervisors in their capacity as directors, supervisors or managers of the Company's businesses other than subsidiaries.
- * The disclosure of remuneration in this table differs in concept from Income Tax Act, thus is provided for the purpose of information disclosure, not tax purposes.

3. Remuneration of General Manager and Deputy General Manager (aggregated matching grade disclosure method)

(Unit: NTD thousand)
April 22, 2023

Title	Name	Salary (A) (Note 2)		Severance Pay and Pension (B)		Bonuses and special expenses, etc. (C) (Note 3)		Amount of employee remuneration (D) (Note 4)				Percentage of total after-tax net income of items A, B, C and D(%) (Note 8)		Receipt of remuneration from businesses other than subsidiaries (Note 9)
		The Company	All Companies in the Financial Report (note 5)	The Company	All Companies in the Financial Report (note 5)	The Company	All Companies in the Financial Report (note 5)	The Company		All companies listed in this financial report (Note 5)		The Company	All companies listed in this financial report (Note 5)	
								Cash	Stock Amount	Cash	Stock Amount			
President	Lin, Hong-Pei	6,000	6,000	0	0	8,000	8,000	359	0	359	0	4.52%	4.52%	0
Vice President	Yang, Shi-Huai													

* Regardless of title, any position equivalent to that of a general manager or deputy general manager (e.g., chairman, chief executive officer, director, etc.) should be disclosed.

Range of Remuneration

Range of Remuneration Paid to the President and Vice Presidents	Name of President and Vice President	
	The Company (Note 6)	All companies in the financial report (Note 7) E
Less than NT\$1,000,000		
NT\$1,000,000 (inclusive) ~ NT\$2,000,000 (exclusive)		
NT\$2,000,000 (inclusive) ~ NT\$3,500,000 (exclusive)		
NT\$3,500,000 (inclusive) ~ NT\$5,000,000 (exclusive)		
NT\$5,000,000 (inclusive) ~ NT\$10,000,000 (exclusive)	Lin, Hong-Pei; Yang, Shi-Huai	Lin, Hong-Pei; Yang, Shi-Huai
NT\$10,000,000 (inclusive) ~ NT\$15,000,000 (exclusive)		
NT\$15,000,000 (inclusive) ~ NT\$30,000,000 (exclusive)		
NT\$30,000,000 (inclusive) ~ NT\$50,000,000 (exclusive)		
NT\$50,000,000 (inclusive) ~ NT\$100,000,000 (exclusive)		
Over NT\$100,000,000		
Total (persons)	2	2

Note 1: The names of the general manager and deputy general manager should be listed separately to disclose the amount of each payment in aggregate. If the director is also the general manager or deputy general manager, he/she should fill in this table and table (1-1) or (1-2) above.

Note 2: The general manager and deputy general manager's most recent annual salary, salary increment, and severance pay are presented.

Note 3: The most recent annual bonuses, incentive payments, car and transportation expenses, special expenses, various allowances, dormitories, vehicles, and other in-kind compensation payments to the general manager and deputy general manager are included. If provided with housing, a car or other transportation, or exclusive personal expenses, the type and cost, rent (actual or fair market calculation), fuel cost, and other costs of the assets provided must be disclosed. If provided with a driver, the relevant compensation paid to the driver must be stated in the note, but such compensation will not be included. As stipulated in IFRS 2, share-based payments including obtaining employee stock options and employee restricted stock awards and participation in a cash capital increase shall be calculated as remuneration.

Note 4: The amount of employee compensation (including stock and cash) approved by the board of directors for the president and vice president for the most recent year is included. If the amount cannot be estimated, the proposed distribution for this year is calculated based on the proportion of the actual distribution last year. It should also be listed in Table 1.3. Net income refers to net income (after-tax) for the most recent year. If IFRS is adopted, net income refers to net income (after-tax) stated in the parent company only / individual financial statements for the most recent year.

Note 5: The aggregate amount of remunerations paid to the Company's General Managers and Deputy General Managers from all companies (including the Company) included in the consolidated financial statements shall be disclosed.

Note 6: The total amount of remuneration paid by the Company to each general manager and deputy general manager is disclosed in the name of the general manager and deputy general manager at the level to which they are vested.

Note 7: The total amount of remuneration paid to each general manager and deputy general manager of the Company by all companies in the consolidated report, including the Company, should be disclosed, and the names of the general manager and deputy general manager should be disclosed at the level to which they are attributed.

Note 8: Net income refers to net income after tax for the most recent year. If International Financial Reporting Standards are adopted, net income refers to the net income stated in the parent only company financial statements or individual financial reports for the most recent year.

Note 9:

- a. The amount of remuneration received by the general manager and deputy general manager of the Company from businesses other than subsidiaries should be clearly stated in this column.
- b. If the general manager and deputy general manager of the Company receive remuneration from a business outside of a subsidiary, the remuneration received by the general manager and deputy general manager of the Company from a business outside of a subsidiary should be included in column E of the remuneration scale and the name of the column should be changed to "All business outside of a subsidiary".
- c. Remuneration refers to the compensation, remuneration (including remuneration to employees, directors and supervisors) and business execution expenses received by the Subsidiaries' general manager and deputy general manager in their capacity as directors, supervisors or managers of businesses other than those in which the Company invests.

* The disclosure of remuneration in this table differs in concept from Income Tax Act, thus is provided for the purpose of information disclosure, not tax purposes.

4. Latest annual pension payment/contribution information

(Unit: Thousand NT\$)

	Actual pension payments	Contribution to pension fund	
		New Pension System	Old Pension System
Director	0	0	0
General Manager and Deputy General Managers	0	0	18,025

5. Employee Remuneration

Employee Remuneration

(Unit: Thousand NT\$)

April 22, 2023

	Title (Note 1)	Name (Note 1)	Stock	Cash	Total	Percentage of total after-tax net income(%)
Managerial Officer	Chairman	Zhao, Xi-Zheng	0	797	797	0.25%
	Vice Chairman	Li, Yao-Kui				
	General Manager	Lin, Hong-Pei				
	Vice President	Yang, Shi-Huai				
	Finance & Accounting Manager	Luo, Jia-Ling				

Note 1: Individual names and titles should be disclosed, but the distribution of profits should be disclosed in aggregate.

Note 2: The amount of employee remuneration payments (including stock and cash) approved by the board of directors for the most recent year is included. If the amount cannot be estimated, the proposed distribution for this year is calculated in proportion to the actual distribution last year. Net income refers to net income after tax for the most recent year. If International Financial Reporting Standards are adopted, net income refers to the net income stated in the parent only company financial statements or individual financial reports for the most recent year.

Note 3: The scope of application of the Manager, following order No. 0920001301 dated 27th March 2003, is as follows:

- (1) General Manager and equivalent
- (2) Deputy General Manager and equivalent
- (3) Director and equivalent
- (4) Head of Finance Department
- (5) Head of Accounting Department
- (6) Other persons who have the right to manage and sign for the company

Note 4: If the directors, general manager and deputy general manager receive employee remuneration (including stock and cash), they shall be included in this table in addition to Schedule 1 bis.

6. Remuneration for the top five highest-paid supervisors:

Title	Name	Salary (A) (Note 2)		Severance Pay and Pension (B)		Bonuses and Allowances (C) (Note 3)		Employee Compensation (D) (Note 4)				Ratio of Total Amount of A, B, C, and D to Net Income (%) (Note 6)		Remuneration from Invested Companies Other than Subsidiaries of the Parent Company (Note 7)
		The Company	All companies listed in this financial report (Note 5)	The Company	All companies listed in this financial report (Note 5)	The Company	All companies listed in this financial report (Note 5)	The Company		Companies in the Consolidated Financial Statements (Note 5)		The Company	All Companies in the Financial Report	
								Cash	Stock	Cash	Stock			
Chairman	Zhao, Xi-Zheng	13,200	13,200	0	0	15,400	15,400	797	0	797	0	9.25%	9.25%	0
Vice Chairman	Li, Yao-Kui													
General Manager	Lin, Hong-Pei													
R&D Department 1 Vice President	Yang, Shi-Huai													
Finance and Accounting Manager	Luo, Jia-Ling													

Note 1: The "Top Five Highest-Paid Supervisors" refer to the managers of the Company. The criteria for recognizing managers are based on the scope of "managers" as stipulated by the former Securities and Futures Commission of the Ministry of Finance in its Order No. 0920001301 dated 27 March 2003. The "Top Five Highest Remuneration" calculation is based on the total amount of salaries, retirement pensions, bonuses and special payments received by the manager from all companies in the consolidated financial statements, as well as the number of employee remunerations (i.e., the total amount of A+B+C+D), and the top five highest remunerations are recognized after ranking. If a director is also a former supervisor, he/she should fill in this table and the above table (1-1).

Note 2: The salaries, bonuses and severance pay of the top five most highly remunerated supervisors in recent years are listed.

Note 3: The number of bonuses, incentive payments, car and travel expenses, special expenses, allowances, dormitories, vehicles, and other in-kind compensation payments for the top five most highly remunerated supervisors in the most recent year is included. If provided with housing, a car or other transportation, or exclusive personal expenses, the type and cost, rent (actual or fair market calculation), fuel cost, and other costs of the assets provided must be disclosed. If provided with a driver, the relevant compensation paid to the driver must be stated in the note, but such compensation will not be

included. As stipulated in IFRS 2, share-based payments including obtaining employee stock options and employee restricted stock awards and participation in a cash capital increase shall be calculated as remuneration.

Note 4: The amount of employee remuneration (including stock and cash) approved by the board of directors for the top five most highly remunerated supervisors in recent years is shown. If the amount cannot be estimated, the proposed distribution for this year is calculated in proportion to last year's actual distribution and should also be shown in Table 1.3.

Note 5: The total amount of remuneration paid by all companies (including the Company) to the top five remuneration supervisors of the Company in the consolidated report should be disclosed.

Note 6: Net income after tax is defined as net income after tax for the most recent year reported individually or on a case-by-case basis.

Note 7:

- a. This column should clearly indicate the amount of remuneration received by the Company's top five remunerated supervisors from businesses other than subsidiaries or from the parent company (if none, please enter "none").
- b. Remuneration refers to the rewards, remuneration (including employee, directors and supervisor's compensation) and business execution expenses related to the top five highest-paid supervisors of the Company as directors, supervisors or managers of a business other than a subsidiary or a parent company.

* The disclosure of remuneration in this table differs in concept from Income Tax Act, thus is provided for the purpose of information disclosure, not tax purposes.

7. The names, positions and total number (amount) of the top ten dividends of the top ten people who have obtained employee stock options: the company has not issued employee stock options

(IV) An analysis of the total compensation paid to the Company's directors, supervisors, general manager and deputy general manager as a percentage of net income after tax for the most recent two years, comparing the Company and all companies in the consolidated financial statements, and describing the policy, criteria and composition of compensation payments, the process for setting remuneration, and the correlation with operating performance and future risks:

Proportion of net income after tax(%)	Directors (excluding employees of the Company)		Supervisor		General Manager and Deputy General Managers	
	The Company	All Companies in the Financial Report	The Company	All Companies in the Financial Report	The Company	All Companies in the Financial Report
2021	10.28	N/A	0.7	N/A	6.32	N/A
2022	3.94	N/A	0.04	N/A	4.52	N/A

1. The policy, criteria and composition of remuneration payment, and the procedure for setting remuneration

(1) Directors and Supervisors:

- A. Following the Company's Articles of Incorporation, the Company shall contribute no less than 2% of the employees' remuneration and no more than 2% of the directors' and supervisors' remuneration to the Company if there is any remaining balance after deducting accumulated losses based on the Company's profitability for the year.
- B. The estimated amount of employee remuneration in 2022 and 2021 of the Company is \$7,974 and \$10,091, respectively; the estimated amount of directors' and supervisors' remuneration is \$7,974 and \$10,091, respectively, and the aforementioned amount is included in the payroll expense account.

In 2022, according to the profit situation as of the current period, they are all estimated at 2%, which is consistent with the amount to be allocated by the board of directors, of which employee remuneration will be paid in cash.

The remuneration of employees and directors and supervisors for the year 2021 as decided by the Board of Directors shall be consistent with the amount recognized in the financial report for the year 2021. Information on the remuneration of employees and directors, and supervisors approved by the Company's board of directors is available on the Market Observation Post System.

(2) General Manager and Deputy General Manager:

The General Manager and Deputy General Manager of the Company are paid a monthly salary upon hiring regarding similar positions in the industry. The change in the employee bonus is based on the current year's operating results, which will be approved by the Board of Directors under the Company's Articles of Incorporation and sent to the shareholders' meeting. It will then be paid to employees upon the distribution of earnings based on the performance of the business units and approved by the Remuneration and Compensation Committee.

2. Correlation with operating performance and future risks

- (1) The salaries of directors and supervisors and the remuneration of directors and supervisors allocated following the Company's Articles of Incorporation have been fully considered for the Company's operations and earnings per share and the Company's operating performance and future risks.
- (2) The compensation to the general manager and deputy general manager employees shall be paid under the ratio set by the Company's Articles of Incorporation, depending on the operating performance of the year. It shall be paid upon the distribution of earnings.

III. Implementation of Corporate Governance

(I) Operation of Board of Directors

1. The board of directors has held seven meetings in 2022, and the attendance of directors and independent directors is as follows:

Title	Name	Attendance in Person (B)	Numbers of attendance by proxy	Actual Attendance (Column) Rate(%)	Remarks
Chairman	Zhao, Xi-Zheng	7	0	100%	Re-election 2022/06/14~2025/06/13
Director	Li, Yao-Kui	7	0	100%	Re-election 2022/06/14~2025/06/13
Director	Lin, Hong-Pei	7	0	100%	Re-election 2022/06/14~2025/06/13
Director	Weisheng Investment Co., Ltd. Representative: Sheng Sun	3	0	100%	Newly appointed 2022/06/14~2025/06/13
Director	Chen, Li-Min	7	0	100%	Re-election 2022/06/14~2025/06/13
Director	Yang, Shi-Huai	7	0	100%	Re-election 2022/06/14~2025/06/13
Independent Director	Guo, Dong-Long	3	0	100%	Newly appointed 2022/06/14~2025/06/13
Independent Director	Lin, Hao-Sheng	3	0	100%	Newly appointed 2022/06/14~2025/06/13
Independent Director	Nian, Xiao-Jing	3	0	100%	Newly appointed 2022/06/14~2025/06/13
Director	Wei Sheng Investment Co., Ltd. Representative: Shi-Long Li	4	0	100%	Former president 2019/06/12~2022/06/11
Independent Director	Huang, Shu-Zhen	4	0	100%	Former president 2019/06/12~2022/06/11
Independent Director	Zeng, Hong-Chi	4	0	100%	Former president 2019/06/12~2022/06/11

Other mentionable items:

- I. **The matters listed in Article 14-3 of the Securities and Exchange Act and other matters decided by the board of directors with the objection or reservation of the independent directors and a record or written statement shall indicate the date of the board of directors, the period, the content of the proposal, all the opinions of independent directors and the company's treatment of the opinions of independent directors:** the Company has no such situation
- II. **The directors and independent directors shall state the name of the directors, the contents of the proposal, the reasons for avoiding the interests and the circumstances of voting:**
 1. Various remuneration proposals submitted by the Remuneration Committee, among which, regarding the review of the 2022 annual remuneration allocation plan for managers and employees of the Company, at the time of voting on this motion, interested parties (Chairman Zhao Xizheng, Vice Chairman Li, Yao-Kui, General Manager Lin, Hong-Pei and Vice General Manager Yang, Shizhao) were invited to leave their seats first, and the rest of the attending directors all agreed to approve the proposal.
- III. **Listed companies should disclose the evaluation period and period of the self (or peer) evaluation of the board of directors, the scope, method and content of the evaluation, and fill in the second (2) performance of the board of directors assessment:** the company established and executed the performance evaluation of the board of directors on November 13, 2019, and completed the 111 annual performance evaluation of the board of directors before the first quarter of 112 years and announced the report in accordance with the regulations.
- IV. **Objectives of strengthening the functions of the Board of Directors in the current and recent years (for example, establishment of an audit committee, improvement of transparency of information, etc.) and assessment of performance:**
 1. The Company amends the "Rules of Procedure of the Board of Directors" of the Company in accordance with 2022/08/02 and complies with them with the consent of the Board of Directors.
 2. The Company has set up the Remuneration Committee on 2011/12/09, which has met twice in 2022.
 3. The Company also has independent directors who exercise the authority of the Board of Directors. After each meeting of the Board of Directors, the critical matters resolved by the Board of Directors shall be announced, or material information shall be published promptly to achieve information transparency.
- V. **Communication between Independent Directors and Internal Audit Supervisors and Accountants (which should include major matters, methods and results of communication on the Company's financials and business conditions):** Good interaction through the Board of Directors, auditing business reports and correspondence between accountants and governance units.
 - (I) Independent Directors' Communication Policies with Internal Audit Officers and Accountants:
 1. The audit supervisor may, as needed, directly discuss with the independent director at least once a year, and the communication should be good.
 2. In addition to the audit reports received by the company's independent supervisor on a monthly basis, the chief audit executive also conducts important business reports of the Company to the independent directors separately at quarterly colloquiums and has fully communicates the performance and effectiveness of the audit business.

Date	Communication	Independent Directors' Opinion
2022/11/09	<ol style="list-style-type: none"> 1. audit plan of the company from July to September 2022 2. Internal Audit Check Progress 3. Internal auditors' on-the-job training 4. Participation of internal auditors in other departmental meetings 5. 2023 annual internal audit plan 	All independent directors have no objection
2022/08/02	<ol style="list-style-type: none"> 1. Audit plan of the company from May to June 2022 2. Internal Audit Check Progress 3. Internal auditors' on-the-job training 4. Participation of internal auditors in other departmental meetings 	All independent directors have no objection

(II) Communication Policy between Independent Directors and Accountants:

1. Usually, a Certified Public Accountant / CPA meets directly with the independent director as needed. In addition to the meeting, the accountant also uses written documents, telephone calls or emails to communicate with the independent director. The communication should be good.
2. Certified Public Accountant / CPA may report and communicate to independent directors on the overall impact of recent additions or amendments to the Act on the Company.

Note 1: Directors, independent directors and supervisors who are legal persons shall disclose the names of the shareholders of the legal person and the names of their representatives.

Note 2:

- (1) Where a director supervisor leaves office before the end of the year, the date of separation shall be indicated in the notes column. The actual outgoing (listed) seat rate (%) shall be calculated based on the number of meetings of the board of directors during the period of their office and the number of outgoing (listed) seats.
- (2) Where directors and supervisors are re-elected before the end of the year, both the incoming and outgoing directors and supervisors shall be stated. The re-election date shall be noted in the remarks column, whether the director or the supervisor is previously hired, currently hired, or re-elected. The percentage of attendance in person (%) shall be calculated using the number of Board meetings convened and attendance in person during his/her term of service.

2. Evaluation of the Board

The Company has established a performance appraisal system for the Board of Directors, and on November 13, 2020, the Board of Directors adopted the Performance Appraisal Measures for the Board of Directors in order to give full play to the self-promotion of the members of the Board of Directors and enhance the functioning of the Board of Directors. The performance evaluation of the internal board of directors is carried out once a year, and the internal self-evaluation and directors' self-evaluation of the board of directors are carried out after the end of the year. The evaluation results are reviewed and presented to the board of directors before the end of the first quarter of the following year; the performance evaluation of the 2022 annual board of directors is reported by the board of directors on March 8, 2023.

Assessment cycle (Note 1)	Assessment period (note 2)	Scope of assessment (Note 3)	Evaluation method (Note 4)	Assessment content (Note 5)	Result of Assessment
Once a year	2022/01/01 ~ 2022/12/31	Board of Directors, Individual Director Members and Functional Committee	Internal self-assessment of the board of directors, self-assessment of directors and self-assessment of functional members	<ol style="list-style-type: none"> 1. Participation in the company's operation, the quality of the Board of Directors' decision making, composition and structure of the Board of Directors, election and continuing education of the directors, and internal control. 2. Including alignment of the goals and missions of the company, awareness of the duties of a director, participation in the operation of the company, management of internal relationships and communication, the director's professionalism and continuing education, and internal control. 3. Participation in the Company's operations, 	<ol style="list-style-type: none"> 1. Each performance appraisal project can meet the set indicators, showing that the board of directors is functioning well, and each director can be competent and fulfill the responsibilities of the directors. 2. Nine directors (including three independent directors) gave positive reviews. 3. All three members gave positive reviews.

Assessment cycle (Note 1)	Assessment period (note 2)	Scope of assessment (Note 3)	Evaluation method (Note 4)	Assessment content (Note 5)	Result of Assessment
				improvement of the decision-making quality of the Remuneration Committee, composition and structure of the Remuneration Committee, selection and continuous improvement of the members of the Remuneration Committee, internal control, etc.	

Note 1: Specify the implementation cycle of the Board of Director evaluation, for example: once a year.

Note 2: Specify the period of the Board of Director evaluation, for example, 2019/01/01~2019/12/31.

Note 3: The scope of the evaluation covers the respective performances of the Board, individual directors, and functional committees.

Note 4: The evaluation methods include self-evaluation of the Board of Directors, self-evaluation of the Board members, peer evaluation, appointment of external professional institutions or experts, or other appropriate methods.

Note 5: The evaluation contents include at least the following items according to the scope of evaluation:

- (1) Board Performance Assessment: At a minimum, this includes participation in the operation of the company, the quality of board decision-making, the composition and structure of the board of directors, the election and continuous training of directors, and internal control.
- (2) Performance Assessment of Individual Directors: At a minimum, this includes the mastery of the company's goals and tasks, the recognition of directors' responsibilities, the degree of participation in the company's operations, internal relationship management and communication, directors' professional and continuous training, internal control, etc.
- (3) Functional Committee Performance Assessment: The degree of participation in the operation of the company, the recognition of the responsibilities of the functional committee, the quality of the decision-making of the functional committee, the composition and election of the functional committee, and the internal control.

3. Attendance of Supervisors at Board of Directors

The Board of Directors has met 7 times in the past 111 years, and the Supervisor was fully re-elected on June 14, 2022 and an Audit Committee was established to replace the Supervisor's authority. The Supervisor's attendance is as follows:

Title	Name	Actual number of attendance	Actual attendance rate(%) (Note)	Remarks
Supervisor	Liu, Ying-Jun	4	100%	N/A
Supervisor	Sheng Sun	3	75%	N/A

Other mentionable items:

I. Composition and responsibilities of supervisors:

- 1. Supervisor's communication with employees and shareholders of the company (such as communication channels, methods, etc.):** through the presence of the board of directors and participate in the shareholders meeting to communicate well.
- 2. Communication between the supervisor and the internal audit supervisor and the accountant (for example, matters, methods and results of communication on the company's financial and business conditions, etc.):** Good interaction through the board of directors, audit business reports and communication letters between the accountant and the governance unit.

If the Supervisor attends the Board of Directors to make a statement, he/she shall state the date, date, content of the proposal, the result of the resolution of the Board of Directors and the handling of the Company's statement of the Supervisor: the Supervisor attends the Board of Directors, and the various dates, content of the proposal and the result of the resolution of the Board of Directors of the Company are detailed on pages 70 to 79 of this manual.

Note :

- * If a supervisor leaves office before the end of the year, the resignation date shall be indicated in the memo column. The actual attendance rate (%) shall be calculated based on the number of attendance during their employment.
- * Before the end of the year, if there is a replacement supervisor, both the new and the old supervisor should be filled in, and the date of the old, new, or re-elected and re-election date should be indicated in the note column. The actual attendance rate (%) is calculated based on the number of actual attendance during their tenure.

4. Setting of Corporate Governance Supervisor:

By the resolution of the Board of Supervisors adopted on November 10, 2021, the Company established the position of Corporate Governance Officer B. Ms Luo, Jia-Ling, Financial Manager of the Company, was also appointed to supervise and be responsible for the institutional design and planning of corporate governance. The Public Offering Company has equipped the Corporate Governance Supervisor to act as the shareholding and corporate governance supervisor-related affairs director for more than three years.

The terms of reference of the Corporate Governance Supervisor are as follows:

- (1) Handling matters relating to board meetings and shareholders meetings according to laws.
- (2) Producing minutes of board meetings and shareholders meetings

- (3) Assist directors in assuming office and pursuing continuing education.
- (4) Providing information required for business execution by directors and supervisors.
- (5) Assisted the directors in complying with laws and regulations.
- (6) Other matters stipulated by Articles of Incorporation of association or contract.

Corporate Governance Supervisor Training Situation:

Name	Date	Name of program	Training Units	Hours
Luo, Jia-Ling	2022/02/15	“Code of Ethical Conduct”~ Advanced Seminar for Directors and Supervisors (including Independent) and Corporate Governance Supervisors	Witness Foundation	3 hours
	2022/03/08	“Audit Committee Practice”~ Advanced Seminar for Directors and Supervisors (including Independent) and Corporate Governance Supervisors	Witness Foundation	3 hours
	2022/04/22	“Analysis of Corporate Financial Information and Application of Decision Making” ~ Advanced Seminar for Directors and Supervisors (including Independent) and Corporate Governance Executives	Witness Foundation	3 hours
	2022/07/21	“Global Net Zero Emissions Response and Corporate ESG Action” ~ Advanced Seminar for Directors and Supervisors (including Independent) and Corporate Governance Executive Practices	Witness Foundation	3 hours
	2022/08/25	“Introduction and Case Analysis of Corporate Insider Short-term Trading” ~ Advanced Seminar for Directors and Supervisors (including Independent) and Corporate Governance Supervisors	Witness Foundation	3 hours
	2022/09/07	“Discussion on Compensation of Employees and Directors - Starting from the Amendment of Article 14 of the Securities and Exchange Law”~ Advanced Seminar for Directors and Supervisors (including Independent) and Corporate Governance Executives	Witness Foundation	3 hours

(II) Audit committee operation:

1. Responsibilities:

The Audit Committee of the Company was established on 14 June 2022. The Audit Committee shall perform the following functions and submit its recommendations to the Board for discussion. Its main functions are as follows:

- (1) Establish or amend the internal control system in accordance with the provisions of Article 14-1 of the Evidence Submission Law.

- (2) Assessment of the effectiveness of internal controls.
- (3) Procedures for the establishment or amendment of significant financial transactions to acquire or dispose of assets, engage in the delivery of derivative commodities, make capital loans to others, endorse or provide guarantees to others in accordance with Article 36-1 of the Certification and Exchange Act.
- (4) Matters involving the directors' own damaging relationship.
- (5) Transactions of significant assets or derivative commodities.
- (6) Significant loans and endorsements or guarantees.
- (7) Raise, issue or private placement of marketable securities of an equity nature.
- (8) Appointment, removal or remuneration of certified accountants.
- (9) Appointment or removal of head of finance, accounting or internal audit.
- (10) Annual financial report and semi-annual financial report.
- (11) Major matters stipulated by other companies or competent authorities.

2. Audit Committee Membership Profile:

Identity	Name	Qualifications		Number of Other Public Companies in Which the Individual is Concurrently Serving as a Member of the Remuneration and Compensation Committee
		Professional qualifications and experience	Independence situation.	
Independent Director (Convenor)	Guo, Dong-Long	<ul style="list-style-type: none"> ● Yushan Bank, an independent director of United Commercial Bank of Cambodia ● Independent Director of the Company ● Former General Manager of Yushan Bank ● Former chairman of Yushan Venture Capital ● There are no cases under Article 30 of the Company Act. 	<ol style="list-style-type: none"> 1. Upon assuming office, an independent director of the Company shall complete a declaration of independence and have the Company report to the competent authorities the qualifications of the independent director (at the time of his or her election). 2. The independent director complies with the provisions of the Regulations Governing the Establishment and Compliance of Independent Directors of Public Companies. 3. I, my spouse, my relatives within the second degree of kinship, etc., do not serve as a director, supervisor or employee of the Company or its affiliated enterprises. 	1

Identity	Name	Qualifications	Professional qualifications and experience	Independence situation.	Number of Other Public Companies in Which the Individual is Concurrently Serving as a Member of the Remuneration and Compensation Committee
Independent Director	Nian, Xiao-Jing	<ul style="list-style-type: none"> ● Adjunct Assistant Professor at Yangming Chiao Tung University and Taiwan University ● Chief Executive Officer, Academic Foundation for Liver Disease Prevention and Control ● Chief Executive Officer, Good Liver Foundation ● Executive Director of the National Health Foundation ● Assistant Professor, University of Taiwan ● Yangming Jiaotong University Assistant Professor ● Department of Family Medicine, Taiwan National University Hospital ● Independent Director of the Company ● There are no cases under Article 30 of the Company Act. 	<ol style="list-style-type: none"> 1. Upon assuming office, an independent director of the Company shall complete a declaration of independence and have the Company report to the competent authorities the qualifications of the independent director (at the time of his or her election). 2. The independent director complies with the provisions of the Regulations Governing the Establishment and Compliance of Independent Directors of Public Companies. 3. I, my spouse, my relatives within the second degree of kinship, etc., do not serve as a director, supervisor or employee of the Company or its affiliated enterprises. 	N/A	
Independent Director	Lin, Hao-Sheng	<ul style="list-style-type: none"> ● SKYWORKS Cellphone Baseband design house manager director ● Deputy General Manager of Business Department of Nanjia Co., Ltd. ● Independent Director of the Company ● There are no cases under Article 30 of the Company Act. 	<ol style="list-style-type: none"> 1. Upon assuming office, an independent director of the Company shall complete a declaration of independence and have the Company report to the competent authorities the qualifications of the independent director (at the time of his or her election). 2. The independent director complies with the provisions of the Regulations Governing the Establishment and Compliance of Independent Directors of Public Companies. 3. I, my spouse, my relatives within the second degree of kinship, etc., do not serve as a director, supervisor or employee of the Company or its affiliated enterprises. 	N/A	

3. Recently, the Annual Audit Committee held two meetings (A), and the attendance of independent directors was as follows:

Title	Name	Attendance in Person (B)	Numbers of attendance by proxy	Actual attendance rate (%) (B/A) (Note 1, Note 2)	Term
Independent Director (Convenor)	Guo, Dong-Long	2	0	100%	2022/06/14~2025/06/13
Independent Director	Lin, Hao-Sheng	2	0	100%	2022/06/14~2025/06/13
Independent Director	Nian, Xiao-Jing	2	0	100%	2022/06/14~2025/06/13

Other mentionable items:

I. In any of the following circumstances, the operation of the Audit Committee shall specify the date of the Audit Committee, the period, the content of the proposal, the objections of independent directors, the content of reservations or major recommendations, the results of the resolutions of the Audit Committee and the Company's handling of the opinions of the Audit Committee. (1) The matters listed in Article 14-5 of the Securities and Exchange Act. (2) Except for the matters previously opened, other matters not passed by the Audit Committee but resolved with the consent of more than two-thirds of all directors: The Company does not have such a situation. For detailed information on the meeting, please refer to the fourth point of the matters that Huang should record.

II. The independent directors shall state the name of the independent directors, the contents of the proposal, the reasons for avoiding the interests and the circumstances of voting: the Company does not have such circumstances.

III. Communication between independent directors and internal auditors and accountants (including major matters, methods and results of communication on the financial and business conditions of the company):

- Audit supervisors should communicate directly with independent directors as needed, at least once a year, and the communication is good.
- In addition to the audit reports received by the independent directors of the Company on a monthly basis, the audit supervisor also separately reports the important business of the Company to the independent directors before each audit committee meeting, and has fully communicated the performance and effectiveness of the audit business.
- Usually, a Certified Public Accountant / CPA meets directly with the independent director as needed. In addition to the meeting, the accountant also uses written documents, telephone calls or emails to communicate with the independent director. The communication should be good.
- Certified Public Accountant / CPA may report and communicate to independent directors on the overall impact of recent additions or amendments to the Act on the Company.

IV. The most recent annual meeting of the Audit Committee is as follows:

Date of meeting	Summary of important proposals	Result of Resolution	Subsequent execution	All members object or reserve opinions	The company's handling of the audit committee's opinions
2022/08/02	1. Financial Report of the Company for the Second Quarter of the Year 2022	The chairman approved each proposal after asking all	Various proposals have been submitted to the board of	N/A	N/A

	<ul style="list-style-type: none"> 2. Internal audit report of the Company from May to June 2022 3. Progress Report on the Company's Greenhouse Gas Inventory and Verification Schedule 4. Amendments to part of the "Internal Significant Information Processing Procedures" 5. Amendments to parts of the "Corporate Governance Code of Practice" 6. Amendments to parts of the "Standard Operating Procedures for Handling Directors' Requirements" 7. Amendments to parts of the "Rules of Procedure of the Board of Directors" 8. Amendments to parts of the "Integrity Code of Business Conduct" 9. Amendments to part of the "Code of Ethical Conduct" 10. Amendments to part of the "Functioning of Independent Directors" 11. Amendments to the part of the "Remuneration Committee Organizational Rules" 	members to attend without objection and submitted it to the board of directors for discussion.	directors for discussion. Proposals that should avoid interests have been passed without objection by other attending directors after the relevant stakeholders have left the meeting before voting.		
2022/11/09	<ul style="list-style-type: none"> 1. Financial Report for the Third Quarter of the Year 2022 of the Company 2. internal audit and verification report of the company from July to September 2022 3. Company's 2022 annual performance report on integrity management 4. Report on the implementation of the Company's 2022 annual intellectual property management plan 5. Progress Report on the Company's Greenhouse Gas Inventory and Verification Schedule 6. Proposed extension of financing quota with Changhua Bank 	The chairman approved the bills after asking all the present members not to object.	The bills have been submitted to the Board for discussion and approved by the Chairman in consultation with other attending directors without objection.	N/A	N/A

		<p>7. Apply for non-recourse accounts receivable with Cathay Pacific Commercial Bank</p> <p>8. Independence and suitability assessment of the Company's financial report visa accountants</p> <p>9. 2023 annual internal audit plan of the company</p>					
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Please refer to the company website information:

https://www.yuan.com.tw/investor_relations/corporate_governance/audit.htm

Note 1: If an independent director leaves office before the end of the year, the date of separation shall be indicated in the remarks column, and the actual attendance rate (%) shall be calculated based on the number of meetings of the Audit Committee during his/her tenure and the actual number of attendances.

Note 2: Before the end of the year, if an independent director is re-elected, both the new and the old independent directors shall be entered, and the date of the old, new or re-election and re-election of the independent directors shall be indicated in the remarks column. The actual attendance rate (%) is calculated based on the number of meetings of the Audit Committee and its actual attendance during its tenure.

(III) Corporate Governance Execution Status and Deviations from the “Corporate Governance Best-Practice Principles for Listed Companies”

Evaluation Item	Status of Operations (Note 1)		Summary Description	Deviations from the Corporate Governance Best Practice Principles for Listed Companies and reasons thereof
	Yes	No		
I. Does the company establish and disclose its corporate governance best-practice principles based on the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies?	V		On March 25, 2015, the Company's Board of Directors adopted the Code of Practice for Corporate Governance of Listed Companies to promote the operation of corporate governance.	N/A
II. Shareholding structure & shareholders' rights		V	(I) To ensure the interests of the Shareholders, the Spokesperson and the Acting Spokesperson of the Company shall be exclusively responsible for the proper handling of the matters proposed by the Shareholders, doubts and disputes. In the future, internal operating procedures will be determined based on demand and the actual situation.	No significant difference.
(II) Does the company possess a list of its major shareholders with controlling power as well as the ultimate owners of those major shareholders?	V		(II) The Company has designated staff who has the final list of major shareholders and major shareholders who actually control the Company.	N/A
(III) Does the company establish and execute a risk management and firewall system within its affiliates?	V		(III) At present, the Company does not have any Affiliate Enterprise regulated by the Company's laws.	N/A
(IV) Does the company establish internal rules against insiders using undisclosed information to trade in securities?	V		(IV) The Company has established internal procedures for processing material information and “Measures for the Management of Preventing Insider Trading” to prevent insider trading from occurring.	N/A
III. Composition and responsibilities of the Board of Directors		V	(I) The composition of the Company's Board of Directors includes industry experience, financial, accounting, and work experience required for the business of the Company.	N/A
(I) Does the board develop and implement a diversity guideline for the composition of its members?	V			N/A

Evaluation Item	Status of Operations (Note 1)		Summary Description	Deviations from the Corporate Governance Best Practice Principles for Listed Companies and reasons thereof
	Yes	No		
(II) Does the company voluntarily establish other functional committees in addition to the legally-required Remuneration and Compensation Committee and Audit Committee?	V		(II) The Company has established the Remuneration and Compensation Committee and this year completed the establishment of the Audit Committee and various other functional committees, which the Board of Directors will set according to the size of the Board of Directors and the number of independent directors.	N/A N/A
(III) Does the company establish a standard to measure the performance of the Board, and implement it annually?		V	(III) On November 13, 2020, the Board of Directors approved the Board's performance appraisal measures, and the Board of Directors' performance appraisal for the year 2022 was completed and announced before the first quarter of 2023.	
(IV) Does the company regularly evaluate the independence of the CPAs?	V		(IV) The Company regularly assesses the independence of Certified Public Accountant / CPA.	
IV. Do Listed companies appoint adequate persons and a chief governance officer to be in charge of corporate governance matters (including but not limited to providing directors and supervisors required information for business execution, assisting directors and supervisors in following laws and regulations, handling matters in relation to the Board meetings and shareholders' meetings and keeping minutes at the Board meetings and shareholders' meetings according to law)?	V		Chief Financial Officer and the Finance Department positioned part-time in the Company. Corporate Governance Supervisor Setup, please refer to page 37-38 of this annual report..	N/A
V. Has the company established a communication channel with stakeholders, set up a stakeholder section on the company's website, and responded appropriately to important corporate social responsibility issues of concern to stakeholders?	V		Stakeholder communication channels have been set up on the company's website at the following address: https://www.yuan.com.tw/investor_relations/corporate_governance/interested_stakeholder_area.htm	No significant difference.
VI. Does the company appoint a professional shareholder service agency to deal with Shareholders' Meeting affairs?	V		The Company appoints the Securities Agency Department of Capital Securities Corp., Ltd. to handle the procedures.	N/A

Evaluation Item	Status of Operations (Note 1)		Summary Description	Deviations from the Corporate Governance Best Practice Principles for Listed Companies and reasons thereof
	Yes	No		
<p>VII. Information disclosure</p> <p>(I) Does the company have a website to disclose the financial operations and corporate governance status?</p> <p>(II) Does the Company have other information disclosure channels (e.g., building an English website, appointing designated people to handle information collection and disclosure, creating a spokesman system, webcasting investor conferences)?</p> <p>(III) Does the company publicly announce and file the annual financial reports within two months after the close of the given fiscal year and publicly announce and file the first, second, and third quarterly financial reports and the operation of each month ahead of the required deadline?</p>	V		<p>(I) The financial report, corporate governance code of practice, code of good faith and code of ethical conduct have been posted on the Company's website.</p> <p>(II) The Company has an English-language website and designated staff responsible for the collection and disclosure of the Company's information and a spokesperson and a proxy spokesperson for external information dissemination.</p> <p>(III) Currently reported within three months after the end of the year as required.</p>	N/A
<p>VIII. Is there any other important information to facilitate a better understanding of the Company's corporate governance practices (e.g., including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, Directors' and Supervisors' training records, the implementation of risk management policies and risk evaluation measures, the implementation of customer relations policies, and purchasing insurance for directors and Supervisors)?</p>	V		<p>(I) Employee benefits: handled following the provisions of the Labor Standards Law.</p> <p>(II) Staff Care: (1) Handle staff health insurance and group insurance. (2) Provision for retirement pensions shall be made in accordance with the law. (3) Establishment of Occupational Welfare Committee.</p> <p>(III) Investor Relations: There is also a spokesperson and a dedicated mailbox to deal with shareholder suggestions, doubts or disputes.</p> <p>(IV) Supplier Partnership: The Company maintains an excellent cooperative relationship with the Supplier and enters into a cooperation contract to safeguard the rights and obligations of both parties.</p> <p>(V) Stakeholder's interests: Market Observation Post System regularly disclose financial and business-related information.</p> <p>(VI) Further director and supervisor training: planning relevant director and supervisor training</p>	No significant difference.

Evaluation Item	Status of Operations (Note 1)		Deviations from the Corporate Governance Best Practice Principles for Listed Companies and reasons thereof
	Yes	No	
			<p>courses.</p> <p>(VII) Implementation of risk management policies and risk measurement standards: the Company has internal auditors who regularly check compliance with various rules and regulations and implement policies in cooperation with relevant laws and regulations to reduce and avoid any possible risks.</p> <p>(VIII) Implementation of the customer policy: the Company has business personnel dedicated to all customers, who respond to customer needs promptly and maintain a stable and good relationship with customers.</p> <p>(IX) Where the Company purchases liability insurance for directors and supervisors: The Board of Directors approved the purchase of liability insurance for directors and supervisors of the Company on 11 May 2022.</p>
IX. Please explain the improvements which have been made in accordance with the results of the Corporate Governance Evaluation System released by the Corporate Governance Center, Taiwan Stock Exchange, and provide the priority enhancement measures.	V		<p>The Company has completed the 2022 annual self-assessment of corporate governance on the self-assessment operation platform of the "Corporate Governance Assessment Zone" on the website of the Securities Foundation.</p> <p>1. Director and supervisor's purchased liability insurance</p>

Note 1: Regardless of whether "Yes" or "No" is checked, the operation situation should be described in the summary description field.

(IV) Remuneration Committee Composition, Responsibilities and Operation:

1. Establishment: The Company has established the Remuneration Committee on 2011/12/09.

2. Committee member:

(1) New Member Profile

Identity	Name	Qualifications Professional qualifications and experience	Independence situation.	Number of Other Public Companies in Which the Individual is Concurrently Serving as a Member of the Remuneration and Compensation Committee
Independent Director (Convenor)	Guo, Dong-Long	<ul style="list-style-type: none"> ● Yushan Bank, an independent director of United Commercial Bank of Cambodia ● Independent Director of the Company ● Former General Manager of Yushan Bank ● Former chairman of Yushan Venture Capital ● There are no cases under Article 30 of the Company Act. 	<ol style="list-style-type: none"> 1. Upon assuming office, an independent director of the Company shall complete a declaration of independence and have the Company report to the competent authorities the qualifications of the independent director (at the time of his or her election). 2. The independent director complies with the provisions of the Regulations Governing the Establishment and Compliance of Independent Directors of Public Companies. 3. I, my spouse, my relatives within the second degree of kinship, etc., do not serve as a director, supervisor or employee of the Company or its affiliated enterprises. 	1
Independent Director	Nian, Xiao-Jing	<ul style="list-style-type: none"> ● Adjunct Assistant Professor at Yangming Chiao Tung University and Taiwan University ● Chief Executive Officer, Academic Foundation for 	<ol style="list-style-type: none"> 1. Upon assuming office, an independent director of the Company shall complete a declaration of 	N/A

Qualifications		Professional qualifications and experience	Independence situation.	Number of Other Public Companies in Which the Individual is Concurrently Serving as a Member of the Remuneration and Compensation Committee
Identity	Name			
		<p>Liver Disease Prevention and Control</p> <ul style="list-style-type: none"> ● Chief Executive Officer, Good Liver Foundation ● Executive Director of the National Health Foundation ● Assistant Professor, University of Taiwan ● Yangming Jiaotong University Assistant Professor ● Department of Family Medicine, Taiwan National University Hospital ● Independent Director of the Company ● There are no cases under Article 30 of the Company Act. 	<p>independence and have the Company report to the competent authorities the qualifications of the independent director (at the time of his or her election).</p> <p>2. The independent director complies with the provisions of the Regulations Governing the Establishment and Compliance of Independent Directors of Public Companies.</p> <p>3. I, my spouse, my relatives within the second degree of kinship, etc., do not serve as a director, supervisor or employee of the Company or its affiliated enterprises.</p>	
Independent Director	Lin, Hao-Sheng	<ul style="list-style-type: none"> ● SKYWORKS Cellphone Baseband design house manager director ● Deputy General Manager of Business Department of Nanjia Co., Ltd. ● Independent Director of the Company ● There are no cases under Article 30 of the Company Act. 	<p>1. Upon assuming office, an independent director of the Company shall complete a declaration of independence and have the Company report to the competent authorities the qualifications of the independent director (at the time of his or her election).</p> <p>2. The independent director complies with the provisions of the Regulations Governing the Establishment and</p>	N/A

Identity	Name	Qualifications	Professional qualifications and experience	Independence situation.	Number of Other Public Companies in Which the Individual is Concurrently Serving as a Member of the Remuneration and Compensation Committee
				<p>Compliance of Independent Directors of Public Companies.</p> <p>3. I, my spouse, my relatives within the second degree of kinship, etc., do not serve as a director, supervisor or employee of the Company or its affiliated enterprises.</p>	

(2) Former Member Profile:

Identity (Note 1)	Name	Qualifications	Professional qualifications and experience (Note 2)	Independence Criteria (Note 3)	Number of Other Public Companies in Which the Individual is Concurrently Serving as a Member of the Remuneration and Compensation Committee
Independent Director (Convenor)	Huang, Shu-Zhen		<ul style="list-style-type: none"> ● Beley International Finance Manager ● Independent Director of the Company ● There are no cases under Article 30 of the Company Act. 	<p>1. Upon assuming office, an independent director of the Company shall complete a declaration of independence and have the Company report to the competent authorities the qualifications of the independent director (at the time of his or her election).</p> <p>2. The independent director complies with the provisions of the Regulations Governing the</p>	N/A

Identity (Note 1)	Name	Qualifications	Professional qualifications and experience (Note 2)	Independence Criteria (Note 3)	Number of Other Public Companies in Which the Individual is Concurrently Serving as a Member of the Remuneration and Compensation Committee
				Establishment and Compliance of Independent Directors of Public Companies. 3. I, my spouse, my relatives within the second degree of kinship, etc., do not serve as a director, supervisor or employee of the Company or its affiliated enterprises.	
Independent Director	Zeng, Hong-Chi	<ul style="list-style-type: none"> ● Research and Development Associate of Beley International ● Independent Director of the Company ● There are no cases under Article 30 of the Company Act. 	1. Upon assuming office, an independent director of the Company shall complete a declaration of independence and have the Company report to the competent authorities the qualifications of the independent director (at the time of his or her election). 2. The independent director complies with the provisions of the Regulations Governing the Establishment and Compliance of Independent Directors of Public Companies. 3. I, my spouse, my relatives within the second degree of kinship, etc., do not serve as a director, supervisor or employee of the Company or its affiliated enterprises.	N/A	

Identity (Note 1)	Name	Qualifications	Professional qualifications and experience (Note 2)	Independence Criteria (Note 3)	Number of Other Public Companies in Which the Individual is Concurrently Serving as a Member of the Remuneration and Compensation Committee
Committee Member	Xian-Chang Guo	<ul style="list-style-type: none"> ● PhD from the Institute of Management Science, National Chiao Tung University; Master of Science from the Institute of Management Science, Tamkang University; Bachelor of Economics, Fu Jen Catholic University ● He has served as a professor and chairman of the Department of Finance and Finance of the National and Southern International University, an associate professor of the Department of Finance and Finance of the National and Southern International University, an associate professor of the Department of International Enterprise of the National and Southern International University, a president of the Deming University of Finance and Technology, a professor of the Department of Finance of the Deming University of Finance and Technology, a professor of the Department of Accounting of the Practice University, and a professor of the School of Management and Design of the Mingzhi University of Science and Technology. ● There are no cases under Article 30 of the Company Act. 		1. I, my spouse, my relatives within the second degree of kinship, etc., do not serve as a director, supervisor or employee of the Company or its affiliated enterprises.	N/A

Note 1: Please specify in the form the relevant years of service, professional qualifications and experience of the members of each remuneration committee, and their independence. For independent directors, please refer to the relevant information on directors and supervisors (1) on the first schedule on page OO for notes. Identify yourself as an independent director or others (note if you are a convener).

Note 2: Professional qualifications and experience: Identify individual compensation committee members' professional qualifications and experience.

Note 3: Independence Compliance: members of the Remuneration and Compensation Committee should clarify whether they are independent, including but not limited to whether themselves, their spouses, and their relatives within the second degree of kinship within the scope of the company or its affiliated enterprises are directors, supervisors or employees of the company; whether themselves, their spouses, their relatives within the second degree of kinship within the scope of the Company (or in the name of another person) hold the number and proportion of shares of the Company; whether they are directors, supervisors or employees of companies with specific relationships with the company (see Article 3, Paragraph 1, Subparagraph 5-8 of the Regulations on the Establishment of Independent Directors of Public Companies and Matters to be Followed); and the amount of remuneration received for providing business, legal, financial, accounting and other services of the company or its affiliated enterprises in the last two years.

3. Duties:

In accordance with the provisions of Article 7 of the Company's "Remuneration Committee Organizational Rules", the responsibilities of the Remuneration Committee are as follows:

The Remuneration Committee shall exercise the care of a prudent administrator to faithfully perform the following duties and present its recommendations to the Board of Directors for discussion. However, the recommendation on the compensation of the Supervisor shall be submitted to the Board of Directors for discussion, to the extent that the remuneration of the Supervisor is stipulated in the Articles of Incorporation or authorized by resolution of the Board of Shareholders' Meeting:

- (1) Periodically review the regulations and make recommendations for amendments.
- (2) Establish and periodically review the policies, systems, standards, and structure of the annual and long-term performance objectives and compensation of the company's directors, supervisors, and managers.
- (3) Periodically assess the achievement of the performance objectives of the directors, supervisors and managers of the Company and determine the content and amount of their compensation.

The Remuneration Committee shall perform the duties under the preceding paragraph under the following principles:

- (1) Ensure that the Company's compensation arrangements comply with the relevant laws and regulations and are sufficient to attract outstanding talents.
- (2) The performance appraisal and remuneration of directors, supervisors and managers shall take into account the average level of payment in the same industry and consider the time invested by individuals, the duties assumed, the achievement of personal goals, the performance of other positions, the remuneration of salaries and compensation awarded by the Company to persons in comparable positions in recent years, and the reasonableness of the correlation between the performance of individuals and the operational performance and future risks of the Company as assessed by the achievement of the short-term and long-term business goals of the Company and the financial condition of the Company.
- (3) Directors and managers should not be directed to act more than the Company's risk appetite to pursue compensation.
- (4) The ratio of the short-term performance bonus for directors and senior managers and the timing of payment of part of the variable remuneration compensation shall be determined considering the industry's characteristics and the nature of the company's business.
- (5) Members of the Committee may not participate in discussions and vote on their personal compensation decisions.

The remuneration referred to in the preceding two paragraphs, including cash remuneration, stock options, dividend shares, retirement benefits or separation benefits, various allowances and other measures with substantial incentives, shall be consistent with the remuneration of directors, supervisors and managers in the guidelines on matters to be recorded in the annual report of a publicly-issued company.

Suppose the compensation issues of the directors and managerial officers of subsidiaries determined by the subsidiaries must be approved by the Board of Directors. In that case, they shall be submitted to the Board of Directors for discussion after Remuneration Committee makes suggestions.

4. Operating conditions:

- (1) **The Company's Remuneration Committee consists of three members, all of whom are independent directors.**
- (2) **The term of office of the current member: from June 14, 2022 to June 13, 2025, the most recent 2022 annual Remuneration Committee held two meetings (A), the membership and attendance are as follows:**

Title	Name	Attendance in Person (B)	Numbers of attendance by proxy	Actual attendance rate (%) (B/A) (Note)	Remarks
Convener Independent Director	Guo, Dong-Long	1	0	100%	Newly appointed 2022/06/14~2025/06/13
Independent Director	Lin, Hao-Sheng	1	0	100%	Newly appointed 2022/06/14~2025/06/13
Independent Director	Nian, Xiao-Jing	1	0	100%	Newly appointed 2022/06/14~2025/06/13
Convener Independent Director	Huang, Shu-Zhen	1	0	100%	Former president 2019/06/12~2022/06/11
Independent Director	Zeng, Hong-Chi	1	0	100%	Former president 2019/06/12~2022/06/11
Committee Member	Xian-Chang Guo	1	0	100%	Former president 2019/06/12~2022/06/11

Other mentionable items:

- I. If the Board does not adopt or amend the recommendations of the Remuneration Committee, it shall state the date, date, content of the proposal, the results of the resolutions of the Board and the Company's treatment of the Remuneration Committee's opinions (if the recommendations of the Remuneration Committee adopted by the Board are superior to those of the Remuneration Committee, it shall state the circumstances and reasons for the differences):** The Company has no such situation, please refer to item 3 of the other matters to be recorded for details.
- II. For matters resolved by the Compensation and Remuneration Committee, if members have objections or reservations and there is a record or written statement, the date of the Compensation and Remuneration Committee, the period, the content of the proposal, the opinions of all members, and the handling of the views of the members shall be stated:**
This is not the case for the Company.

III. The most recent annual meeting of the Compensation and Remuneration Committee was as follows:

Date of meeting	Summary of important proposals	Result of Resolution	Subsequent execution	All members object or reserve opinions	The Company's response to the opinion of the Remuneration Committee
2022/3/15	<ol style="list-style-type: none"> Review of various remuneration projects to be implemented by the Company in 2022. Review the scope of the applicable Managers that the Company should submit to the Compensation Committee for a pre-remuneration review. Review the remuneration distribution of directors and supervisors of the company in 2021. Review the amount of managerial employee remuneration of the company in 2021. Review the performance appraisal exercise for directors, supervisors and managers and the annual salary increase plan for managers. 	The chairman approved each proposal after asking all members to attend without objection and submitted it to the board of directors for discussion.	Various proposals have been submitted to the board of directors for discussion. Proposals that should avoid interests have been passed without objection by other attending directors after the relevant stakeholders have left the meeting before voting.	N/A	N/A
2022/11/09	<ol style="list-style-type: none"> Review the Company's 2022 annual manager's year-end bonus payment plan. Review the policies, systems, standards and structure of performance appraisal and compensation for directors, supervisors and managers. Discussion on the Company's remuneration committee's work plan for the year 2023. 	The chairman approved the bills after asking all the present members not to object.	Various proposals have been submitted to the board of directors for discussion. Proposals that should avoid interests have been passed without objection by other attending directors after the relevant stakeholders have left the meeting before voting.	N/A	N/A

Please refer to the Company's website:

https://www.yuan.com.tw/investor_relations/corporate_governance/remuneration.htm

Notes:

- When members of the Remuneration and Compensation Committee resign before the end of the year, the Notes column should contain the date of resignation. Attendance rate (%) shall be calculated based on the number of Remuneration and Compensation Committee meetings convened and the actual presence during their term of service.
- Suppose there is the re-election of the Compensation Committee before the end of the year. In that case, both the new and old members of the Compensation Committee should be listed, and the date of re-election should be indicated in the Remarks column as the old, new or re-elected member. Attendance rate (%) shall be calculated based on the number of Remuneration and Compensation Committee meetings

convened and the actual presence during their term of service.

5. Remuneration Policy:

The Company's remuneration policies, standards, portfolios and procedures for determining remuneration shall be implemented mainly following the Company's personnel rules and regulations and the Remuneration Committee Organizational Rules. Directors' compensation and employees' compensation shall be appropriated in proportion to the provisions of the Articles of Incorporation, approved by the Salary and Compensation Committee and submitted to the Board of Directors for approval before being reported to the Shareholders' Meeting. Remuneration for directors and managers is based on industry standards, taking into account individual performance, the Company's operating results and the reasonableness of the correlation with future risks. Remuneration for employees is allocated based on industry standards, the competitive position of the Company's talents in the industry, the Company's overall operating results and profitability, budget planning, performance review and evaluation of future operating risks.

(V)
1. Implementation of the Code of Practice for the Promotion of Sustainable Development and the Circumstances and Reasons for Differences from the Code of Practice for the Sustainable Development of Listed Companies

Promoted Items	Execution Scenarios (Note 1)			Deviations from the Sustainable Development Best Practice Principles for Listed Companies and Reasons Thereof
	Yes	No	Summary Description	
I. Does the Company have a governance structure for promoting sustainable developments and exclusively (or concurrently) dedicated units to be in charge of proposing and enforcing sustainable development, and let the Board of Directors entrust the high-ranking management with the implementation and supervise the status?		V	Not yet set up to promote corporate social responsibility designated (part-time) unit.	We will assess the demand and consider the process.
II. Does the Company conduct a risk assessment of environmental, social and corporate governance issues related to the Company's operations in accordance with the materiality principle, and formulate relevant risk management policies or strategies? (Note 2)		V	No Corporate social responsibility/CSR policy or system is in place.	We will assess the demand and consider the process.
III. Environmental issues (I) Does the company establish proper	V		In order to avoid environmental pollution, our company purchases products that comply with ROHS standards.	N/A

Promoted Items	Execution Scenarios (Note 1)			Deviations from the Sustainable Development Best Practice Principles for Listed Companies and Reasons Thereof
	Yes	No	Summary Description	
environmental management systems based on the characteristics of their industries?				
(II) Is the company committed to improving energy efficiency and using recycled materials that have a low impact on the environment?	V		The Company improved the efficiency of utilising various resources to achieve the reduction of raw materials and waste to reduce the impact on the environment.	N/A
(III) Does the company assess the potential risks and opportunities of climate change for the enterprise now and in the future and take relevant response measures?	V		To respond to climate change, the Company implemented the environmental policy of "saving energy and reducing carbon" so that employees can cultivate the rationale of saving energy and reducing carbon from their working environment, improve energy use efficiency, and take actions to reduce the consumption of natural resources.	N/A
(IV) Has the company compiled statistics on greenhouse gas emissions, water consumption and the total weight of waste for the past two years, and formulated greenhouse gas reduction, water use reduction, or other waste management policies?		V	The Company has not yet evaluated the planned greenhouse gas emissions, water usage and total waste weight statistics.	We will assess the demand and consider the process.
IV. Social issues (I) Does the company formulate appropriate management policies and procedures	V		The Company shall formulate the working rules following the relevant labour laws and regulations and submit them to the supervisor for review.	N/A

Promoted Items	Execution Scenarios (Note 1)			Deviations from the Sustainable Development Best Practice Principles for Listed Companies and Reasons Thereof
	Yes	No	Summary Description	
according to relevant regulations and the International Bill of Human Rights?				
(II) Has the Company established and offered proper employee benefits (including compensation, leave, and other benefits) and reflected the business performance or results in employee compensation appropriately?	V		The Company's welfare policies are compliant with the statutes.	N/A
(III) Does the company provide a healthy and safe work environment and organize health and safety training for its employees on a regular basis?	V		Regularly inspect the safety of the working environment.	N/A
(IV) Does the company establish effective career development and training plans for its employees?	V		The company encourages employees to further their studies and proposes to establish career development training plans.	No significant difference.
(V) Does the Company comply with relevant laws and international standards in relation to customer health and safety, customer privacy, marketing, and labeling of products and services, and has it established relevant consumer or		V	The Company has designated staff and business email addresses to deal with customer rights and interests issues and deal with customer needs promptly. The Company has established a customer complaint channel in the stakeholder section of the Company's website along with a mechanism to properly handle complaints and track responses.	N/A

Promoted Items	Execution Scenarios (Note 1)			Deviations from the Sustainable Development Best Practice Principles for Listed Companies and Reasons Thereof
	Yes	No	Summary Description	
customer protection policies and grievance procedures?				
(VI) Does the company formulate and implement supplier management policies that require suppliers to follow relevant regulations on environmental protection, occupational safety and health or labor human rights?		V	The Company will depend on the actual situation and intensify its engagement with the leading suppliers to include the termination or rescission of the terms of the contract at any time if the supplier is involved in a violation of its corporate social responsibility policy and has a significant impact on the environment and society.	No significant difference.
V. Does the company make reference to international standards or guidelines for the preparation of reports, such as the Corporate Sustainability Report, that disclose non-financial information about the company? Are the reports certified or assured by a third-party accreditation body?		V	The company has not yet formulated the "Code of Practice on Corporate Social Responsibility for Listed Companies". Still, it has considered the company's current situation and legal requirements to strengthen its implementation gradually.	We will assess the demand and consider the process.
VI. If the company has its code of practice for sustainable development following the Code of Practice for Sustainable Development of Listed Companies, please describe how its operation differs from the code: The company has not yet formulated the "Code of Practice on Corporate Sustainable Development for Listed Companies". Still, it has considered the company's current situation and legal requirements to strengthen its implementation gradually.				
VII. Other important information for understanding the implementation of sustainable development: The International Corporate Social Responsibility and Sustainability Summit 2021 (ICS Summit 2021) will be held by video in the context				

Promoted Items	Execution Scenarios (Note 1)			Deviations from the Sustainable Development Best Practice Principles for Listed Companies and Reasons Thereof
	Yes	No	Summary Description	
			<p>of the COVID-19 epidemic. They will recognize outstanding companies and business leaders in seven categories: corporate governance, health promotion, human investment, green leadership, social development, circular economy leadership, and responsible business leadership awards.</p> <p>In October 2020, our Vice Chairman, Mr Li, Yao-Kui, led the entire staff to organise free hepatitis and liver cancer screening program with Taipei Long-Shan Temple, Taiwan Liver Disease Research Foundation, and Realtek Semiconductor Corp. to help early detection and treatment of hepatitis B and C carriers and to raise awareness of liver cancer prevention.</p> <p>In the future, the Company will integrate internal resources and expertise, and we hope to join hands with various enterprises in Taiwan to set an example for others to follow on the way to growth, to promote the good social cycle through various public welfare activities, and to carry forward the sustainable spirit of Taiwan enterprises!</p>	

Note 1 : Note 1: If the "Yes" box is checked, please specify the essential policies, strategies and measures adopted and their implementation. If the "No" box is checked, please explain the differences and reasons for the differences in the "Differences from the Code of Practice for Sustainable Development of Listed Companies and Reasons for Differences" column, and explain the plans for the future implementation of relevant policies, strategies and measures.

Note 2: The principle of materiality refers to environmental, social and corporate governance issues that have significant impacts on the company's investors and other stakeholders.

2. Implementation of climate-related information

Item	Implementation Status
<ol style="list-style-type: none"> 1. Describe the Board's oversight and the management's role in assessing and managing climate-related risks and opportunities. 2. Describe the impact of climate-related risks and opportunities on the Company's businesses, strategy, and financial planning (over the short, medium, and long term). 3. Describe the impact of extreme weather events and transition actions on the Company's finances. 4. Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the Company's overall risk management. 5. If scenario analysis is used to assess the resilience of the Company's business strategy to climate-related risks, disclose the scenarios considered, including parameters, assumptions, and analytical choices, and the projected principal financial impacts on the Company's business strategy under each scenario. 6. If a transition plan has been adopted as part of the Company's climate-related risk management strategy, describe the plan, including relevant metrics and targets used to identify and manage physical and transition risks . 7. If an internal carbon price is used as a planning tool, disclose the rationale for selecting the internal carbon price. 8. If any climate-related targets have been set, disclose the scope of activities and emissions included in the target, the defined time horizon of the target, and information demonstrating any progress toward achieving these targets each year. If carbon offsets or renewable energy credits or certificates (RECs) have been used to achieve climate-related targets, disclose the source and amount of the offsets or the amount of generated renewable energy represented by the RECs. 9. Greenhouse gas inventory and assurance (please refer to 1-1). 	<p>1.The Board of Directors approved the schedule planning for greenhouse gas inventory and verification on May 11, 2022 and also established a dedicated unit for greenhouse gas inventory in November 2022, with a preliminary determination of the emissions scopes completed.</p> <p>2.-9. We will assess and consider the process.</p>

(VI) Ethical Corporate Management and Deviations from “Ethical Corporate Management Best Practice Principles for Listed Companies” and Reasons

1. In order to ensure that the relevant standards such as integrity and ethics and operating procedures formulated by the Company are handled in accordance with the regulations, an audit room shall be set up every year to perform audits in accordance with the internal control system and establish a mutual supervision and checks and balances mechanism.
2. When the new personnel of the Company report, they will explain in the new personnel training briefing that the Company and the relevant standards of integrity and ethics should be followed, and the management and department heads will continue to advocate and promote the relevant integrity management policies of the Company at departmental meetings, production and marketing meetings, etc. from time to time to explain the importance of integrity management.
3. In order to implement and ensure the implementation of the whistleblowing system, the Company may directly report the whistleblowing system to the supervisors and personnel supervisors of each unit through the personal email of employees; and implement the implementation of the whistleblowing system by establishing the whistleblowing pipeline of relevant stakeholders on the Company's internal website.
4. The Company promotes corporate integrity, which is promoted and enforced by the Finance Department and reported to the Board of Directors on a regular basis.
5. The Company did not violate the relevant norms of the Code of Business Integrity in 2022, and reported to the Board of Directors on November 9, 2022.
6. Education and Training Situation:

Date	Name of program	Training Units	Name	Hours
2022/02/15	“Code of Ethical Conduct”~ Advanced Seminar for Directors and Supervisors (including Independent) and Corporate Governance Supervisors	Witness Foundation	Luo, Jia-Ling	3 hours
2022/07/18	"Functions and Tasks of Corporate Governance Personnel under the Corporate Governance Blueprint" and "Latest Practical Developments in China's Domestic Line Transactions"	Republic of China Internal Audit Association	Lin Meiru	6 hours
2022/08/19 2022/08/23	Trade Secret Awareness Session	In-house training	R&D Department Colleagues	3 hours

7. Fulfillment of the integrity of the business situation

Evaluation Item	Status of Operations (Note 1)		Summary Description	Deviations from “Ethical Corporate Management Best Practice Principles for Listed Companies” and Reasons
	Yes	No		
I. Establishment of ethical corporate management policies and programs	V		(一) On March 25, 2015, the Company established the Code of Business Conduct of Integrity, which specifies the policies and practices of integrity management.	(一)N/A
(I) Has the Company established the integrity management policies approved by the Board of Directors and specified in its rules and external documents the ethical corporate management policies and practices and the commitment of the Board of Directors and senior management to rigorous and thorough implementation of such policies?	V		(二) The Company has established the "Code of Conduct for Integrity", which prohibits directors, supervisors, managers and all employees from engaging in any business activities with a higher risk of dishonest conduct under Article 7, Paragraph 2 of the "Code of Conduct for Integrity of Listed Companies" or other business areas.	(二)N/A
(II) Has the company established a risk assessment mechanism against unethical conduct, analyze and assess on a regular basis business activities within its business scope which are at a higher risk of being involved in unethical conduct, and establish prevention programs accordingly, which shall at least include the preventive measures specified in Paragraph 2, Article 7 of the "Ethical Corporate Management Best Practice Principles for Listed Companies"?	V		(三) To implement the management philosophy and policy of integrity, the Company has standardised and implemented the operating procedures, behaviour guidelines, education and training, and disciplinary and complaint systems for violations of the "Code of Conduct for Integrity".	(三)N/A
(III) Does the company specify in its prevention programs the operating procedures, guidelines,				

Evaluation Item	Status of Operations (Note 1)		Summary Description	Deviations from “Ethical Corporate Management Best Practice Principles for Listed Companies” and Reasons
	Yes	No		
punishments for violations, and a grievance system and implement them and review the prevention programs on a regular basis?				
<p>II. Fulfillment of ethical corporate management</p> <p>(I) Does the company evaluate business partners' ethical records and include ethics-related clauses in the business contracts signed with the counterparties?</p> <p>(II) Does the company establish an exclusively dedicated unit supervised by the Board of Directors to be in charge of ethical corporate management and report to the Board of Directors the implementation of ethical corporate management policies and prevention programs on a regular basis (at least once a year)?</p> <p>(III) Does the company establish policies to prevent conflicts of interest, provide appropriate communication channels, and implement them accordingly?</p> <p>(IV) Does the company establish effective accounting systems and internal control systems to implement ethical corporate management, with</p>	<p>V</p> <p>V</p> <p>V</p> <p>V</p> <p>V</p>	<p>(I) The Company has signed a confidentiality agreement with all of our customers.</p> <p>(II) The Company promotes corporate integrity, which is promoted and enforced by the Finance Department and reported to the Board of Directors on a regular basis.</p> <p>(III) The Company has established a "Code of Integrity" and a "Code of Ethical Conduct", and has specified policies to prevent conflicts of interest and provide appropriate channels of representation.</p> <p>(IV) The Company's internal audit unit reports regularly to the Board of Directors and the President on any internal control deficiencies or irregularities identified.</p>	<p>(I) N/A</p> <p>(II) N/A</p> <p>(III) N/A</p> <p>(IV) N/A</p> <p>(V) No Significant Difference</p>	

Evaluation Item	Status of Operations (Note 1)		Summary Description	Deviations from “Ethical Corporate Management Best Practice Principles for Listed Companies” and Reasons
	Yes	No		
<p>the internal audit unit being responsible for devising relevant audit plans based on the results of assessment of any unethical conduct risk, examining accordingly the compliance with the prevention programs, or engaging a certified public accountant to carry out the audit?</p> <p>(V) Does the company regularly hold internal and external training on ethical corporate management?</p>			(V) The Company has established the "Code of Conduct for Integrity", which specifies the matters to which the Company's personnel should pay attention in conducting business and will plan to hold regular education and training.	
<p>III. Operation of the whistle-blowing system</p> <p>(I) Does the company establish both a reward/whistle-blowing system and convenient whistle-blowing channels? Are appropriate personnel assigned to the accused party?</p> <p>(II) Does the company establish standard operating procedures for investigating complaint matters and related confidentiality mechanisms?</p> <p>(III) Does the company provide protection for whistle-blowers against receiving improper treatment?</p>	V	V	<p>(I) The Company's employees can report through the employee mailbox and directly respond to the direct supervisor and personnel director.</p> <p>(II) The Company's "Code of Conduct for Integrity" specifies the standard operating procedures for investigating complaint matters and the related confidentiality mechanism.</p> <p>(III)The Company's "Code of Conduct for Integrity" stipulates that the identity of the informers and the contents of the report shall be kept confidential.</p>	<p>(I)N/A</p> <p>(II)N/A</p> <p>(III)N/A</p>
IV. Enhanced disclosure of ethical corporate management information	V		The Company has disclosed information about the Company's integrity management on the Market Observation Post System	No significant difference.

Evaluation Item	Status of Operations (Note 1)		Summary Description	Deviations from “Ethical Corporate Management Best Practice Principles for Listed Companies” and Reasons
	Yes	No		
Does the company disclose its ethical corporate management policies and the results of its implementation on the company’s website and MOPS?			and the Company's Code of Conduct on its website at the following address: https://www.yuan.com.tw/investor_relations/corporate_governance/sincerity_managing.html	
V. If the company has its code of ethical management following the "Code of Conduct for Listed Companies", please describe how its operation differs from the code: There is no significant difference yet.				
VI. Other important information for understanding the Company's integrity operations (e.g., the Company's review of amendments to its Code of Conduct on Integrity): None.				

Note 1: The operation should be described in the summary description field, regardless of whether "Yes" or "No" is checked.

(VII) If the company has formulated a corporate governance code and related rules, it should disclose its inquiry method: the integrity management code has been uploaded to the company's website.

(https://www.yuan.com.tw/investor_relations/corporate_governance/sincerity_managing.htm)

(VIII) Other important information sufficient to improve the understanding of the operation of corporate governance, must be disclosed together: None.

(IX) Status of Internal Control System

1. Statement of Internal Control System

YUAN High-Tech Development Co., Ltd.

Statement on Internal Control

Based on the results of self-inspection, the internal control system of the Company in 2022 is hereby declared as follows:

- I. The Company acknowledges that it is the responsibility of the Board of Directors and managerial officers to establish, implement, and maintain the established Company's internal control system. The purpose of ICS is to provide reasonable guarantee for achieving the effect and efficiency of operation (including profits, performance, and protection of assets safety etc.), as well as the reliability, timeliness, transparency and compliance of reports with relevant laws and rules
- II. The internal control system has its innate limitations, no matter how perfect the design, the effective internal control system can only provide reasonable assurance for the achievement of the above three objectives; and, due to changes in the environment and circumstances, the effectiveness of the internal control system may change. Nevertheless, the internal control system contains self-monitoring mechanisms, and the Company takes immediate remedial actions in response to any identified deficiencies.
- III. The Company makes judgments on whether the design and implementation of the ICS are effective in accordance with the judgments items of effectiveness of ICS in the Criteria for Publicly Owned Corporation to Build Internal Control System (hereinafter referred to as the Criteria). The Regulations adopt judgment criteria of the internal control system that follows the management control process, divided into five key elements: 1. control environment, 2. evaluation of risk and feedback, 3. control operation, 4. information and communication, and 5. supervision. Each key component includes several items. Please refer to the Regulations for the aforementioned items.
- IV. The Company has effectively evaluated its internal control system by adopting the above-mentioned internal control system judgment criteria.
- V. Based on the evaluation results of the preceding paragraph, the Company believes that the internal control system of the Company as of December 31, 2021 includes the supervision and management of subsidiaries, including the design and implementation of the internal control system to understand the degree to which the operational effect and efficiency objectives are achieved, and the reporting is reliable, timely, transparent and in compliance with relevant standards and relevant laws and regulations is effective, and it can reasonably ensure the achievement of the above objectives.
- VI. This statement is an integral part of the Company's annual report and prospectus and will be made public. If the above disclosure is false or concealed, it will involve the legal liabilities of Articles 20, 32, 171 and 174 of the Securities and Exchange Act.
- VII. This statement was passed by the board of directors of the company on March 8, 2023. 0 of the 9 directors present held opposing opinions, and the rest all agreed with the contents of this statement, and this statement.

YUAN High-Tech Development Co., Ltd.

Chairman: Zhao Xizheng Signature
and Seal

General Manager: Hong-Pei Lin Signature
and Seal

2. If a Certified Public Accountant / CPA is engaged to review the internal control system, the Certified Public Accountant / CPA's review report should be disclosed: None.

(X) The Company and its internal personnel were punished in accordance with the law in the most recent year and as of the date of publication of the annual report, and the Company's internal personnel were punished for violating the provisions of the internal control system, and the main deficiencies and improvements were: None.

(XI) Significant resolutions of the shareholders' meeting and the board of directors for the most recent year and up to the date of printing of the annual report and their subsequent implementation:

1. Board of Directors

Date of meeting	Summary of important proposals	Result of Resolution	Subsequent execution	The independent directors hold an opposing or qualified opinion	The Company's Handling of Independent Directors' Opinions
2022/01/14	1. Report on the implementation of the Company's audit plan from November to December 2021. 2. The Compensation Committee resolved each compensation proposal for discussion.	After consulting all the directors present without any objection, the Chairman passed each bill.	1. The audit was completed and reported to the Board of Directors. 2. Compensation plans were implemented following the recommendations proposed by the Remuneration Committee.	N/A	N/A
2022/03/21	1. Report on the implementation of the Company's audit plan from January to February 2022. 2. 2021 Annual Board Performance Review Report. 3. The Compensation Committee resolved each compensation proposal for discussion.	After consulting all the directors present without any objection, the Chairman passed each bill.	1. The audit was completed and reported to the Board of Directors. 2. The performance evaluation has been completed and reported to the supervisors.	N/A	N/A

Date of meeting	Summary of important proposals	Result of Resolution	Subsequent execution	The independent directors hold an opposing or qualified opinion	The Company's Handling of Independent Directors' Opinions
	<p>4. 2021 Financial Statements are presented for discussion.</p> <p>5. 2021 Surplus Earnings Distribution Proposal are presented for discussion.</p> <p>6. 2021 Business Report are presented for discussion.</p> <p>7. 2021 Internal Control System Statement are presented for discussion.</p> <p>8. The "Organizational Rules of the Audit Committee" were formulated and presented for discussion.</p> <p>9. The proposal for re-election of directors is presented for discussion.</p> <p>10. To receive nominations of candidates for directorship (including independent directorship) of more than 1% of the shareholders. The Board of Directors is invited to discuss these matters.</p> <p>11. Nomination of candidates for election as directors (including independent directors) of 2022 is proposed for discussion.</p> <p>12. The proposal to lift the prohibition on new directors and their representatives from competing for business is proposed for discussion.</p> <p>13. The amendment to the "by-laws" is tabled for discussion.</p> <p>14. Revise the "Procedures for the Acquisition or Disposal of Assets" and propose it for discussion.</p> <p>15. Revise the "Procedures for Lending and Endorsements/Guarantees of Funds" and propose it for discussion.</p> <p>16. Revise the "Directors and Supervisors Election</p>		<p>3. Compensation plans were implemented following the recommendations proposed by the Remuneration Committee.</p> <p>4.~16. After consulting all directors present without any objection, the Chairman is approved to be submitted to the shareholders' meeting for recognition.</p> <p>17. After the resolution, various shareholders' meetings have been arranged.</p> <p>18. We have obtained a financing quota with the new branch of our Taiwan Cooperative Bank.</p>		

Date of meeting	Summary of important proposals	Result of Resolution	Subsequent execution	The independent directors hold an opposing or qualified opinion	The Company's Handling of Independent Directors' Opinions
	<p>Method" and propose it for discussion.</p> <p>17.It is stipulated to convene the 2022 annual general meeting of shareholders for discussion.</p> <p>18.It is proposed to cooperate with the new branch of the bank to obtain the financing quota and submit it to the referendum.</p>				
2022/04/20	<p>1. Report a real estate lease. Nominate a list of candidates for election as a director (including independent directors) for 2022 for discussion.</p>	<p>After consulting all the directors present without any objection, the Chairman passed each bill.</p>	<p>3. Completed the signing and submission of the report of the Board of Directors.</p> <p>4. The relevant list has been uploaded for election by the shareholders' meeting.</p>	N/A	N/A
2022/05/11	<p>1. Report on the Company's financial statements for the first quarter of 2022.</p> <p>2. Report on the implementation of the Company's audit plan from March to April 2022.</p> <p>3. Purchase 2022 liability insurance for directors and supervisors of the Company for approval.</p> <p>4. The company's greenhouse gas inventory and verification schedule plan is submitted for review.</p>	<p>After consulting all the directors present without any objection, the Chairman passed each bill.</p>	<p>1. The written submission and online reporting have been completed after the resolution</p> <p>2. The audit was completed and reported to the Board of Directors.</p> <p>3. The year of 2022 liability insurance policy was purchased for the directors and supervisors of the Company and uploaded to the Market Observation Post System.</p> <p>4. It has been resolved by the board of directors and implemented according to schedule.</p>	N/A	N/A

Date of meeting	Summary of important proposals	Result of Resolution	Subsequent execution	The independent directors hold an opposing or qualified opinion	The Company's Handling of Independent Directors' Opinions
2022/06/14	<ol style="list-style-type: none"> 1. Election of the Chairman of the Company. 2. Election of the Vice Chairman of the Company. 3. It is proposed to dismiss the CEO B and the speaker change proposal and submit a resolution. 4. Election of the next member of the Remuneration Committee for discussion. 5. Election of Audit Committee members for discussion. 	After consulting all the directors present without any objection, the Chairman passed each bill.	<ol style="list-style-type: none"> 1. Mr. Zhao Xizheng served as the chairman of the board of directors until the expiration of the term of office of the current board of directors. 2. Mr. Li Yaoquai served as vice chairman until the expiration of the term of office of the current board of directors. 3. In addition to avoiding directors who did not participate in the discussion and voting according to law, the case was dismissed by the other attending directors without objection, and the spokesperson intends to be replaced by the general manager of Lin, Hong-Pei. 4. The case was approved by all the attending directors without objection through the three independent directors as the next member of the Remuneration Committee, and the elected members elected Mr. Guo, Dong-Long as the 	N/A	N/A

Date of meeting	Summary of important proposals	Result of Resolution	Subsequent execution	The independent directors hold an opposing or qualified opinion	The Company's Handling of Independent Directors' Opinions
			<p>convener and chairman of the committee.</p> <p>5. The case was approved by all the attending directors without objection through the three independent directors as the members of the next audit committee, and the elected members elected Mr. Guo, Dong-Long as the convener and chairman of the committee.</p>		
2022/08/02	<ol style="list-style-type: none"> 1. Financial Report of the Company for the Second Quarter of the Year 2022 2. Internal audit situation report from May to June 2022. 3. Progress Report on the Company's Greenhouse Gas Inventory and Verification Schedule 4. Amend the provisions of the "Internal Significant Information Processing Procedures" section for discussion. 5. Revise part of the "Corporate Governance Code of Practice" for discussion. 6. Amend the provisions of the "Standard Operating Procedures for Handling Directors' Requirements" for discussion. 7. Amend the section of the "Rules of Procedure of the Board of Directors" for discussion. 8. Revise some sections of the 	After consulting all the directors present without any objection, the Chairman passed each bill.	<ol style="list-style-type: none"> 1. After the resolution has been completed in writing and online declaration. 2. The audit has been completed and reported to the board 3. It has been implemented according to the schedule after the resolution of the board of directors. 4. Implemented after the board of directors has passed. 5. After the board of directors adopts it, it is to be reported to the shareholders' meeting. 6. Implemented after the board of 	N/A	N/A

Date of meeting	Summary of important proposals	Result of Resolution	Subsequent execution	The independent directors hold an opposing or qualified opinion	The Company's Handling of Independent Directors' Opinions
	<p>"Integrity Code of Business Conduct" for discussion.</p> <p>9. Part of the "Code of Ethical Conduct was revised" for discussion.</p> <p>10. Amend the provisions of the "Rules on the Duties of Independent Directors" for discussion.</p> <p>11. Amend the provisions of the "Remuneration Committee Organizational Rules" for discussion.</p>		<p>directors has passed.</p> <p>7. Implemented after the board of directors has passed.</p> <p>8. After the board of directors adopts it, it is to be reported to the shareholders' meeting.</p> <p>9. After the board of directors adopts it, it is to be reported to the shareholders' meeting.</p> <p>10. Implemented after the board of directors has passed.</p> <p>11. Implemented by the Board of Directors after approval</p>		
2022/11/09	<p>1. Third quarter financial report of the Company for the year 2022.</p> <p>2. Internal Audit Report for July to September 2022.</p> <p>3. The Company's 2022 annual performance report on integrity management.</p> <p>4. Report on the implementation of the Company's 2022 annual intellectual property management plan.</p> <p>5. The progress report of the company's greenhouse gas inventory and verification time planning.</p> <p>6. It is proposed to extend the financing quota with Changhua Bank and submit it to the referendum.</p> <p>7. Apply with Cathay Pacific</p>	<p>After consulting all the directors present without any objection, the Chairman passed each bill.</p>	<p>1. The written submission and online reporting have been completed after the resolution</p> <p>2. The audit was completed and reported to the Board of Directors.</p> <p>3. In 2022, the Company did not violate the relevant norms of the Code of Business Integrity.</p> <p>4. All the directors present agreed.</p> <p>5. It has been implemented according to the</p>	N/A	N/A

Date of meeting	Summary of important proposals	Result of Resolution	Subsequent execution	The independent directors hold an opposing or qualified opinion	The Company's Handling of Independent Directors' Opinions
	<p>Commercial Bank for non-recourse accounts receivable and submit it to the referendum.</p> <p>8. The independence and suitability assessment of the Company's financial reporting visa accountants is brought to the attention of the Committee for discussion.</p> <p>9. 2023 annual internal audit plan, submitted for approval.</p> <p>10. The compensation proposals resolved by the Compensation Committee are presented for discussion.</p>		<p>schedule after the resolution of the board of directors.</p> <p>6. Upon the approval of all the directors present, the chairman of the board of directors is authorized to act on behalf of the company in all matters related to the granting of credit.</p> <p>7. With the consent of all the directors present, the chairman of the board is authorized to negotiate and sign matters related to insurance.</p> <p>8. This year's financial statements appointed Feng Min-Juan and Xu Yong-Jian Certified Public Accountants of Chengdu United Certified Public Accountants, and the independence and competence of the two accountants were assessed to meet the requirements.</p> <p>9. Approved by all attending directors, the plan shall be implemented by internal audit.</p> <p>10. Compensation plans were</p>		

Date of meeting	Summary of important proposals	Result of Resolution	Subsequent execution	The independent directors hold an opposing or qualified opinion	The Company's Handling of Independent Directors' Opinions
			implemented following the recommendations proposed by the Remuneration Committee.		
2023/03/08	<ol style="list-style-type: none"> 1. Internal audit report from October 2022 to January 2023. 2. Progress report on the company's greenhouse gas inventory and verification schedule planning. 3. 2022 Annual Performance Evaluation Report of the Board and Functional Committee. 4. The Company's 2022 Annual Financial Report on the Appointment, Compensation and Independence and Competency Assessment of Visa Accountants was submitted for discussion. 5. 2022 Financial Statements Proposed for Discussion. 6. 2022 Earnings Distribution Proposed for Discussion. 7. 2022 Business Report Proposed for Discussion. 8. Revised the "Performance Evaluation Measures of the Board of Directors and the Functional Committee" and the performance evaluation questionnaire for discussion. 9. 2022 Statement of Internal Control System, for discussion. 10. Matters related to the 2023 ordinary shareholders' meeting are scheduled to be held for discussion. 11. The compensation proposals resolved by the Compensation Committee are presented for discussion. 	After consulting all the directors present without any objection, the Chairman passed each bill.	<ol style="list-style-type: none"> 1. The audit was completed and reported to the Board of Directors. 2. It has been implemented according to the schedule after the resolution of the board of directors. 3. The performance evaluation has been completed and reported to the supervisors. 4. This year's financial statements appointed Feng Min-Juan and Xu Yong-Jian Certified Public Accountants of Chengdu United Certified Public Accountants, and the independence and competence of the two accountants were assessed to meet the requirements. 5. After the resolution has been completed in writing and online declaration. 6.-7. Approved by all the attending directors without objection, to be 		

Date of meeting	Summary of important proposals	Result of Resolution	Subsequent execution	The independent directors hold an opposing or qualified opinion	The Company's Handling of Independent Directors' Opinions
			<p>submitted to the shareholders' meeting for recognition.</p> <p>8. Implemented after the decision.</p> <p>9. Approved by all the attending directors without objection.</p> <p>10. After the resolution, various shareholders' meetings have been arranged.</p> <p>11. Compensation plans were implemented following the recommendations proposed by the Remuneration Committee.</p>		
2023.05.03	<p>1. Internal audit report for February to March 2023.</p> <p>2. Progress report on the Company's greenhouse gas inventory and verification schedule planning.</p> <p>3. The 2023 Q1 financial statements were presented for discussion.</p> <p>The purchase of 2023 liability insurance for the directors of the Company were proposed for examination and discussion.</p>	<p>After consulting all the directors present without any objection, the Chairman passed each bill.</p>	<p>1. The audit was completed and reported to the Board of Directors.</p> <p>2. It has been resolved by the Board of Directors and implemented according to schedule.</p> <p>3. The written submission and online reporting have been completed after the resolution.</p> <p>The 2023 liability insurance policy for the directors of the Company was purchased and uploaded to the</p>	N/A	N/A

Date of meeting	Summary of important proposals	Result of Resolution	Subsequent execution	The independent directors hold an opposing or qualified opinion	The Company's Handling of Independent Directors' Opinions
			Market Observation Post System.		

2. Shareholders' Meeting

Date of meeting	Summary of important proposals	Result of Resolution	Subsequent execution
2022/06/14	<p>(I) Announcements</p> <ol style="list-style-type: none"> 1. 2021 Annual Business Report 2. Supervisor's review of the 2021 annual financial statements report 3. 2020 Annual Report on Compensation to Directors and Supervisors and Distribution of Employees' Compensation 4. 2021 Annual Surplus Earnings Distribution Cash Dividend Situation Report <p>(II) Proposed Resolutions</p> <ol style="list-style-type: none"> 1. 2021 Annual Operating Report and Financial Statements 2. 2021 Surplus Earnings Distribution Plan <p>(III) Discussion Items</p> <ol style="list-style-type: none"> 1. Amendment to the bylaws 2. Amendment to the Procedure for Acquisition or Disposal of Assets 3. Amendment to the Operating Procedures for Fund Lending and Endorsements/ Guarantees 4. Amendment to the "Directors and Supervisors Election Method" <p>(IV) Election Matters</p> <ol style="list-style-type: none"> 1. Re-election of directors <p>(V) Other proposals:</p> <ol style="list-style-type: none"> 1. Release of new directors and their representatives from the prohibition on competing for business 	<p>Approved by the Chairman after consultation with all Directors present and without objection, pending submission to the shareholders' meeting for recognition</p>	<p>The motions were resolved by the Board of Directors and acknowledged by the Board of Shareholders, and a cash dividend of NT \$5 per share was issued on July 22, 2022, with the ex-dividend base date being July 10, 2022.</p>
2023/06/20	<p>(I) Announcements</p> <ol style="list-style-type: none"> 1. 2022 business report. 2. Audit Committee Reviews 2022 Financial Statements Report 3. 2022 directors' remuneration and employee remuneration distribution report 4. 2022 profit distribution cash dividend situation report 5. Revision of the "Corporate Governance Code of Practice" Report 6. Revision of the "Integrity Code of Business Conduct" Report 7. Revision of the "Code of Ethical Conduct" Report 	<p>After consulting all directors present without any objection, the Chairman is approved to be submitted to the shareholders' meeting for recognition.</p>	<p>Each motion is resolved by the board of directors and are pending approval by the shareholders' meeting.</p>

Date of meeting	Summary of important proposals	Result of Resolution	Subsequent execution
	(II) Proposed Resolutions 1. 2022 Operating Report and Financial Statements 2. 2022 profit distribution		

(XII) Directors or supervisors who disagree with the adoption of important resolutions by the Board of Directors in the most recent year and as of the date of publication of the Annual Report and who have a record or written statement: None.

(XIII) Summary of the resignations and dismissals of the company's chairman, general manager, accounting director, finance director, internal audit director and R&D director as of the latest year and as of the date of publication of the annual report: None.

(XIV) Employee participation in training in the most recent year:

Training Date	Name of program	Training Institution	Participating Employees	Hours	training expense
2022/07/18	"Functions and Tasks of Corporate Governance Personnel under the Corporate Governance Blueprint" and "Latest Practical Developments in China's Domestic Line Transactions"	The Institute of Internal Auditors, R.O.C.	Audit/Lin Mei Ru	6hrs.	3,000
2022/09/20	"Security" and "Cloud Security" Audit Practice Seminar	The Institute of Internal Auditors, R.O.C.	Audit/Lin Mei Ru	6hrs.	3,000
2022/08/11	How an Auditor Becomes a Business Diagnostic Expert	Securities and Futures Market Development Foundation of the Republic of China	Finance/Lian Yijun	6hrs.	3,500
2022/09/23	How an Auditor Becomes an Audit Committee Assistant	Securities and Futures Market Development Foundation of the Republic of China	Finance/Lian Yijun	6hrs.	3,500
2022/10/20~2022/10/21	Ongoing Education for Securities Issuers, Securities Firms, and TWSE Chief Accounting Officer	Accounting Research and Development Foundation	Head of Finance/Luo Jiakuan	12hrs.	8,000
2022/08/19 2022/08/23	Trade Secret Awareness Session	In-house training	R&D Department Colleagues	3hrs.	-

(XV) Directors' continuing education:

Date of Training	Name of program	Training Institution	Attendees	Lesson Hours
2022/08/25	Briefing session for insiders on stock ownership	Securities counter trading center	Independent Director/ Yu Xiaojing	3hrs.
2022/10/11	Independent Directors and Audit Committee Exercise Authority Reference Guidelines Release and Supervisory Advocacy Committee	Securities counter trading center	Independent Director/ Yu Xiaojing	3hrs.
2022/11/09	2022 GCSF International Online Forum	Taiwan Sustainable Energy Research Foundation	Independent Director/ Yu Xiaojing	1hr.
2022/11/23	Latest International Carbon Tariff Trends and Countermeasures	Securities and Futures Market Development Foundation	Independent Director/ Yu Xiaojing	3hrs.
2022/12/05	Latest Corporate Governance Policy and Corporate Governance Assessment Practice Analysis	Accounting Research and Development Foundation	Independent Director/ Yu Xiaojing	3hrs.
2022/08/03	Forum on Corporate Governance - Anti-Money Laundering and the Impact of the Introduction of IRB Laws on Risk Governance	Taiwan Institute of Financial Research	Independent Director/Guo, Dong-Long	3hrs.
2022/08/25	Briefing session for insiders on stock ownership	Securities counter trading center	Independent Director/Guo, Dong-Long	3hrs.
2022/10/11	Independent Directors and Audit Committee Exercise Authority Reference Guidelines Release and Supervisory Advocacy Committee	Securities counter trading center	Independent Director/Guo, Dong-Long	3hrs.
2022/10/19	Important Security Standards and Compliance	Taiwan Institute of Financial Research	Independent Director/Guo, Dong-Long	3hrs.

(XVI) Manager Progression:

Date of Training	Name of program	Training Institution	Attendees	Lesson Hours	Expenses
2022/10/20 ~2022/10/21	Continuing Education (12hr) Practical Workshop for Accounting Supervisors of Issuer Securities Exchanges	Accounting Research and Development Foundation	Finance Manager/Luo, Jia- Ling	12hrs.	8,000
2022/02/15	“Code of Ethical Conduct”~ Advanced Seminar for Directors and Supervisors (including Independent) and Corporate Governance Supervisors	Accounting Research and Development Foundation	Head of Corporate Governance/Luo Jiayu	3hrs.	3,000
2022/03/08	“Audit Committee Practice”~ Advanced Seminar for Directors and Supervisors (including Independent) and Corporate Governance Supervisors	Accounting Research and Development Foundation	Head of Corporate Governance/Luo Jiayu	3hrs.	3,000
2022/04/22	“Analysis of Corporate Financial Information and Application of Decision Making” ~ Advanced Seminar for Directors and Supervisors (including Independent) and Corporate Governance Executives	Accounting Research and Development Foundation	Head of Corporate Governance/Luo Jiayu	3hrs.	3,000
2022/07/21	“Global Net Zero Emissions Response and Corporate ESG Action” ~ Advanced Seminar for Directors and Supervisors (including Independent) and Corporate Governance Executive Practices	Accounting Research and Development Foundation	Head of Corporate Governance/Luo Jiayu	3hrs.	3,000
2022/08/25	“Introduction and Case Analysis of Corporate Insider Short-term Trading” ~ Advanced Seminar for Directors and Supervisors (including Independent) and Corporate Governance Supervisors	Accounting Research and Development Foundation	Head of Corporate Governance/Luo Jiayu	3hrs.	3,000
2022/09/07	“Discussion on Compensation of Employees and Directors - Starting from the Amendment of Article 14 of the Securities and Exchange Law”~ Advanced Seminar for Directors and Supervisors (including Independent) and Corporate Governance Executives	Accounting Research and Development Foundation	Head of Corporate Governance/Luo Jiayu	3hrs.	3,000

(XVII) Company employees obtain licenses and certificates

Departments	Employee Name	Getting a license/certificate
Auditing Office	Lin Meiru	1. Certified Internal Auditors (CIA) License 2. Certification in Control Self-Assessment (CCSA) License 3. Obtained the internal auditor's certificate of continuing education and graduation in 2022
Department of Finance and Accounting	Luo, Jia-Ling	1. Certificate of Continuing Education and Completion of Accounting Supervisor in 2022
	Lian Yijun	1. Obtained the internal auditor's certificate of continuing education and graduation in 2022
	Liu, Zhi-Yan	1. Certified Internal Auditors (CIA) License
Quality Assurance Department	Wong Shi-chul	5. Certificate of quality of products supplied by the Quality Institute of the Republic of China 6. International Bar Code Management Technician Certificate 7. ERP Enterprise Resource Planning Certificate 4. General Project Manager Certification

The Company's staff related to the transparency of financial information have obtained the relevant licenses designated by the supervisors as follows:

1. International Internal Auditor's License: 1 staff in the Audit Department and 1 staff in the Finance Department
2. Certificate of Continuous Improvement: 2 staff in the Finance Department; 1 staff in the Audit Department
3. Certificates of other professional skills: 1 staff in the quality assurance department

(XVIII) The Company's operation procedures:**1. Internal Procedures for Handling Material Information**

Chapter 1 General Principles

Article 1 (The purpose of this operating procedure)

In order to establish the Company's good internal major information processing and disclosure mechanism to avoid improper leakage of information and ensure the consistency and correctness of the Company's information to the outside world, this operating procedure is formulated to comply with.

Article 2 (Internal handling of material information shall be conducted under the law and these operating procedures)

The Company shall handle and disclose internal material information under the relevant laws and orders and the regulations of the Taiwan Stock Exchange or the Over-the-Counter Securities Trading Center and these operating procedures.

Article 3 (Applicability)

This Procedure applies to directors, managers and employees of the Company.

The Company shall urge other persons who have access to material internal information of the Company by identification, occupation or control to comply with the relevant provisions of these Procedures.

Article 4 (Scope of internal material information coverage)

The internal material information referred to in these procedures is prepared by the Company's internal material information handling unit and approved by the Board of

- Directors, taking into account the Securities and Exchange Act and related laws and orders and the relevant regulations of the Taiwan Stock Exchange or the Over-the-Counter Securities Trading Center.
- Article 5 (Specialized unit for handling internal material information)
The Company's internal material information handling unit is the Finance Department, which is composed of the Finance Manager and the suitable and adequate number of members assigned by them according to the size, business situation and management needs of the Company, with the following responsibilities:
- I. To be responsible for the preparation and revision of these operating procedures.
 - II. Responsible for receiving inquiries, deliberations and advice related to internal major information processing operations and related to this operation procedure.
 - III. To be responsible for receiving reports of material internal information leaks and formulating countermeasures.
 - IV. To be responsible for preparing the retention system of all documents, files and electronic records related to this operation procedure.
 - V. Other business related to this operation procedure.
- Chapter 2 Internal Procedures for Confidentiality of Material Information
- Article 6 (Confidential firewall operations - staff)
The directors, managers and employees of the Company shall execute their business with the care and loyalty of a good manager, in accordance with the principle of good faith, and sign a confidentiality agreement.
Directors, managers and employees who are aware of material information within the Company shall not divulge to others material internal information that they are aware of.
The directors, managers and employees of the Company shall not inquire or collect from any person who knows material internal information of the Company any material internal information of the Company that has not been disclosed by the Company that is not related to their personal duties, nor shall they disclose to any other person any material internal information that has not been disclosed by the Company except as a result of the execution of business.
- Article 7 (Confidential Fire Wall Operations - Objects)
When the Company's internal material information files are transmitted in written form, they should be adequately protected. Transmission by e-mail or other electronic means shall be handled with appropriate encryption or security technology such as electronic signatures.
The Company's internal material information files shall be backed up and kept in a secure place.
- Article 8 (Confidential firewall operation)
The Company shall ensure the erection of the firewall stipulated in the preceding two Articles and take the following measures:
- I. Appropriate firewall control measures are implemented and tested regularly.
 - II. To enhance the storage and confidentiality of the Company's internal material information files that are not publicly available.
- Article 9 (Confidential operation of external organizations or personnel)
Organizations or staff outside of the Company shall sign a confidentiality agreement when participating in mergers and acquisitions, important memoranda, strategic alliances, other business cooperation plans, or the signing of necessary contracts, and shall not disclose to others any internal material information known to the Company.

Chapter 3	Procedures for Internal Disclosure of Material Information
Article 10	(Principles for Disclosure of Material Internal Information) The Company shall adhere to the following principles in disclosing material internal information to the public: I. The disclosure of information should be correct, complete and immediate. II. Disclosure of information should be supported by evidence. III. Information should be disclosed fairly.
Article 11	(Implementation of the spokesperson system) Unless otherwise required by law or regulation, the Company's spokesperson or proxy spokesperson shall handle the disclosure of internal material information. The order of proxy shall be confirmed; if necessary, the person in charge of the Company may be directly responsible for handling such data. The content of the speeches of the Company's spokespersons and proxy spokespersons shall be limited to the extent authorized by the Company, and the Company's staff, other than the Company's corporate officers, spokespersons and proxy spokespersons, shall not disclose internal material information to the public without authorization.
Article 12	(Record of internal material information disclosure) The Company shall keep records of the following information disclosures to the public: I. The person, date and time of information disclosure. II. The means of information disclosure. III. The contents of the information disclosed. IV. The contents of the written information delivered. V. Other relevant information.
Article 13	(Response to inaccurate media reports) If the content of media reports does not conform to the content disclosed by the Company, the Company shall immediately clarify and request a correction from such media on the Market Observation Post System.
Chapter 4	Handling of abnormalities
Article 14	(Report of abnormalities) If the directors, managers and employees of the Company become aware of the leakage of important internal information, they shall report to the responsible unit and the internal audit department as soon as possible. After accepting the previous report, the dedicated unit shall formulate handling measures and, if necessary, invite internal auditing departments to discuss the handling of the matter and make records of the handling results for inspection. Internal auditing shall also conduct audits following its duties.
Article 15	(Violation handling) In any of the following circumstances, the Company shall hold the relevant personnel accountable and take appropriate legal measures: I. If the Company's personnel disclose internal material information to the public without authorization or violate these procedures or other legal regulations. II. If the content of external speech by the Company's spokesperson or proxy spokesperson exceeds the scope of the Company's authorization or violates the provisions of these Procedures or other laws and regulations. The Company shall pursue legal responsibility through relevant channels for any leakage of material internal information of the Company by persons outside the Company that may cause damage to the Company's property or interests.

Chapter 5	Internal control operations and internal education and promotion
Article 16	(Internal control mechanism) This procedure is incorporated into the Company's internal control system. As a result, internal auditors should regularly understand its compliance and make audit reports to implement internal processes for handling material information.
Article 17	(Education Advocate) The Company shall, at least once a year, educate and educate the directors, managers and employees on the operating procedures and related laws and regulations. Provide education and education to new directors, managers and employees in a timely manner.
Chapter 6	Supplementary Provisions
Article 18	This operating procedure was adopted and amended by the Board of Directors; the first amendment was made on 2 August 2022 in the Republic of China.

2. Procedures for the Lending of Funds and Endorsements/Guarantees

Chapter 1 General Principles

Article 1 Basis

In order to follow the Company's capital lending and operations and strengthen the financial management of endorsement guarantees and reduce operational risks, these operating procedures are stipulated in accordance with Article 36-1 of the Securities and Exchange Act.

Article 1-1

The Company shall follow the provisions of these procedures when lending funds or endorsements/guarantees for others.

Article 1-2

The subsidiaries and parent companies referred to in these procedures shall be recognized following the Guidelines Governing the Preparation of Financial Reports by Securities Issuers. The net worth referred to in these procedures is the equity attributable to the owners of the parent company as defined in the Guidelines Governing the Preparation of Financial Reports by Securities Issuers.

Chapter 2 Loan

Article 2 The total amount of funds lent and the limits for each target

(I) Following the provisions of the Company Act, the funds of the Company shall not be loaned to shareholders or any other person, except in the following cases:

1. The company or firm with which the Company has business dealings; the aforementioned "business dealings" refers to those with whom the Company has import or sales activities.
2. Companies or firms with which the Company has short-term financing needs are limited to those companies or firms in which the Company owns 20% or more of the shares and have short-term financing needs for business purposes. The amount of financing refers to the cumulative balance of the Company's funding short-term and shall not exceed 40% of the net value of the loan to the Company.

The term "short-term" refers to the period of one year or one business cycle, whichever is longer, as explained in the aforementioned letter from the Ministry of Economic Affairs.

The Company directly and indirectly holds 100% of the voting shares between foreign companies engaged in capital loan, or directly and indirectly hold 100% of the voting shares of foreign companies engaged in capital loan to the company, the limit is not limited by paragraph 1, paragraph 2, capital loan period of not more than one year as a rule, but by the resolution of the Board of Directors, may be extended for one year.

If the person in charge of the company violates the provisions of paragraph 1, he shall be jointly and severally liable for return with the borrower; if the company is damaged, he shall also be liable for damages.

(II) Total amount of funds lent and limits of individual objects

1. Loans to companies or firms with which the Company business dealings are limited to a total amount not exceeding 20% of the Company's net worth and individual loans are limited to an amount not exceeding the number of business dealings between the two parties in the most recent year. The amount of business transactions means the purchase amount or sales amount between the two parties, whichever is higher.

2. The total amount of funds lent to companies or firms with short-term financing needs shall not exceed 20% of the Company's net worth, and the number of individual loans shall not exceed 10% of the Company's net worth.

Article 3 Funding and term of loan and interest calculation method

- (I) Each capital loan and term from the date of lending, in principle, not more than one year or an operating cycle (whichever is longer).
- (II) Interest is calculated daily by multiplying the sum of the daily lending balance (i.e., the total amount) by the annual interest rate and dividing it by 365 to determine the interest amount. The annual interest rate should not be lower than the Company's average short-term bank borrowing rate.
- (III) Unless otherwise specified, the interest on the loan shall be paid monthly, and the borrower shall be notified one week before the scheduled interest payment date.

Article 4 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 Company's financial department during the loan period and after the amount.
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 proportional 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. Any loan of funds between the Company and its parent company or subsidiaries or between subsidiaries shall be submitted to the board of directors for resolution following the preceding paragraph. The chairman may be authorized to allocate or circulate the funds to the same loan recipient within a certain quota and for a period not exceeding one year as resolved by the board of directors.
4. The "certain financing quota" 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 lending funds to others, the Company shall 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 meeting of the Board of Directors.

(II) Credit Investigation

1. For the initial borrower, the borrower shall provide the basic and financial information for credit investigations.
2. In principle, if the borrower continues to borrow, the credit investigation shall be conducted again when submitting the borrowing. In case of a significant or emergency event, it shall be shown at any time as the case may be.
3. Suppose the borrower's financial condition is good, and a CPA for the annual financial statements is entrusted to process the financing. In that case, the investigation report in which the one year has not lapsed may continue to be used.

Together with the statement certified by the CPA for the said period, such information shall be used as a reference for loaning.

4. The impact of the loan on the operational risk, financial condition and shareholders' equity of the Company shall also be assessed when the Company conducts a credit investigation of the Borrower.
- (III) Loan Approval and Notification
1. After credit investigation and evaluation, if the board of directors resolves not to lend the case, the manager should inform the borrower as soon as possible of the reasons for refusal.
 2. After credit investigation and evaluation, if the board of directors approves the loan, the manager should write to the borrower as soon as possible, detailing the Company's terms and conditions of the loan, including the quota, maturity, interest rate, collateral and guarantor, etc., and ask the borrower to complete the contract procedures within the deadline.
- (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 terms of the agreement 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 manager after signing the agreement.
- (V) Collateral value assessment and rights setting
- The borrower shall provide the collateral and complete the pledge or mortgage creation formalities if the collateral is involved in the loan. The Company shall also appraise the collateral value to secure the Company's claims.

Article 5 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 collateral value. The borrower shall be notified to repay the principal and interest one month before the loan's maturity.

1. The interest payable shall be calculated when the borrower repays the loan upon maturity. 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.
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 6 Notes on handling loans of funds to others

- I. Before making a loan of funds to others, the Company shall carefully evaluate whether the loan complies with these Operating Procedures. The Company may loan funds to others only after the evaluation results have been submitted to and resolved by the Board of Directors. The Company shall not empower any other person to make such a decision.
- II. The internal auditors of the Company shall, at least quarterly, audit the working procedures of capital loans to others and their execution, and make a written record. If any major irregularities are found, they shall notify the audit committees in writing.
- III. In the event that the Company changes due to the circumstances and the loan is not in conformity with the provisions of this procedure or the balance exceeds the limit, the

auditing unit shall urge the Ministry of Finance to recover the over-limited loans and funds within a specified period of time, and submit the improvement plan to the audit committees, and complete the improvement according to the planned schedule.

- IV. The contractor should prepare a detailed list of funds loaned to other companies for the previous month by the 10th of each month and submit it for review at each level.

Chapter 3 Endorsements/Guarantees

Article 7 The endorsements/guarantees referred to in this procedure include:

- (I) Financing endorsements/guarantees refer to the discounting of customer bills, endorsement or guarantee for financing other companies, and the issuance of separate bills to non-financial companies as a guarantee for corporate financing.
- (II) Tax endorsements/guarantees mean endorsements or guarantees for the Company or another company in connection with a tax matter.
- (III) Other endorsements/guarantees, meaning endorsements or warranties 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 8 Entities for which endorsements/guarantees are 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 endorsements/guarantees are created is limited to the following companies:

1. Subsidiaries with business partnership
2. An invested company that directly holds more than 50% of the ordinary share equity.
3. A parent company and its subsidiaries and the investment company hold more than 50% of the ordinary share equity.
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. The number of endorsements/guarantees may not exceed 10% of the Company's net worth. 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 9 Endorsements/Guarantees Quota

1. The total amount of the Company's external endorsements/guarantees shall not exceed 50% of the net worth of the current period. The quota of endorsements/guarantees for a single enterprise shall not exceed 20% of the net worth for the current period but shall not exceed 30% of the net price for a single overseas affiliate and shall not exceed the total amount of the transactions with the Company in the most recent year if endorsements/guarantees are made as a result of a business relationship (the number 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 quota 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 endorsements/guarantees for a single enterprise shall not exceed 20% of the net worth of the Company.
3. The Company and its subsidiaries shall state the necessity and reasonableness at the shareholders' meeting if the total amount of endorsements/guarantees provided by the

Company as a whole reaches 50% or more of the Company's net worth.

Article 10 Hierarchy of decision-making authority and delegation thereof

The Company's endorsements/guarantees shall be made upon approval of the resolution made by the Board of Directors. However, in order to meet the needs of prescription, the board of directors may authorize the chairman of the board (or the general manager, please choose one) to decide in advance within 30% of the current net value, and then report to the board of directors for confirmation, and report the relevant situation to the shareholders for review. When the Company makes endorsements/guarantees to others, it shall consider 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 11 Endorsements/Guarantees Procedures

- (I) When an endorsement/guarantee enterprise is required to use the amount of the endorsement/guarantee within the quota, it shall provide the basic information and financial information, 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 endorsements/guarantees for reasons of business dealings, whether the quota of the endorsements/guarantees is proportional 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 the value of collateral should be obtained.
- (II) The Company's management personnel of the Finance Department shall compile the aforementioned relevant information and appraisal results. Suppose the cumulative balance of the then endorsement/guarantee has not exceeded the net worth by 30% for the current period. In that case, they shall apply to the Chairman (or the General Manager, either one) for approval and submit the report to the Board of Directors for approval. On the other hand, suppose the cumulative balance of endorsements/guarantees has exceeded the net value by 30% for the current period. In that case, it shall be submitted to the Board of Directors for approval and be handled following the resolution of the Board of Directors.
- (III) The endorsement and guarantee registration form established by the Ministry of Finance and Accounting shall contain detailed information on the subject of the endorsements/guarantees, the amount, the date of approval by the board of directors or decision by the chairman, the date of the endorsement and guarantee, the matters that should be prudently evaluated under these regulations, the content of the collateral and its appraised value, and the conditions and date of release from the endorsement and guarantee obligation.
- (IV) At the time of repayment, the endorsement/guarantee enterprise shall copy and submit the repayment information to the Company to release the Company from liability for the guarantee. It shall be recorded on the endorsement/guarantee registration form.
- (V) The Finance Department shall evaluate and record the contingent loss for endorsements/guarantees, adequately disclose information on endorsements/guarantees in its financial reports, and provide CPAs with relevant information to implement necessary audit procedures.
- (VI) When the Company or its subsidiaries are endorsed by a subsidiary with a net value less than one-half of the paid-in capital, in addition to the provisions of the preceding paragraph, the internal auditors of the Company shall audit the endorsement guarantee procedures and their execution at least quarterly and make a written record. If any major violation is found, the Audit Committee shall be notified in writing.

The amount of paid-in capital calculated in accordance with the provisions of Paragraph 11 of the preceding paragraph shall be the sum of the share capital plus the capital surplus - the issuance premium if the shares of the subsidiary are not denominated in face value or the face value of each share is not NT \$10.

Article 12 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. It may be used to seal or issue negotiable instruments only following the Operating Procedures prescribed by the Company.

Article 13 Points to Note for Making Endorsements/Guarantees:

- (I) The internal auditors of the Company shall, at least quarterly, audit the endorsement guarantee operation procedures and their execution, and make a written record. If any major irregularities are found, they shall notify the audit committees in writing.
- (II) If, as a result of a change of circumstances, the Company subsequently fails to comply with the provisions of Article 8 of this Procedure, or the amount of the endorsement guarantee exceeds the amount stipulated in Article 9 of this Procedure due to changes in the basis on which the limit is calculated, the audit unit shall urge the Ministry of Finance to eliminate the amount or excess of the endorsement guarantee of the object at the expiration of the contract or within a certain period of time, and submit the improvement plan to the audit committee, and complete the improvement according to the schedule of the plan, and report to the Board.
- (III) Where the Company needs to exceed the quota 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 endorsements/guarantees. 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.

Chapter 4 Information Disclosure (after public offering)

Article 14 Public Announcement and Regulatory Filing Procedures

I. Funds Loaned 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 reaches 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 number of new loans or funds reaches NT\$ 10 million or more and gets 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 disclose and register according to all subparagraphs of the preceding paragraph.

(IV) The Company shall evaluate the status of its loans of funds, reserve sufficient allowance for bad debts, adequately disclose relevant information in its financial reports and provide CPAs with pertinent details to implement necessary auditing procedures.

II. Endorsements/Guarantees

(I) The Company shall enter the balance of the Company's and its subsidiaries' endorsement guarantee for the previous month into the Market Observation Post System by the 10th day 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 aggregate amount of guarantees endorsed to a single enterprise of at least NT\$10 million and the aggregate amount of guarantees endorsed to that enterprise, the carrying amount of investments accounted for under the equity method and the balance of loans of funds reached at least 30% of the Company's most recent net financial statements.
4. The number of new endorsements/guarantees reaches NT\$ 30 million or more and gets 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 in any matters that such subsidiary is required to enter into the Market Observation Post System under all subparagraphs of the preceding paragraph.

(IV) The Company shall evaluate or record the contingent loss for endorsements/guarantees, adequately disclose relevant information in its financial reports, and provide CPAs with relevant information to implement 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 dates that can confirm the entity and monetary amount of the loan of funds or endorsement/ guarantee date is earlier.

Article 15 Procedures for controlling loans to others and endorsements/guarantees of subsidiaries' funds

I. Procedures for controlling loans of subsidiaries' funds to others

(I) If a subsidiary of the Company intends to lend funds to others, the subsidiary shall be instructed to establish procedures for lending funds to others and follow such practices; however, the net value is calculated based on 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 internal auditors of the subsidiary shall also audit the operating procedures of the capital loan to others and their execution at least quarterly, and make a written record. If any major violation is found, they shall immediately notify the auditing unit of the Company in writing, and the auditing unit of the Company shall send the written information to the audit committees.
 - (IV) When the company auditors conduct an audit of 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 which unit the audit unit belongs to).
- 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 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 based on 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 internal auditors of the subsidiary shall, at least quarterly, audit the endorsement and guarantee operation procedures and their execution, and make a written record. If any major violation is found, they shall immediately notify the auditing unit of the Company in writing, and the auditing unit of the Company shall send the written information to the audit committees.
 - (IV) When the Company's auditors conduct an audit of the subsidiaries according to the annual audit plan, they shall also understand the implementation of the subsidiaries' operating procedures for endorsements/guarantees for others. Furthermore, 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 which unit the audit unit belongs to).

Article 16 Penalties

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

Article 17 Implementation and Amendment

This procedure is approved by the Audit Committee, and then approved by the Board of Directors, and reported to the Board of Shareholders to agree that if any director objects and there is a record or written statement, the Company shall submit his objection to the Audit Committee and the Reporting Board of Shareholders for discussion, and the same shall be amended.

When the Company submits the Operating Procedure for discussion by the Board of Directors under the preceding paragraph, it shall consider 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.

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.

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.

The members of the Audit Committee and the Directors mentioned in the preceding paragraph refers to those who are in actual incumbent.

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.

3. Procedures for Acquisition or Disposal of Assets

- Article 1 Purpose
This Procedure is made explicitly to safeguard the assets and implement public disclosure of information.
- Article 2 Regulatory Basis
This procedure is governed by the provisions of Article 36-1 of the Securities and Exchange Act (hereinafter referred to as the Act) and the Guidelines for the Disposal of Assets Acquired or Disposed of by Public Offering Companies.
- Article 3 Scope of Assets
- I. Investments in stocks, government bonds, corporate bonds, financial bonds, securities representing interests in a fund, depository 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. Membership.
 - IV. Patents, copyrights, trademarks, licenses 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, splits, acquisitions, or transfers of shares according to law.
 - IX. Other important assets.
- Article 4 Terminology
- 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 variables; or hybrid contracts combining the above contracts; or hybrid contracts or structured products containing embedded derivatives. The term forward contracts exclude insurance, performance, after-sales service, long-term lease, and long-term progress (write-off) contracts.
 - II. Assets acquired or disposed of as a result of a merger, division, acquisition or share transfer under the law: refers to assets acquired or disposed of as a result of a merger, division or acquisition under the law of a merger or acquisition of an enterprise, the law of a financial holding company, the law of a financial institution, or other law, or the issuance of new shares of a transferee of shares of another company (hereinafter referred to as a share transfer) in accordance with Article 156-3 of the Companies Law.
 - III. Related parties, subsidiaries: refers to those recognized under the requirements of the Standards for the Preparation of Financial Reports of Securities Issuers.
 - IV. Professional appraiser: A real estate appraiser or another person permitted by law to engage in appraising real estate or equipment.
 - V. Date of occurrence: refers to the date of contract signing, date of payment, date of consignment trade, date of transfer, date of resolutions passed by the board of directors, or other dates on which the transaction party and amount can be ascertained, whichever is earlier. However, 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. Investment in Mainland China: refers to investments activities in mainland China that are approved by Investment Commission of Ministry of Economic Affairs, or investments activities that are 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 using 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 regulated by the competent securities authorities of the jurisdiction where it is located.
- IX. Business premises of securities dealers: The domestic business premises of securities dealers refer to the premises where securities dealers are required to conduct transactions at a special counter in accordance with the Administrative Measures for the Trading of Securities by Securities Dealers; the business premises of foreign securities dealers refer to the business premises of financial institutions that are managed by foreign securities authorities and wish to operate securities businesses.

Article 5 Investment Quota on Real Property for Non-Business Use and Marketable Securities

The quota on the acquisition of the assets mentioned above by the Company and each subsidiary individually is as follows:

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

Article 6 Any professional appraiser and its appraisal personnel, certified public accountants, lawyers, or securities underwriters whom the Company or its subsidiary has acquired appraisal reports and opinions from, shall meet the following requirements:

- I. May not have previously received a final and unappealable sentence to imprisonment for one 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 fraud, breach of trust, embezzlement, forgery of documents, or occupational crime. However, this provision does not apply if three years have already passed since the completion of service of the sentence, since the expiration of the period of a suspended sentence, or since a pardon was received.
- II. The parties to the transaction shall not be related parties or have a substantial relationship with each other.
- III. If the Company is required to obtain appraisal reports from two or more professional appraisers, the professional appraisers or appraisers may not be related parties or de facto related parties.

When issuing valuation reports or opinions, the persons mentioned in the preceding paragraph shall handle the following matters in accordance with the self-discipline regulations of their respective trade associations:

- I. Before taking on a case, you should carefully assess your professional competence, practical experience and independence.
- II. When executing a case, appropriate operational procedures shall be properly planned and implemented to form conclusions and issue reports or opinions based on them; and the procedures performed, data collected and conclusions shall be included in detail in the case working draft.
- III. The appropriateness and reasonableness of the data sources, parameters and information used shall be evaluated on an item-by-item basis to serve as the basis for issuing valuation reports or submissions.
- IV. Declarations shall include matters such as the professionalism and independence of the relevant personnel, the appropriateness and reasonableness of the information used, and compliance with relevant laws and regulations.

Article 7 Procedure for the Acquisition or Disposal of Real Property or Other Fixed Assets

- I. Evaluation and Operating Procedures
The Company's acquisition or disposal of real property and other fixed assets shall be administered following the procedures on the fixed asset cycle of the Company's internal control system.
- II. Procedure for the Determination of Transaction Conditions and Authorization Quota
 - (I) The acquisition or disposal of real property shall be proposed to the Chairman of the Board of Directors in the form of an analysis report, referencing the published present value, appraised value and actual transaction price of properties nearby and specifying 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 before execution.
 - (II) The acquisition or disposal of other fixed assets shall be carried out through solicitation, price comparison, negotiation or tender. Where the transaction amount is below NT\$ 10,000,000 (inclusive), the approval shall be obtained by 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 by the Board of Directors' Meeting before execution.
 - (III) Where the acquisition or disposal of assets of the Company is subject to the approval of the Board of Directors in accordance with the prescribed disposal procedures or other legal provisions, the Company shall first obtain the consent of at least one-half of all the members of the Audit Committee, and if any director objects and there is a record or written statement, the Company shall submit the objection information to the Audit Committee. In presenting transactions for the acquisition or disposal of assets to the Board of directors for discussion following the preceding 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. Execution Unit
When the Company acquires or disposes of real property or other fixed assets, the proposal shall be approved following the approval authority specified in the preceding

paragraphs and executed after that by the user and management departments.

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 per cent 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 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) before the date of occurrence of the event from a professional appraiser and shall further comply with the following provisions:

- (I) Where due to exceptional circumstances, a fixed price, specific price or special price is used as a reference for the trading price, the transaction shall be submitted for prior approval by the Board of Directors; the same procedure shall apply whenever there is any subsequent change to the terms and conditions of the transaction.
- (II) Where the transaction amount is NT\$1 billion or more, appraisals from two or more professional appraisers shall be obtained.
- (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 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:
 1. The discrepancy between the appraisal result and the transaction amount is 20 per cent or more of the transaction amount.
 2. The discrepancy between the appraisal results of two or more professional appraisers is 10 percent or more of the transaction amount.
- (IV) No more than three months may elapse between the date of the valuation report issued by a professional appraiser and the contract execution date. However, where the publicly announced current value for the same period is used and not more than 6 months have elapsed, an opinion may still 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 8 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 following the procedures on the investment cycle of the Company's internal control system.

II. Procedure for the Determination of Transaction Conditions and Authorization Quota

- (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. Suppose the transaction amount is less than NT\$ 30,000,000 (inclusive). In that case, 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 before execution.

(II) For the sale and purchase of marketable securities which are not traded in a centralized trading market or a securities dealer's place of business, the Company shall, before 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 before execution.

(III) Where the acquisition or disposal of assets of the Company is subject to the approval of the Board of Directors in accordance with the prescribed disposal procedures or other legal provisions, the Company shall first obtain the consent of at least one-half of all the members of the Audit Committee, and if any director objects and there is a record or written statement, the Company shall submit the objection information to the Audit Committee. In presenting transactions for the acquisition or disposal of assets to the Board for discussion following the preceding 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. Execution Unit

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

IV. Get expert advice

(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).

(II) If the Company obtains or disposes of assets through the court auction process, it may replace the valuation report or the opinion of the accountant with a certificate issued by the court.

Article 9 Processing procedures for related party transactions

I. In addition to obtaining real estate disposal procedures in accordance with Article 7, the Company shall go through the relevant resolution procedures and evaluate the reasonableness of the transaction conditions in accordance with the following provisions. If the transaction amount is more than 10% of the total assets of the Company, it shall also obtain valuation reports or opinions of accountants issued by professional valuers in accordance with the provisions of the preceding section. Besides, in judging whether the transaction subjects are related parties, the substantial relation has to be considered apart

from paying attention to the legal form.

II. Evaluation and Operating Procedures

The Company shall submit the following information to the Audit Committee and the Board of Directors for approval before signing a contract and making payment to the Company to acquire or dispose of real estate or its right-of-use assets from the relevant parties or to acquire or dispose of assets other than real estate or its right-of-use assets with a transaction amount of 20% of the Company's actual capital, 10% of its total assets or more than NT \$300 million, except for the purchase and sale of domestic treasury bonds, bonds subject to repurchase, bonds subject to repurchase conditions, monetary market funds subject to subscription or repurchase issued by the domestic securities investment trust business:

- (I) The purpose, necessity and expected benefits of acquiring or disposing of assets.
- (II) The reasons for selecting the related party as the trading counterpart.
- (III) Acquisition of immovable property or its right-of-use assets from related parties, and assessment of the reasonableness of the conditions of the intended transaction in accordance with the provisions of paragraphs (1) to (4) and (6) of paragraph 3 of this article.
- (IV) The original acquisition date and price of the related party, the trading partner, its relationship with the company, associated parties, and other matters.
- (V) Monthly cash flow forecasts for the year commencing from the anticipated month of the signing of the contract, evaluation of the necessity of the transaction, and reasonableness of the fund's utilization.
- (VI) An appraisal report from a professional appraiser or a CPA's opinion is obtained in compliance with the preceding article.
- (VII) Restrictive covenants and other important stipulations associated with the transaction.

The amount of transactions in the preceding paragraph and paragraph 6 shall be calculated in accordance with the provisions of Article 14, paragraph 1, paragraph 6, and shall be based on the date of the occurrence of the facts of this transaction within one year, retrospectively calculated for one year, which has been submitted to the shareholders' meeting, adopted by the board of directors and recognized by the audit committee in accordance with the provisions of this procedure.

The board of directors may authorize the chairman of the board of directors in accordance with Article 7 (1) (3) to decide on the following transactions between the company and its parent company, its subsidiaries or its subsidiaries that directly or indirectly hold 100% of the issued shares or the total amount of capital, within a certain limit, and then report to the latest board of directors for recognition:

- (I) Acquisition or disposal of equipment or right-of-use assets thereof held for business use.
- (II) Acquisition or disposal of real estate for business use or right-of-use assets thereto.

When submitting a report to the Board for discussion in accordance with Paragraph 2, it shall first be agreed by at least one-half of all the members of the Audit Committee, and the opinions of the independent directors shall be fully taken into account. If the independent directors have objections or reservations, they shall be stated in the minutes of the Board.

If the Company or a subsidiary of a non-domestic public issuance company has a transaction item 1, and the transaction amount is more than 10% of the total assets of the Company, the Company shall submit the information listed in item 1 to the shareholders'

meeting for approval before signing the transaction contract and making payment. However, this shall not apply to transactions between the Company and its parent company, subsidiaries, or its subsidiaries.

III. Reasonableness assessment of transaction costs

- (I) When acquiring 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. If a related party has set up a mortgage borrower with the subject matter, the financial institution shall assess the total value of the loan of the subject matter, except that the actual cumulative value of the loan of the subject matter by the financial institution shall reach more than 70% of the total assessed value of the loan and the loan period shall be more than one year. However, it is not applicable if the financial institution and the counterparty are related to one another.
- (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 shall acquire real estate or its right-of-use assets from relevant parties, evaluate the cost of real estate or its right-of-use assets in accordance with the provisions of paragraphs (1) and (2) of paragraph 3 of this Article, and shall contact the accountant for review and express specific opinions.
- (IV) If the Company obtains real estate or its right-of-use assets from related parties in accordance with the provisions of Paragraphs (1) and (2) of Paragraph 3 of this Article, and the evaluation results are lower than the transaction price, it shall be handled in accordance with Paragraph (5) of Paragraph 3 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 valuer and CPA, this restriction shall not apply:
 1. Related party that has obtained prime land or rental land for construction may submit the proof of compliance with any one of the following conditions:
 - (1) Where the undeveloped land is evaluated according to the method specified in the preceding Article, its development is assessed according to the related party's construction cost plus reasonable construction profits. The combined value exceeds the actual transaction price. Reasonable construction profits shall be based on the average operating gross profit margin of the construction sector of the relevant parties in the last three years or the latest gross profit margin of the construction industry announced by the Ministry of Finance.

- (2) Other non-related party transactions within 1 year in other floors or adjacent areas of the same subject premises, which are similar in size and the trading conditions are equivalent after assessing the reasonable floor or regional price difference according to the real estate trading or leasing practices.
 2. The Company certifies the acquisition of real estate or leasehold real estate use rights assets from related parties under conditions comparable to and similar in size to other non-related party transactions within 1 year in neighboring areas. In the case of the transaction in the adjacent area mentioned above, the transaction is in principle based on the same or adjacent street and the radius of the object of the transaction is not more than 500 meters or the current value of its announcement is similar; in the case of the said area is similar, the area of the other ~~non-related party~~ is not less than 50% of the area of the object of the transaction; the aforesaid 1 year is based on the date of the acquisition of the real estate or its right to use assets, and the retroactive calculation is carried forward 1 year.
- (V) If the Company obtains real estate or its right-of-use assets from related parties, and the assessment results are lower than the transaction price in accordance with Paragraphs (1) and (2) of Paragraph 3 of this Article, the following matters shall be handled. In addition, the Company and public companies whose investments in the Company are accounted for under the equity method and which are subject to the provisions mentioned above shall not use the special reserve until the assets acquired or leased at a higher price have been recognized as a loss on the decline in value, or have been disposed of or the lease terminated, or have been adequately compensated or restored to their original condition, or there is other evidence that the special reserve is not unreasonable. The Financial Supervisory Commission has approved the special reserve.
 1. The Company shall make a provision for a special surplus reserve in accordance with the provisions of Article 41, Paragraph 1 of the Securities and Exchange Act with respect to the difference between the transaction price of real estate or its right to use assets and the assessment cost, and shall not distribute or transfer the capital allocated shares. An investor who adopts the equity method for the valuation of the investment of the Company, if it is a publicly-issued company, shall also make a special surplus reserve in accordance with the provisions of Article 41, Paragraph 1 of the Securities and Exchange Act in respect of the shareholding ratio.
 2. The independent directors of the Audit Committee shall be subject to the provisions of Article 218 of the Company Law.
 3. Points 1 and 2 of paragraph (3) (5) of this paragraph shall be reported to the shareholders' meeting, and the details of the transaction shall be disclosed in the annual report and public statement.
- (VI) In any of the following circumstances, the Company shall, in accordance with the provisions of Paragraphs 1 and 2 of this Article on assessment and operating procedures, acquire real estate or its right-of-use assets from related parties, and shall not apply the provisions of Paragraphs 3 (1), (2) and (3) of this Article on the assessment of the reasonableness of transaction costs:

1. The related party acquired the property or the right of use thereof through inheritance or as a gift.
2. More than five years have elapsed from the time the related party signed the contract to obtain the property or the right-of-use assets thereof to the signing date of the transaction.
3. The real estate is acquired through signing 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 Company acquires the real estate right-of-use assets for business use with its parent or subsidiaries or by its subsidiaries. It directly or indirectly holds 100% of the issued shares or authorized capital.

(VII) If the Company obtains real property from a related party and there is other evidence that the transaction is unconventional, it shall also be handled in accordance with paragraph (3) (5) of this Article.

Article 10 Procedure for acquiring or disposing of membership certificates or intangible assets or its right-of-use assets

(I) Evaluation and Operating Procedures

The Company acquires or disposes of membership cards or intangible assets or their right-to-use assets following the Company's internal control system fixed asset rotation process.

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

1. When acquiring or disposing of a membership card, an analysis report shall be prepared and submitted to the general manager regarding the fair market price, the transaction conditions and the transaction price. If the amount is less than one per cent of the paid-in capital, or NT\$1 million, the general manager's approval shall be requested, and the report shall be submitted to the board of directors at the most recent board meeting afterwards; if the amount exceeds NT\$1 million, it shall be forwarded 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 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. Suppose the amount is less than 10% of the paid-in capital, or NT\$ 20 million. In that case, 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. Where the acquisition or disposal of assets of the Company is subject to the approval of the Board of Directors in accordance with the prescribed disposal procedures or other legal provisions, the Company shall first obtain the consent of at least one-half of all the members of the Audit Committee, and if any director objects and there is a record or written statement, the Company shall submit the objection information to the Audit Committee. The Board of Directors shall, when discussing a transaction to acquire or dispose of assets following the preceding 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) Execution Unit

When the Company acquires or disposes of membership cards or intangible assets or their right-of-use assets, the user department and the finance department or administrative department shall be responsible for the implementation after the approval following the 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 the 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 to acquire or dispose of intangible assets or their right-of-use assets. The transaction amount exceeds 10% of the paid-in capital, or NT\$ 20 million.
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.

Article 10-1 The calculation of the amount of the first four transactions shall be carried out in accordance with the provisions of Article 14, paragraph 1, paragraph 6, and shall be based on the date of occurrence of the facts of this transaction within one year, retrospectively calculated for one year, and the valuation report or the opinion of the accountant issued by the professional appraiser who has obtained the valuation in accordance with the provisions of this procedure shall be exempted from recalculation.

Article 11 Procedure for Acquisition or Disposal of Receivables by a Financial Institution
In principle, the Company does not engage in the acquisition or disposal of the claims of financial institutions. However, suppose it wishes to engage in the purchase or removal of the shares of financial institutions in the future. In that case, it will report to the Board of Directors for approval before finalizing its assessment and operating procedures.

Article 12 Procedure for obtaining or disposing of derivatives

I. Transaction Principles and Strategies

(I) Types of derivative trading:

1. Derivative financial instruments engaged by the Company refer to transaction contracts (such as forward contracts, options, futures, interest rates or exchange rates, swaps, and combined contracts formed by combining the instruments above, among others) whose value is derived from such instruments as assets, interest rates, exchange rates, indices or other benefits.
2. Matters related to the bond margin transactions shall be handled under the relevant provisions of these Procedures. 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 Company's business operations. 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 transactions of specific purpose can only be executed after prudent evaluation and report to the board of directors for approval before proceeding.

(III) Delegation of authority

1. Finance Department

(1) Trading Staff

- A. Responsible for formulating the strategy for trading the company's financial products 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 to engage in transactions after being approved by the authority to review and approve.
- C. Transactions are executed according to the authorized authority and the established strategy.
- D. An assessment report shall be issued whenever there is a material change in the financial market, and the trader determines that the established strategy is no longer applicable. The process shall be reformulated at any time. After approval by the general manager, it shall be used as the basis for engaging in the transaction.

(2) Accounting Personnel

- A. Execution of transaction confirmation.
- B. Review whether transactions are conducted following delegated authority and established policies.
- C. Reviews are conducted monthly, and review reports are submitted to the General Manager.
- D. Accounting and bookkeeping.
- E. Declarations and announcements are made according to the Securities and Futures Commission requirements.

(3) Delivery personnel: perform delivery tasks.

(4) Derivative commodity approval authority

- A. Approval authority for hedging transactions

Approving authority	Daily Trading Permissions	Net Cumulative Part Trading Permissions
General Manager	USD 30,000 (including)	USD 10,000 (including)
Chairman	USD \$30,000 and up	USD \$20,000 and up

- B. Other special-purpose transactions shall be reported to the board of directors for approval before carrying out.
- C. Where the acquisition or disposal of assets of the Company is subject to the approval of the Board of Directors in accordance with the prescribed disposal procedures or other legal provisions, the Company shall first obtain the consent of at least one-half of all the members of the Audit Committee, and if any director objects and there is a record or written statement, the Company shall submit the objection information to the Audit Committee. The Board of Directors shall, when discussing a transaction to acquire or dispose

of assets following the preceding 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 permissibility of internal control of derivative commodity trading and verifying the compliance of the trading department with operating procedures, analyzing the trading cycle, making an audit report, and submitting it to the Audit Committee for review before the end of the following month after the completion of the audit project; In addition, if the internal auditor finds a major violation or the company is at risk of significant losses, he shall immediately make a report audit and notify the Audit Committee.

3. Performance Evaluation

(1) Hedging transactions

- A. Performance is evaluated based on the profit or loss generated between the cost of the company's book exchange rate and the engagement in financial derivative transactions.
- B. To fully understand and express the valuation risk of the transaction, the Company evaluates the profit and loss using the monthly valuation method.
- C. The Finance Department shall provide foreign exchange position evaluation, market trends, and market analysis to the General Manager for management reference and instruction.

(2) Specific Transactions

The actual profit or loss generated is used as the basis for performance evaluation, and the accounting staff must regularly prepare reports for the management department.

4. Definition of the total contract amount and loss cap

(1) Total contract amount

A. Hedging transaction limit

The financial department shall control the overall position of the Company to avoid transaction risks, and the number of hedging transactions shall not exceed two-thirds of the overall net part of the Company.

B. Specific Transactions

Based on the prediction of market changes, the Ministry of Finance 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 value of the Company's net cumulative position in transactions for specific purposes is limited to US\$1 million.

(2) Loss Cap Setting

- A. In the case of a specific purpose transaction contract, a stopping point shall be established after designating the amount to prevent excessive losses. The maximum stop-loss point shall be set at 10% of the transaction contract amount.

- B. The number 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 trading operations for a specific purpose 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) Trading targets: mainly domestic and foreign well-known financial institutions.
- (2) Transaction Commodities: Limited to commodities provided by well-known domestic and foreign financial institutions.
- (3) Transaction amount: The number of unhedged transactions for the same transaction counterparty shall be limited to 10% of the total authorized amount, except for those approved by the general manager.

(II) Market risk management:

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

(III) Liquidity Risk Management:

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

(IV) Cash flow risk management

In order to ensure the stability of the Company's working capital cycle, the Company's sources of funding for derivative transactions are limited to its own funds, and the operating amounts should take into account the funding requirements for the next three months' cash flow projections.

(V) Procedural risk management

- 1. Firmly follow company-authorized quota, 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. It 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 once per week; however, parts for hedging transactions required by the business shall be assessed at least twice per month. Evaluation reports shall be submitted to senior supervisors authorized by the Board of Directors.

(VI) Commodity risk management

Internal traders should have complete and correct professional knowledge of financial instruments, and banks are required to fully disclose the risks to avoid the risk of misuse of financial instruments.

(VII) Legal Risk Management:

Specialists should inspect documents signed with financial institutions in foreign exchange and legal affairs or legal counsel before they are formally signed to avoid legal risks.

III. Internal audit system

- (I) The internal auditor shall periodically understand the adequacy of the internal control of derivative commodity trading, verify the compliance of the trading department with the procedures for handling derivative commodity trading on a monthly basis and analyze the trading cycle, and make an audit report. If a major violation is found, the audit committee shall be notified in writing.
- (II) 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, following the provisions of the Securities and Futures Commission. In addition, they shall report the improvement of abnormal matters before the end of May of the following year at the latest for future reference under 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)

IV. Regular evaluation method

- (I) The Board of Directors shall authorize senior executives to regularly monitor and assess whether transactions in derivative products are conducted under the trading procedures established by the Company and whether the risks assumed are within the proper scope. Whether the abnormalities in the market evaluation report (if the holding has exceeded the loss limitation) should be reported to the Board of Directors immediately, and the corresponding measures should be taken.
- (II) Derivatives trading positions held shall be evaluated once per week; however, parts for hedging transactions required by the business shall be assessed at least twice per month. Evaluation reports shall be submitted to senior supervisors authorized by the Board of Directors.

V. Principles of Supervision and Management of the Board of Directors when Engaging in Derivative Commodity Transactions

- (I) The Board of Directors shall designate senior executives to supervise and control the risks of trading in derivative commodities from time to time. The management principles shall be as follows:
 - 1. The Company periodically evaluates the appropriateness of the current risk management measures. It ensures that they are handled following this Standard and the procedures established by the Company for engaging in derivative transactions.
 - 2. Appropriate measures shall be adopted when bizarre circumstances are found in supervising transactions and profit-loss affairs. A report is 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 the results of the derivative transactions conform to the formulated operational policies and whether the attendant risk of these transactions is within the capability of the company.

- (III) The Company shall report to the soonest meeting of the Board of Directors after it authorizes the relevant personnel to handle derivatives trading following its Procedures for Engaging in Derivatives Trading.
- (IV) When the Company engages in derivative commodity transactions, it shall establish a memorandum of understanding, which shall be set out in detail in the memorandum of understanding as to the type and amount of derivative commodity transactions, the date of approval by the Board of Directors and the matters to be carefully assessed under paragraphs (2), (1) and (2) of paragraph (4), (5) of this section.

Article 13 Handling of merger, demerger, acquisition or transfer of shares

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. Accordingly, the project team shall be organized following the statutory guidelines. Before convening the meeting of the Board of Directors to resolve 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, a merger between subsidiaries in which the Company directly or indirectly holds 100 per cent of the issued shares or total capital, or a merger between subsidiaries in which the Company directly or indirectly owns 100 per cent of the issued shares or total capital, is exempt from obtaining a reasoned opinion issued by the preceding expert.
- (II) The Company shall prepare a public document to shareholders prior to the meeting of the shareholders' meeting on the important contents of the merger, division or acquisition and related matters, and shall notify the expert opinions in paragraph (1) (1) of this Article and the meeting of the shareholders' meeting to be delivered to the shareholders as a reference for whether to agree to the merger, division or acquisition. If 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 initial 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:** All persons who participate in or become aware of the Company's merger, demerger, acquisition, or share transfer plan shall issue a written confidentiality undertaking and shall not disclose the contents of the project before the information is made public, nor shall they, on their own or in another person's name, buy or sell shares and other securities of an equity nature of all the Company in connection with the merger, demerger, acquisition or share transfer.
- (III) **Principle of proportional conversion or modification of the purchase price:** A company involved in a merger, division, acquisition or share transfer shall, before the board of directors of both parties, invite the accountant, lawyer or underwriter of securities to express an opinion on the proportional conversion, the purchase price or the reasonableness of the cash or other property of the allotted shareholders and to report to the board of shareholders. In principle, the share exchange ratio or acquisition price may not be changed 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. The action of disposal of major assets that affects a company's financial operations.
 3. The occurrence of major disasters and changes in technology that affects a company's shareholders' equity or securities price.
 4. The adjustment of treasury stock repurchased lawfully by any company participating in the merger, demerger, acquisition, or transfer of shares.
 5. Number of entities or companies that participating in the merger, split, acquisition, or transfer of shares has increased or decreased.
 6. Terms or conditions may be altered which has been stipulated in the contract and have been publicly disclosed.
- (IV) **Deed of Merger, Split, Acquisition or Transfer of Shares** The deed of a company shall contain, in addition to the provisions of Article 317-1 of the Companies Act and Article 22 of the Enterprise Merger and Acquisition Act, the following particulars:
1. The handling of a breach of contract
 2. The 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 principles for the handling of the amount treasury stock that the participating is permitted to buy back lawfully after the base date for the calculation of stock swap.
 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. If the exercise did not complete according to plan, the Company shall call for a shareholders' meeting in accordance with relevant provisions, the preliminary date for the said shareholders' meeting, and relevant procedures.

- (V) When the number of companies involved in a merger, demerger, acquisition or transfer of shares changes: If any party involved in a merger, demerger, acquisition or transfer of shares intends to merge, demerge, acquire or transfer shares with another company after the information has been made public, the participating companies shall be exempted from convening a shareholders' meeting to resolve the matter again, unless the number of participants has been reduced and the shareholders' meeting has resolved and authorized the board of directors to change the authority of the merger, demerger, acquisition or transfer of shares, and the procedures or legal acts performed in the original merger, demerger, acquisition or transfer of shares shall be repeated by all participating companies.
- (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 complete written record of the following information and retain it for five years for reference:
 1. Primary 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 before the 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. Essential documents and minutes: Including the proposal for the merger, split, acquisition, share transfer, letter of intent or memorandum of understanding, material contracts, minutes of meetings of the Board of Directors and other documentation.
- (VII) If a company participating in a merger, division, acquisition or share transfer has a non-public issuing company, the Company shall enter into an agreement with it and shall proceed in accordance with the date of convening the board of directors in accordance with paragraph (2) (1) of this section, the prior commitment of confidentiality in paragraph (2), the change in the number of companies participating in the merger, division, acquisition or share transfer in paragraph (5) and the provisions of paragraph (6).

Article 14 Information Disclosure Program

- I. Items subject to the public announcement and regulatory filing and threshold requiring public information and regulatory filing
 - (I) Acquisition or disposal of property or the right-of-use assets thereof from or to a related party, or acquisition or disposal of assets other than property or the right-of-use assets thereof from or to a related party, where the transaction amount reaches 20% of the paid-up capital of the Company, or 10% of the total assets of the Company, or NT\$ 300 million and above. 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 local securities investment funds and trustees.
 - (II) Merger, split, acquisition or transfer of shares.
 - (III) Losses from derivatives trading reaching the limits on aggregate losses or losses on individual contracts set out in the procedures adopted by the Corporation.

- (IV) The type of assets acquired or disposed of belongs to the equipment or right-of-use assets thereof for business use. Furthermore, the counterparty is not a related party, and the transaction amount meets any of the following criteria:
1. The Company's paid-in capital is less than NT\$ 10 billion, and the transaction amount reaches NT\$ 500 million or more.
 2. The Company's paid-in capital 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 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. If the counterparty is not a related party, the threshold shall be a transaction amount reaching NT\$ 1 billion or more.
- (VI) If the Company acquires a real estate by self-commissioned construction, land-leased construction, joint construction and subdivision, joint construction and subdivision, or joint construction and sub-sale, and the counter-parties are not related parties, the estimated transaction amount to be invested by the Company is less than NT\$500 million.
- (VII) Except for the preceding six paragraphs, asset transactions, financial institutions disposal of claims or investment in mainland China, the transaction amount of 20% of the company's paid-in capital or NT \$300 million or more. however, this shall not apply to the following circumstances:
1. Buy and sell domestic bonds or credit rating is not lower than China's sovereign rating level of foreign bonds.
 2. Where done by professional investors —securities trading on securities exchanges or OTC markets Trading in securities, or subscribing for foreign government bonds or ordinary corporate bonds issued by public offerings in the domestic primary market and ordinary financial bonds that do not involve equity, (excluding subordinated bonds), or subscribing for or repurchasing securities investment trust funds or futures trust funds, or subscribing for or selling back index investment securities or securities brokers for underwriting business needs, acting as counseling and recommending securities brokers to subscribe for securities in accordance with the provisions of the Securities Counter Trading Center of the Republic of China.
 3. Trading of bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises.

The previous 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 announced under regulations need not be counted toward the transaction amount.

1. Amount per transaction.
2. The cumulative transaction amount of acquisitions and disposals of the same type of underlying asset with the same transaction counterpart within a year.

3. The amount of real estate under the same development plan or its right-of-use assets is cumulatively acquired or disposed of (respectively acquired or disposed of) within one year.
 4. The cumulative amount of acquisition or disposal (separate cumulation) of the same negotiable securities within one year.
- II. Timeframe for Public Announcement and Regulatory Filing
- Assets acquired or disposed of by the Company have an announceable item in paragraph 1 of this Article. 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 a 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 necessary to correct it, all the things shall be again publicly announced and reported in their entirety within two days counting inclusively from the date of knowledge of such error or omission.
 - (IV) When the Company acquires or disposes of assets, it shall keep all relevant contracts, meeting minutes, logbooks, appraisal reports, and opinions of CPAs, lawyers, and securities underwriters at the Company, and retain them for 5 years unless otherwise provided by the law.
 - (V) Where any of the following circumstances occurs concerning a transaction that the Company has already publicly announced and reported following 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. The originally signed contract is modified, terminated, or revoked.
 2. A company 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 outlined in the contract.
 3. Changes are made to the content of the original public announcement.
- IV. Format of public announcement
- (I) The format of the public announcement of the matters and contents 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 the 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 land, joint construction and allocation of housing units, joint building and distribution of ownership percentages, or joint construction and separate sale is outlined 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 outlined in Annex IV.
- (IV) The format of public announcement for trading securities, memberships and intangible assets and disposal of receivables by financial institutions on markets other than the centralized markets or OTC markets is outlined 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 occurrence is outlined in Annex VII-I.
- (VII) The format of public announcement for derivatives trading before the 10th day of each month is outlined in Annex VII-II.
- (VIII) The format of public announcement for merger, demerger, acquisition or transfer of shares is outlined in Annex VIII.

Article 15 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” following 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 following 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 outlined in the “Regulations Governing the Acquisition and Disposal of Assets by Public Companies”, the parent company shall also handle the public information 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 it reaches a threshold requiring public announcement and regulatory filing relative to paid-in capital or total assets.

Article 15-1 For the calculation of 10% of total assets under the Procedures, the total assets stated in the Company’s 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.

If the Company's stock has no par value or the par value per share is not NT\$10, the transaction amount of 20% of the paid-in capital under the Procedures shall be calculated based on 10% of the equity attributable to the owners of the parent company; the transaction amount of the paid-in capital under the Procedures amounting to NT\$10 billion shall be calculated based on the equity attributable to the owners of the parent company of NT\$20 billion.

Article 16 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 under the personnel management practices and the Employee Handbook of the Company and shall be subject to a lighter and heavier punishment under the circumstances.

Article 17 Implementation and Amendment

The Company's Procedure for the Acquisition or Disposal of Assets was approved by the Audit Committee and then approved by the Board of Directors and reported to the Shareholders' Meeting for approval, and the same shall apply when amended. If a director objects and there is a record or written statement, the company shall also submit the director's objection information to the audit committee. 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.

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.

The members of the Audit Committee and the Directors mentioned in the preceding paragraph refers to those who are in actual incumbent.

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.

Article 18 Supplementary Provisions

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

(XIX) Protective Measures for Working Environment and Personal Safety of Employees:

1. Working Environment

The Company is located on the 18th floor of No. 88, Sec. 2, Zhongxiao East Road, Zhong-Zheng District, Taipei City, conveniently located in the center of the city. The financial center building in which we are located is well managed, with 24-hour security guards and regular fire safety inspections by the management committee.

All the companies on the other floors of the building where the Company is located are legally registered companies, so access is simple. In addition, the company is equipped with an access control security management system, which requires an authorized access card to enter the Company, allowing employees to work with peace of mind.

2. Personal Safety

(1) Public Accident Liability Insurance - The Company takes out public accident liability insurance every year under the law to protect the rights and interests of employees.

(2) Group Insurance - the Company takes out group insurance for employees every year to provide them with accident insurance coverage on their way to and from work and during work.

(3) Travel Insurance - the Company provide travel insurance for our employees to protect them from accidents and medical treatment during their business trips.

(XX) Code of conduct and ethics for employees

The Company will at all times inform its employees of the code of conduct and the ethical standards to be followed, including:

1. Employees shall maintain the confidentiality of company secrets and all information
2. Employees should strictly abide by the company's personnel rules and regulations
3. Employees should comply with government regulations, including those related to insider trading prevention

IV. Information on CPA expenses:

(I) The proportion of non-audit fees paid to the certified public accountant, the certified public accountant's firm, and their affiliates are at least one-fourth of the audit fees.

Unit of amount: NT \$1,000

Name of CPA Firm	Name of CPA	Audit Period	Audit Fees	Non-audit Fees	Total	Remarks
Pricewaterhouse Coopers Taiwan	Feng Min-Juan	2022/01/01-2022/12/31	1,400	-	1,400	N/A
	Xu Yong-Jian					
Yong Qin Certified Public Accountants	Chang Yingjuan	-	-	6	6	N/A

Non-audit public service content:

1. Always: NTD 6,000 for the election of the chairman and the registration fee for the change of the articles of association.

(II) Audit fees paid in the year of replacement of the accounting firm compared with the year before replacement: None.

(III) Audit fees decreased by more than 15% in the previous year: no such situation.

(IV) Certified Public Accountant / CPA's Independence and Competency Assessment:

2022 Annual Visa Accountant Independence and Competency Assessment Form

Evaluation Unit: Board of Directors

Assessment year: 2022

Assessment date: 9/11/2022

Evaluation of Appointed Certified Public Accountant / CPA Firm and Accountants: Assessment of Certified Public Accountants/Feng Min-Juan and Xu Yong-Jian: Considering Article 47 of the Certified Public Accountants Act and ROC Code of Professional Ethics Bulletin No. 10 "Integrity, Impartiality, Objectivity and Independence":

Evaluation Item	Result of Assessment
1. There is no direct or material indirect financial interest between the certifying accountant and the Company.	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
2. There is no significant-close commercial relationship between the certified public accountant and the Company.	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
3. The Certified Public Accountant had no potential employment relationship at the time of the audit of the Company.	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
4. The Certified Public Accountant has never had any money loan with the Company.	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
5. The Certified Public Accountant / CPA has not received any gifts or presents of significant value from the Company, its directors and supervisors, or its managers (the value of which exceeds the standard of typical social etiquette).	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
6. The Certified Public Accountants have not provided audit services to the Company for seven consecutive years.	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
7. The visa accountant does not hold any shares in the Company.	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
8. The Certified Public Accountant / CPA themselves, their spouse or dependent, or their audit team did not hold any positions as directors, supervisors, or managers of the Company during the audit period or within the last two years or any work that has a significant influence on the audit case, and they have determined that they will not hold such positions in the future audit period.	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
9. Whether the Visa Accountant has complied with the Code of Professional Ethics for Accountants Bulletin No. 10 on Independence and has obtained a "Declaration of Independence" issued by the Visa Accountant.	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No

(V) Evaluation Results:

The financial statements have been audited and certified by Certified Public Accountant / CPA Min-Juan Feng and Wing-Kin Hsu. Their independence and suitability have been assessed to be in order.

V. Change of accountant information: The Company has not changed accountants.

VI. The chairman, general manager or manager in charge of financial or accounting affairs of the company, who has worked for the firm to which the certified public accountant belongs or its affiliated enterprises in the last year: None

VII. Stock Transfer and Pledge of Directors, Supervisors, Management Team and Major Shareholders who Own exceeding 10% of the Stock in the most recent year and as of the Publication Date of the Annual Report:

(I) Changes in Shareholding

Unit: Share

Title	Name	2022		The current year ended on April 22	
		Shares Increased (Decreased)	Pledged Shares Increased (Decreased)	Shares Increased (Decreased)	Pledged Shares Increased (Decreased)
The legal entity as director holding exceeding 10% of the shares of shareholders	Wei Sheng Investment Co., Ltd.	(103,000)	0	0	0
Chairman	Zhao, Xi-Zheng	0	0	0	0
Vice Chairman	Li, Yao-Kui	101,000	0	0	0
The director also works part-time as the general manager	Lin, Hong-Pei	0	0	0	0
The director also works part-time as the deputy general manager	Yang, Shi-Huai	(24,000)	0	0	0
Director	Li, Shi-Long	0	0	0	0
Director	Chen, Li-Min	0	0	0	0
Independent Director	Guo, Dong-Long	0	0	0	0
Independent Director	Lin, Hao-Sheng	0	0	0	0
Independent Director	Nian, Xiao-Jing	0	0	0	0

Independent Director	Huang, Shu-Zhen	0	0	0	0
Independent Director	Zeng, Hong-Chi	0	0	0	0

Note 1: Shareholders holding more than 10% of the Company's total shares shall be stated as significant shareholders and listed separately.

Note 2: The following table should be completed if the party to whom the stock is transferred or pledged is a related party.

(II) Information on equity transfer: There are no conditions of equity transfer where the counterparty is a related party.

(III) Pledge of Stock Right information: There are no cases where the Pledge of Stock Right counterparty is a related party.

VIII. Shareholding ratio among the top ten shareholders is related to each other in the Financial Accounting Standards Bulletin No. 6, or information on kinship within the spouse, second parent, etc.:

April 22, 2023

NAME (NOTE 1)	SHARES HELD BY HIMSELF/HERSELF		SHARES HELD BY HIS/HER SPOUSE AND MINOR CHILDREN (NOTE 2)		SHAREHOLDING BY NOMINEES		THE NAMES AND RELATIONSHIPS OF THE TOP TEN SHAREHOLDERS WHO ARE RELATED TO EACH OTHER IN ACCORDANCE WITH THE FINANCIAL ACCOUNTING STANDARDS BULLETIN NO. 6 OR WHO ARE RELATIVES WITHIN THE SCOPE OF SPOUSE, SECOND PARENT, ETC. (NOTE 3)		REMARKS
	Held at the end of the Period	%	Held at the end of the Period	%	Held at the end of the Period	%	Designation (or Name)	Relationship	
Representative of Wei Sheng Investment Co., Ltd.: Yang, Yi-Lan	9,408,321	23.31%	7,524	0.02%	0	0.00%	Li, Shi-Chang Li, Shi-Kui	Sister-in-law Sister-in-law	N/A
Li, Shi-Chang	3,919,005	9.71%	0	0.00%	0	0.00%	Li, Shi-Kui Yang, Yi-Lan	Brother Sister-in-law	N/A
Li, Shi-Kui	3,174,000	7.87%	0	0.00%	0	0.00%	Li, Shi-Chang Yang, Yi-Lan	Brother Sister-in-law	N/A
Representative of Xiangli Investment Co., Ltd.: Li, Xin-Lin	2,814,705	6.98%	0	0.00%	0	0.00%	N/A	N/A	N/A
Yang, Mei-Si	1,276,113	3.16%	154,290	0.38%	0	0.00%	Yang, Shi-Huai Yang, Zhan-Kui	Siblings Siblings	N/A
Yan, Zhao-Xiang	1,262,206	3.13%	0	0.00%	0	0.00%	N/A	N/A	N/A
Citibank Trustee UBS Europe SE Investment Account	1,050,200	2.60%	0	0.00%	0	0.00%	N/A	N/A	N/A
Yang, Shi-Huai	901,126	2.23%	0	0.00%	0	0.00%	Yang, Zhan-Kui Yang, Mei-Si	Brother Siblings	N/A
Liu, Ying-Jun	603,180	1.50%	0	0.00%	0	0.00%	N/A	N/A	N/A
Treasury stock account at YUAN HIGH-TECH DEVELOPMENT CO.	599,000	1.48%	0	0.00%	0	0.00%	N/A	N/A	N/A

Note 1: All the top ten shareholders should be listed. If they are legal person shareholders, the name of the legal person shareholder and the representative's name should be listed separately.

Note 2: The calculation of shareholding ratio refers to the measure of shareholding ratio in one's name, in the name of the spouse, in the name of the minor children, or another person's name.

Note 3: The shareholders previously disclosed that both legal and natural persons should reveal their relationship according to the issuer's requirements for preparing financial statements.

IX. Consolidated Number of Shares Owned by the Company, Directors, Supervisors, Management Team and Businesses Controlled Directly or Indirectly by the Company:

Unit: shares;%

Re-investment business (note)	Ownership by the Company		Investment by Directors/Managerial Officers and Companies Directly or Indirectly Controlled by the Company		Consolidated Investment	
	Held at the end of the Period	Shareholding ratio	Held at the end of the Period	Shareholding ratio	Held at the end of the Period	Shareholding ratio
N/A						

Note: Long-term investments are accounted for by the equity method.

Chapter 4 Capital Overview

I. The Company's capital and shareholdings are accounted for as follows

(I) Share Capital Source:

1. Capital formation

Unit: shares, NTS

Year/Month	Issue Price	Authorized Capital		Paid-in Capital		Remarks		
		Held at the end of the Period	Amount	Held at the end of the Period	Amount	Source of Capital	Capital Increase by Assets Other than Cash	Other
1990/10	10	500,000	5,000,000	500,000	5,000,000	In Cash	N/A	N/A
1994/07	10	2,000,000	20,000,000	2,000,000	20,000,000	Increases by 15,000,000	N/A	Jian Yi Zi No. 864201
1996/03	10	4,000,000	40,000,000	4,000,000	40,000,000	Increases by 20,000,000	N/A	Jianyi Zi No. 01005926
1997/06	10	12,000,000	120,000,000	12,000,000	120,000,000	Increases by 80,000,000	N/A	N/A
1998/04	10	15,000,000	150,000,000	15,000,000	150,000,000	Increases by 30,000,000	N/A	N/A
1998/09	10	35,000,000	350,000,000	24,000,000	240,000,000	Increases by 60,000,000 Surplus Transfer of 30,000,000	N/A	(87) Taiwan Finance Certificate (1) No. 85915
1999/10	10	35,000,000	350,000,000	25,266,000	252,660,000	Surplus Transfer of 12,660,000	N/A	(88) Taiwan Finance Certificate (1) No. 79837
2000/10	10	35,000,000	350,000,000	26,597,300	265,973,000	Surplus Transfer of 13,313,000	N/A	(88) Taiwan Finance Certificate (1) No. 80617
2001/12	10	35,000,000	350,000,000	27,858,527	278,585,270	Surplus Transfer of 12,612,270	N/A	(90) Taiwan Finance Certificate (1) No. 168405
2004/11	-	80,000,000	800,000,000	27,858,527	278,585,270	N/A	N/A	Fu Jian Shang No. 09323867110
2007/07	10	80,000,000	800,000,000	33,729,787	337,297,870	Surplus Transfer of 58,712,600	N/A	(96) Jin Guang Zheng (I) Zi No. 0960035548
2021/09	10	80,000,000	800,000,000	40,355,944	403,559,440	Surplus Transfer of 66,261,570	N/A	Fu Chan Shang Zi No. 11052968900

2. Share Type

Share Type	Authorized Capital			Remarks
	Outstanding Shares (Note)	Unissued Shares	Total	
Common stock	40,355,944(OTC listing)	39,644,056	80,000,000	599,000 treasury stock shares

Note: Over-the-counter Shares Outstanding

3. Buyback of the Company's shares

No.	The First
Date of the resolution of the Board of Directors	2020/03/20
Purpose of Repurchase	Transfer ownership of shares to employees
Scheduled buy-back period	2020/03/23 ~ 2020/05/22
Estimated number of shares to be repurchased	1,000,000 shares
Repurchase price range	NT\$45 to NT\$70
Type and Amount of Shares Repurchased	599,000 shares
Amount of Shares Repurchased	NT\$38,296,300
Average repurchase price	NT\$63.93
Date of Transferred Employees	N/A
Number of transferred shares	N/A
The accumulated holding of the Company's shares	599,000 shares
Cumulative number of shares held by the Company as a percentage of the total number of shares issued(%)	1.78%
Reason for incomplete execution	Stock price stabilized during the buyback period

(II) Shareholder Structure

April 22, 2023

Shareholder Structure Item	Government Agencies	Financial Institutions	Other institutional shareholders	Foreign institutions and foreigners (note)	Domestic Natural Persons	Total
Number of shareholders	0	0	22	34	5,041	5,097
Shares Held	0	0	13,253,426	1,480,932	25,621,586	40,355,944
Shareholding ratio	0.00%	0.00%	32.84%	3.67%	63.49%	100.00%

Note: Land-based shareholding ratio: 0.00%

Note: The first listed (OTC) company and the emerging stock company shall disclose their shareholding ratio of the capital from Mainland China; "Capital from Mainland China" refers to the individuals, legal persons, organizations, and other institutions in Mainland China or companies that they invest in a third region as stipulated in Article 3 of the Measures on Permission for Mainlanders' Investment in Taiwan.

(III) Share distribution

April 22, 2023

Range of Shares	Number of Shareholders	Shares Held	Shareholding ratio
1~999	1,498	258,548	0.64%
1,000~5,000	3,021	5,806,841	14.39%
5,001~10,000	334	2,417,326	5.99%
10,001~15,000	105	1,319,484	3.27%
15,001~20,000	45	803,600	1.99%
20,001~30,000	31	739,200	1.83%
30,001~40,000	21	763,200	1.89%
40,001~50,000	8	358,556	0.89%
50,001~100,000	15	998,746	2.48%
100,001~200,000	7	955,690	2.37%
200,001~400,000	0	0	0.00%
400,001~600,000	3	1,525,897	3.78%
600,001~800,000	1	603,180	1.50%
800,001~1,000,000	1	901,126	2.23%
Over 1,000,001	7	22,904,550	56.75%
Total	5,097	40,355,944	100.00%

Preferred Stock

April 22, 2023

Range of Shares	Number of Shareholders	Shares Held	Shareholding ratio
To grade by yourself under the actual circumstances	0	0	0%
Total	0	0	0%

(IV) **List of major shareholders:** shareholders holding more than 5% of the total amount of shares or the equity ratio of the top 10 shareholders

Base date: April 22, 2023

Shares	Shares Held	Shareholding ratio
Name of Major Shareholders		
Wei Sheng Investment Co., Ltd.	9,408,321	23.31%
Li, Shi-Chang	3,919,005	9.71%
Li, Shi-Kui	3,174,000	7.87%
Xiangli Investment co., Ltd	2,814,705	6.98%
Mei-Si Yang	1,276,113	3.16%
Zhao-Xiang Yan	1,262,206	3.13%
Citibank Trustee UBS Europe SE Investment Account	1,050,200	2.60%
Yang, Shi-Huai	901,126	2.23%
Liu, Ying-Jun	603,180	1.50%
Treasury Stock Account of YUAN HIGH-TECH DEVELOPMENT CO., LTD.	599,000	1.48%

(V) **Share price, Net value, Earnings, Dividends and related information in the 2 past years**

Unit: NTD;%; Shares

Item	Year	2021	2022	As of March 31, 2023 (Note 8)	
Market Price Per Share (Note 1)	Highest	256	130	94.5	
	Lowest	91.5	58.3	72.1	
	Average	184.51	102.43	86.11	
Net Worth per Share (Note 2)	Before distribution	41.28	44.27	45.22	
	After distribution	36.28	40.47	41.42	
Earnings per Share	Weighted Average Shares	39,756,944	39,756,944	39,756,944	
	Earnings per share (Note 3)	9.66	7.91	0.96	
Dividends per Share	Cash Dividends		5	3.8	N/A
	Free allotment	Surplus allotment	0	0	N/A
		Stock dividends appropriated from capital surplus	0	0	N/A
Accumulated undistributed dividends (Note 4)		198,784,720	151,076,387	151,076,387	
Return on Investment	Price-to-earnings ratio (Note 5)	19.10	12.95	N/A	
	Price-to-dividends ratio (Note 6)	36.90	26.96	N/A	
	Cash dividend yield (Note 7)	0.03	0.04	N/A	

* If shares are distributed in connection with capitalization of earnings or capital surplus, information on market prices and cash dividends retroactively adjusted based on the number of shares after distribution shall be disclosed.

Note 1: List the highest and lowest market prices of common shares each year, and calculate the average market price of each year according to the transaction value and trading volume of each year.

Note 2: Please refer to the number of shares issued at the end of the year and fill in according to next year's shareholders' meeting distribution.

Note 3: If retroactive adjustment is required due to free allotment, etc., the surplus earnings per share before and after

adjustment shall be listed.

Note 4: Suppose the conditions for the issuance of equity securities stipulate that the dividends not paid in the current year can be accumulated until the surplus year. In that case, the collected and unpaid dividends up to the current year shall be disclosed, respectively.

Note 5: P/E = average closing price per share/earnings per share for the year.

Note 6: Capital profit ratio = Average closing price per share/Cash dividend per share for the year.

Note 7: Cash dividend yield = cash dividend per share/average closing price per share for the year.

Note 8: The net worth per share and surplus earnings per share up to the quarter nearest to the date of publication of the Annual Report that has been audited by the Certified Public Accountants / CPAs shall be filled in; the remaining fields shall be filled with the annual data up to the date of publication of the Annual Report.

(VI) Company's Dividend Policy and Implementation Status

- Dividend Policy:** Article 19 of the Articles of Association of the Company: The dividends of the Company may be distributed in part or in whole by way of cash dividends. The stock dividend shall not be higher than 90% of the dividend distributed in the current year.
- The distribution of earnings for the year 2022 is as follows:**

YUAN High-Tech Development Co., Ltd.

2022 earnings distribution statement

Unit: NT\$ thousand

Item	Amount
Undistributed earnings at the end of the period	793,677,661
add: adjustment of retained earnings in 2022	3,307,726
Undistributed earnings after adjustment.	796,985,387
Add: Net profit after tax for the current year	314,304,608
Less: Legal reserve	(31,761,233)
Distributable net profit	1,079,528,762
less: cash dividend distributed to shareholders (NT\$3.8 per share)	(151,076,387)
Undistributed earnings at the end of the period	928,452,375

Chairman:

Managerial Personnel:

Principal Accounting
Officer:

(VII) Impact of share allotment without consideration resolved by the Shareholders' Meeting on the operating performance and earnings per share of the Company:

Item	Year	2023
Opening paid-in capital (NT\$)		403,559,440
Dividend allotment for the year	Cash dividends per share (NT\$)	3.8(Note 1)
	Number of shares allocated per share in transfer of earnings to capital (Note 1)	-
	Number of shares allocated per share in transfer of capital reserve to capital	-
Changes in business performance	Operating Income	N/A (Note 2)
	Operating income increased (decreased) over the same period last year	
	Net income after taxation	
	Year-over-year increase (decrease) in net income	

	after tax last year		
	Earnings per Share		
	Increase (decrease) in earnings per share compared to the same period last year		
Item		Year	
		2023	
	Average annual return on investment (inverse of the average annual cost-benefit ratio)		
Proposed mandatory earnings per share and capital gain ratio	If all of the capital surplus is transferred to cash dividends	Pro forma earnings per share (NT\$)	N/A (Note 2)
		Propose average annual return on investment	
	If the capital reserve has not been transferred to capital	Pro forma earnings per share (NT\$)	
		Propose average annual return on investment	
	If the capital surplus is not transferred to capital and the capital surplus is transferred to cash dividends	Pro forma earnings per share (NT\$)	
		Propose average annual return on investment	

Note 1: 111 annual earnings distribution of cash dividends, approved by the Board of Directors on March 8, 2022.

Note 2: The Company has not disclosed its 2022 financial projections, so this paragraph does not apply.

(VIII) The remuneration of the employees, directors and supervisors:

1. The number or percentage of the remuneration of employees, directors, and independent directors was written in the Company's Articles of Incorporation:

Following the Company's Articles of Incorporation, the Company shall contribute no less than 2% of the employees' remuneration and no more than 2% of the directors' and supervisors' remuneration to the Company if there is any remaining balance after deducting accumulated losses based on the Company's profitability for the year. However, the Company shall have reserved a sufficient amount to offset its accumulated losses.

The employees above' compensation shall only be distributed in cash and undertaken by a resolution adopted by a majority vote at a meeting of the Board of Directors attended by two-thirds of the total number of directors. A report of such distribution shall be submitted to the shareholders' meeting.

Employees of affiliated companies who meet specific qualifications may also be included in the distribution of remuneration.

2. The principal for estimating the amount of the remuneration of the employees and directors is based on calculating the number of shares of employees' remuneration distributed by shares, and applying the accounting treatment when the actual amount of distribution differs from the estimated amount:

(1) Estimation basis: The amount of the recognized expenses for directors' and supervisors' remuneration and employee remuneration is estimated at the ratio of 2% and 2% of the remaining distributable earnings for the current year, and the actual distribution amount is calculated based on the cash dividend amount distributed on March 8, 2023, and then calculated at the ratio of 2% and 2% of the actual distribution earnings.

(2) Disposition: If there is any difference, it will be adjusted in 2023.

3. Information on the proposed distribution of employee compensation, etc. approved by the Board of Directors:

(1) Cash compensation for employees, stock compensation, and compensation for directors and supervisors. Suppose there is any discrepancy between the abovementioned amount and the estimated amount of recognized expenses for the current fiscal year. In that case, the amount, causes and treatment of such difference shall be disclosed:

The Company's proposed distribution of director remuneration, employee cash remuneration and employee stock distribution amount in the Board of Directors on March 8, 2023 is shown in the following table. The aforesaid will be handled in accordance with the relevant provisions after the resolution of the shareholders' meeting on June 20, 2023.

Unit: NT\$

Item	Proposed amount of the Board of Directors on March 8, 2023
Remunerations of the Directors and Supervisors	7,974,078
Employee Compensation - Cash	7,974,078

Note: Proposed distribution of employee remuneration and directors and supervisors remuneration labor amount and 2022 annual recognized expenses estimated amount of their differences, reasons and treatment:

- (1) Difference: There is no difference between the remuneration to directors and supervisors and the amount of compensation to employees proposed by the Board of Directors from the recognized expense.
- (2) Reason: Not applicable.
- (3) Handling situation: Not applicable.

(2) Proposed allotment of employee stock distributions as a percentage of total net income after tax and total employee bonuses for the period:

Not applicable (percentage of capital contribution = number of shares distributed to employees/ (number of shares distributed to employees + number of shareholders' stock dividends) *100%)

(3) The Board of Directors proposed to distribute the amount of employee remuneration and remuneration of directors and supervisors and calculate the impact of earnings per share:

(Earnings per share after calculation = Weighted average number of shares outstanding for the year (2022) of net income/earnings distribution after tax for the year (2022) to which the distribution of earnings belongs): 7.91

4. The actual allotment of employees' remuneration, directors' and supervisors' remuneration in the previous year (including the number of shares allotted, the number of shares allotted and the share price), and the difference between the allotment and the recognition of employees' remuneration, directors' and supervisors' remuneration, should be stated as well as the number of differences, the reasons for the differences and the handling of the differences:

The Company's proposed distribution of director remuneration, employee cash remuneration and employee stock distribution amount in the Board of Directors on March 21, 2022 is shown in the following table.

Unit: NT\$ 1,000

Item	Amount recognized in the financial report of 2021	Actual allotment situation
Director's Compensation - Cash	10,091	10,091
Employee Compensation - Cash	10,091	10,091

Note: (1) Differences and causes: None.
 (2) Handling situation: Not applicable.
 (3)

Stock repurchase by the Company: Please refer to page 126 of this annual report for details.

- II. **Issuance of corporate bonds (including overseas corporate bonds): None.**
- III. **Preferred Shares: None.**
- IV. **Overseas Depository Certificate Processing Situation: None.**
- V. **Employee's share warrant handling situation: None.**
- VI. **Restriction on the handling of new shares of employees' rights: None.**
- VII. **Mergers or transferee to other companies and issuance of new shares: None.**
- VIII. **Execution of capital utilization plan**
 - (I) **The plan:** None.
 - (II) **Execution status:** None

已註解 [Eva1]: 中文原編號為：(1)、(3)、(4)
 (4)無內容
 英文版先順號排列之

Chapter 5 Operational Highlights

I. Business Activities

(I) Operation Scope

1. Operation Items

- (1) CC01080 Electronic Parts and Components Manufacturing.
- (2) CC01110 Manufacturing of Computers and its Peripherals.
- (3) F113050 Wholesale of Computing and Business Machinery Equipment.
- (4) F113070 Wholesale of Telecommunications Equipment.
- (5) F119010 Wholesale of Electronic Materials.
- (6) F213030 Retail of Computer and Transactional Equipment.
- (7) F213060 Retail of Telecommunications Equipment.
- (8) F219010 Retail of Electronic Materials.
- (9) F401010 International Trade.
- (10) F401021 Import of Telecommunications Regulated Radio Frequency Equipment.
- (11) ZZ99999 All business items that are not prohibited or restricted by law, except those that are subject to special approval.

2. Current Main Products and Operating Segments

Unit:%

Item	Revenue proportion in 2022
Video Products	99.17%
Other	0.83%
Total	100.00%

3. The company's current (commodity) service items:

- (1) Image capture card: Up to 8K60/4K120 image capture, support for a variety of video signals
- (2) Image Converter: Supports 4K image format conversion
- (3) Like a streaming codec: Supports various network streaming protocols such as RTSP/RTMP, NDI, SDVoE, Dante AV-H, etc., providing low latency, high compression rate, and high compatibility image streaming
- (4) Image Analyzer: Supports a variety of artificial intelligence technologies, providing real-time analysis, insight, and optimized image analysis capabilities
- (5) Video Camera: Supports 4K UVC camera interface and provides high resolution, high dynamic range, autofocus and other functions

4. New products (services) to be developed

- (1) Developed and launched an 8K ultra-high-resolution video streaming box to meet the needs of the future audio and video market.
- (2) Developed and launched an external ultra-high-resolution video codec to provide a high-quality video conversion experience.
- (3) Research and launch of ultra-high-resolution video converters to provide users with higher-definition video transmission solutions.

- (4) Developing and promoting audio and video streaming boxes that support the next generation of broadcast television standards in response to changes in the broadcast television industry.
- (5) Develop a highly integrated and versatile video interface card.
- (6) Develop surveillance imaging interface cards for Internet of Things (IoT) applications to meet the needs of the smart surveillance market.
- (7) Research and launch competitive video converters with high integration and versatility.
- (8) Develop a more competitive multimedia digital audio and video player to meet the needs of the multimedia consumer market.
- (9) Develop more competitive professional audio and video solutions to meet the needs of home and industrial applications.
- (10) Strengthen the research and development and application of AI-related technologies to improve the intelligent level and market competitiveness of products.

(II) Industry Overview

1. Development status of the industry

Multimedia video, digital monitoring, Internet of Things (IoT), AI-related applications market is booming, due to the maturity of mobile networks and the expansion of network bandwidth, the popularization of portable devices, as well as upstream suppliers of technology development, in 2022, related products and equipment also bring great impact on the market and consumers.

This year, the company will continue to use ultra-high-resolution image capture cards, video converters and AV over IP streaming video multimedia products as the main marketing force, and provide industrial solutions to provide software and hardware integration systems to provide more competitive products and services.

The company's products in the field of AV over IP streaming audio and video cover the product layout of 100m to 25g, and focus on the development of intelligent edge computing to accelerate the speed of AI image processing, provide customers with better solutions, and participate in indicative exhibitions around the world to pay attention to market and technology trends, and formulate medium and long-term product design and development direction through actual customer facing, dynamically adjust product market positioning and development direction to master the initiative and maintain product competitiveness.

2. Upstream and downstream industry linkages

Upstream	Digital Modulation Chips and Input/Output Chips	SoC single-chip receiver	Video compression and decompression chips	Video Processor
Midstream	PC-TV Module USB/PCIe PVR	CE-TV Module T.S./USB	Video Capture/DVR USB/PCIe	Video Converter
Downstream	Multimedia Entertainment PC	Consumer Electronics 3C Distributor Director	Surveillance Security Monitoring Market	System Integration Manufacturer

3. Various development trends and competitive situation of products

【Development Trends】

Leading the Future of Ultra-High-Resolution Extraction

In order to meet the market demand for high-speed image display, 2022 released the world's first 8K60/4K120 ultra-high magnification image capture card, 8K UHD image can be presented completely clear and sharp, especially suitable for sports live, e-sports games and other fields, so that users have the most fluent ultra-high-definition picture on the general display screen.

In response to market demand, we continue to launch a full line of products that support ultra-high resolution related interface cards and conversion boxes, including PCIe/miniPCIe/M.2/MIPI image capture cards, USB 2.0/3.0/3.2 image capture boxes, 2D/3D video conversion boxes and video streaming encoders, and launch the world's first 8K60/4K120 ultra-high magnification image capture card in 2022. Such a product line is especially suitable for sports live, e-sports games and other fields, so that users have the most fluid ultra-high-definition screen on the general display screen, but also in line with the 8K ultra-high resolution and AV over IP trend. Various audio-visual products across all interfaces use the same set of drivers and SDKs that are compatible with mainstream Windows, Linux, NVIDIA Jetson and macOS operating systems, and the cross-platform design provides a consistent video framework to improve product compatibility and ease of use.

Low latency and stable and reliable AV over IP product layout

With the popularity of 4K resolution, more and more application scenarios need to support high-resolution image streaming, AV over IP system can achieve high definition, low latency and stable and reliable video transmission, thereby improving work efficiency and comprehensive cost-effectiveness, in order to achieve high-quality 4K60 streaming, our AV over IP product line spans 100m to 25g, providing a variety of efficient encoding schemes, including H.264, H.265 and AV1. These coding schemes not only support up to 4K60 resolution and high-quality image effects, but also provide low latency and high stability of streaming transmission.

Different streaming protocols are used for different application scenarios, such as RTSP, RTMP, SRT, and TS. In order to facilitate customer use, our AV over IP product line is constantly expanding the communication protocol, and at the end of 2022, we released a streaming codec transceiver that can support NDI ®, NDI ® | HX and SDVoE protocols at the same time, which supports a variety of different streaming formats to meet customer needs in different application scenarios.

Image Processing Platform with Artificial Intelligence

With the diversification of market demand and the continuous development of technology gradually mature, high-resolution digital surveillance security has become a significant development trend, in order to meet the needs of various applications, from the front end to the back end of the overall system came into being. Satoshi continues to integrate advanced artificial intelligence technology on image capture and embedded systems, relying on real-time, non-destructive, easy installation and other advantages, while continuously optimizing the AI inference module of edge computing to accelerate the speed and accuracy of image analysis, developing an intelligent image processing platform for industry applications, providing high-quality, delay-free intelligent image application solutions through efficient image processing, and is committed to leading the security industry to a higher level of development.

(III) Technology and R&D Overview

1. Technology and R&D Overview

Founded in 1990 and headquartered in Taiwan, Satellite Technology (stock code: 5474) designs, develops and manufactures high-quality multimedia products and provides imaging technology services.

In response to the needs of the ultra-high-definition image market, we have launched products such as ultra-high-resolution related interface cards and conversion boxes, including PCIe/miniPCIe/M.2/MIPI image capture cards, USB 2.0/3.0/3.2 image capture boxes, 2D/3D video conversion boxes, etc., and have successively provided a variety of high-quality video streaming codecs and artificial intelligence video solutions in 2022, and continue to observe industry trends and technology trends. Through in-depth cooperation with upstream chip suppliers, we have developed and researched products based on various video and audio processing chip combinations.

Based on our years of experience and expertise, the Company can vertically integrate various hardware modules and software components and utilize hardware components from chip suppliers with our technology and R&D application capabilities to respond immediately to market and customer needs and improve product development and design to maximize corporate profits.

On the other hand, the Company also continues to invest a lot of resources in upgrading its production technology to achieve a market niche and differentiate itself from its competitors by offering the widest and most diverse range of products to meet market changes and customer needs through continuous product evolution.

In recent years, the company has actively invested in the development of image AI-related technologies, and expects to combine the customer base and experience of many years of accumulated video and audio software technology to assist the existing image acquisition card customer base, seamlessly engage with artificial intelligence technology, enhance product value, and the scope of image AI services, including intelligent transportation, medical image recognition, face recognition, passenger flow analysis, behavior analysis, etc., through in-depth communication and cooperation with industry terminal customers B2B, to make intelligent activation applications for customers' accumulated large amounts of image data.

From the development of AI algorithms, the construction of image databases, the design of dedicated identification software, and the construction of inference models, all of them have participated in discussions with customers to help customers achieve real AI technology implementation. At present, our AI development has been well applied in Taiwan, and we have actively participated in various intelligent construction projects of the government. Through the expertise of image technology, we provide solid video and audio technology support for different customer groups. We look forward to building Satoshi into the best image AI technology development center in Taiwan in the next three years.

2. R&D expenses and successful technologies or products invested in the current year as of March 31, 2023

Unit: NT\$ 1,000

Item \ Year	2022 annual	As of March 31, 2023
Total Expenses	150,570	43,916
Operating Revenue	1,372,773	252,512
R&D expenses Revenue proportion (%)	11.48	17.39
Technologies or products successfully developed during the year	A. HDMI20 and SDVoE transceiver: HDMI2.0/SDVoE two-way audio-visual converter B. HDMI20 to SDVOE V2: HDMI2.0/SDVoE Converter C. SC6E0 N1 AIO Lite: HDMI/SDI Live Webcast Video Editor/Decoder D. SC400 N1 full: 1 HDMI/SDI/analog signal HD video capture card E. SC400 N1 MC HDV: Mini PCIe interface 1 channel HDMI/VGA/YPbPr HD video capture card F. SC400 N1L AIO: 1 HDMI/SDI/analog signal HD semi-high video capture card G. SC400 N1L HDAV: 1-channel HDMI/CVBS/S-Video high-definition semi-high-definition video capture card H. SC410 N2L SDI: 2-channel SDI 4K semi-high video capture card I. SC410 N2L SDI: 2-channel SDI 4K semi-high AV capture card J. SC410 N4 SDI: 4-channel SDI 4K video capture card K. SC420 N16-X4 TVI: PCIe × 4 interface 16-channel TVI analog HD video capture card L. SC710 N1L 12g SDI + HDMI20: 1 channel HDMI2.0/12G-SDI 4K semi-high video capture card M. SC710 N2 12g SDI: 2-channel 12g-SDI 4K video capture card N. SC720 N4 SDVOE AVP C: 4-channel SDVoE 4K video capture card O. SC720 N4 SDVOE AVP F: 4 channel SDVoE fiber 4K video capture card P. Stream to HDMI: HDMI streaming video decoding box Q. UB575G HDMI: USB UVC interface HDMI HD video capture card	

(IV) Long, medium and short-term business development plans

1. Short-term development plans

- Continuously optimize and expand the existing video and audio product line, including image capture cards, image capture boxes and video conversion boxes.
- Track market dynamics and technology trends, and actively cooperate with chip suppliers to develop more high-quality and innovative audio-visual products.
- Optimize production processes, improve production efficiency, reduce costs, and improve product quality and competitiveness.
- Strengthen B2B cooperation with end customers in various industries to expand market share and brand awareness.

2. Medium-Term Development Plan

- Expand the global sales network, actively participate in international exhibitions and industry activities, and enhance the brand image.
- Strengthen the technical support team to provide customers with more comprehensive after-sales service and technical support.
- Deepen B2B cooperation with end customers in various industries to jointly develop customized professional audio and video solutions.
- Actively lay out emerging markets and open up more business opportunities.

3. Long term development plan

- Become a brand of ODM/OEM in the global professional audio-visual market, with excellent products, technologies and services.
- Continue to develop innovative technologies and expand product lines to meet the needs of different industries and markets.
- Establish a close relationship with global industry leaders to jointly promote the development of the professional audio-visual market.
- Develop a professional team, provide continuous education and training opportunities for employees, maintain corporate competitiveness and enhance overall strength.

II. Market, Production, and Sales Overview

(I) Market Analysis

1. Major sales regions

Unit: NT\$ 1,000

Region \ Year	2022		2021	
	Amount	%	Amount	%
Asia	1,014,356	73.89	1,413,268	78.85
America	113,918	8.30	95,503	5.33
Europe	81,200	5.92	66,533	3.71
Taiwanese	160,937	11.72	213,109	11.89
Other	2,362	0.17	4,026	0.22
Total	1,372,773	100.00	1,792,439	100.00

2. Market Share

With the Company's years of accumulated cutting-edge research and development capabilities, we are constantly taking the lead in new product hardware and software development. Moreover, well-known brands and channel customers worldwide have long recognized our stringent requirements for product quality. In the future, we will continue to innovate our products and explore new market applications in response to market demand and technology development. The Company expect to gain a foothold in the audio-visual multimedia and digital surveillance industry.

3. Supply and Demand in the Market and Possible Future Growth

With the rapid development of science and technology and the popularity of the global network, the audio-visual market has shown unprecedented activity and diversification. In the coming years, the audio-visual market will face many new challenges and opportunities. The following is an analysis of the future supply and demand situation and growth of the audio-visual market:

- High-quality content demand: As consumer demand for high-quality audio and video content continues to increase, the future audio and video market will pay more attention to the production and dissemination of high-resolution content such as HD, 4K and 8K. In addition, technologies such as HDR, high frame rate and stereo will also play an important role in the audio-visual market.
- Live and streaming: In recent years, the rise of live and streaming platforms has fundamentally changed the way video content is consumed. In the future, live streaming and streaming media will continue to expand their market share and become an important competitive force in the audio-visual market.
- 5G networks and edge computing: With the popularity of 5G networks and the development of edge computing technology, the audio-visual market will usher in faster data transmission and lower latency, providing a better basis for the dissemination of high-quality audio-visual content.
- Virtual Reality and Augmented Reality: Virtual Reality (VR) and Augmented Reality (AR) technologies will bring new experiences to the audio-visual market, making audio-visual content more immersive and interactive. In the future, VR and AR will play an increasingly important role in entertainment, education, medical and other fields.
- Artificial intelligence and big data: Artificial intelligence (AI) and big data technologies will play an important role in the audio-visual market, such as content recommendation, speech recognition and image analysis. Through AI and big data technology, the audio-visual market will be able to analyze consumer needs more accurately and provide more personalized content.

4. Competitive Niches

- Mastering key technologies to meet audio and video multimedia applications

The Company can strengthen hardware and software integration with other related software applications through in-depth cooperation with suppliers and our intellectual property and long-term research and development experience. Furthermore, through the Company's experienced hardware and software development team, we can work on various product projects in parallel and cooperate to effectively improve the efficiency of product hardware and software development and help our customers' products be launched in the market in the first place.

The Company provides complete integration and testing on different operating systems and various hardware platforms for OEM/ODM customers' products, providing faster and more comprehensive professional services!

- Close cooperation with upstream suppliers to master advanced technologies

The Company has maintained close and long-term technical cooperation and frequent interaction with many well-known domestic and foreign professional video and digital compression wafer manufacturers. As a result, we can often obtain the latest product and advanced technology information and progress earlier than other competitors. In addition, our R&D team has over 20 years of experience in the development of streaming and multimedia products, which helps us accelerate the application of our new chip technology in the design of new products and launch new products that meet the trend to help our customers seize market opportunities.

- To maximize the benefits of cooperation by working in symbiosis with our customers

Through professional cooperation and division of labor with the members of each project team, the Company's marketing department has established close cooperation and excellent understanding with influential brands and channel customers and provides the most rapid and perfect support and service. Each task force is convened by the supervisor of each business and R&D department and can respond to market

changes. As a result, customer needs immediately and quickly, effectively assisting customers in strengthening their product performance and market competitiveness, increasing customer trust and satisfaction with the Company, and becoming a long-term strategic partner!

- High specification product verification to ensure the highest quality and customer satisfaction

The Company is fully committed to the research and development of cutting-edge audio-visual and digital surveillance products and technology applications, expanding and cultivating our R&D workforce, and investing in a variety of related testing instruments and signal simulation equipment to ensure that all new products can pass and obtain relevant national testing certifications and safety regulations before they are launched.

5. Favorable and unfavorable factors of development prospect and countermeasures

■ Favorable factors for the development of the vision

- Continuous technological innovation: With the advancement of science and technology, audio-visual multimedia technology will continue to upgrade, bringing more development opportunities to the company.
- Growing market demand: Developments in emerging markets such as smart homes, IoT, and virtual reality will lead to increased demand for audio-visual multimedia products and solutions.
- Excellent industry reputation: Long-term R&D experience and success stories will help the company win more customers and partners.

■ Disadvantages of Prospects for Development

- Fierce market competition: The audio-visual multimedia market is fiercely competitive, and new entrants and existing competitors may bring pressure on the business to seize and market share decline.
- Rapid product updates: Technology updates accelerate, and companies need to invest in research and development to ensure product and technology leadership.
- Changes in Regulatory Policies: Changes in government regulations and policies may affect the company's business development.

■ Response

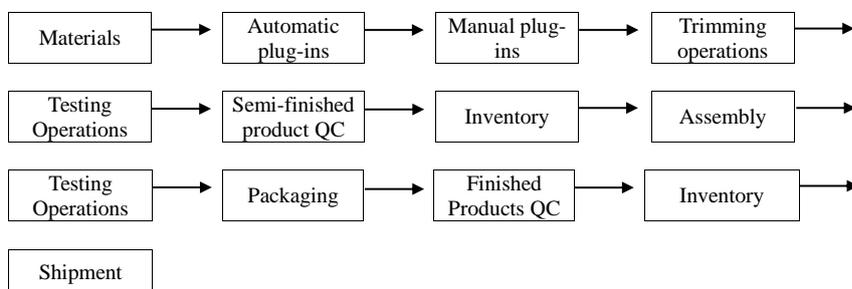
- Strengthen innovation capabilities: The company should continue to increase R&D investment and actively explore new technologies and new application areas to maintain a competitive advantage in audio-visual multimedia products and technologies.
- Expand market areas: Actively explore emerging markets, seek diversified business development, and reduce dependence on specific markets or customers.
- Optimize the product structure: adjust the product structure according to the changes in market demand and competitive environment, and improve the added value and profit level of the product.
- Strengthen partnerships: Strengthen cooperation with upstream and downstream suppliers and customers, share resources, and jointly respond to market changes and competitive challenges.
- Pay attention to regulatory policy dynamics: pay close attention to changes in policies and regulations, and timely adjust business strategies and business layouts to adapt to the changing environment.

(II) Usage and Manufacturing Processes for Main Products

1. Key Applications of Main Products

Name of main product or service	Usage
4K AV Capture Card	Instantly capture 4K video and audio content transferred via SDVoE, HDMI 2.0, 12G-SDI, etc., and store, edit and stream it
Thunderbolt 3.0 AV Capture Box	Suitable for video and audio multimedia, capture 4K video and audio via Thunderbolt 3.0 real-time 12G-SDI, HDMI 2.0, etc.
Embedded AV codec	Capturing, storing, and streaming audio and video independently without an external computer, and suitable for web conferencing and video communication
Multi-Format Video Converters	Convert SD/HD video to another video format for professional clients such as broadcast producers
USB3.0 AV capture box	For video and audio multimedia applications, capture HD video and audio content via SDI, HDMI and other interfaces via USB3.0 for storage, editing and playback in real-time
Video Streaming Box	A device that is used to compress a series of media data and then transmit the data in segments over the network to transmit audio and video over the web in real-time for viewing
SDI to HDMI converter box	Converts SDI signals to HDMI signals for use in surveillance or professional broadcasting
HDMI to SDI converter box	Converts HDMI signals to SDI signals for use in surveillance or professional broadcasting

2. Manufacturing Process



(III) Supply of main raw materials

1. The primary raw materials for the Company's products are chips, memory and other electronic components, which domestic and foreign manufacturers supply with stable quality.
2. The Company maintain good cooperative relationships with domestic and foreign suppliers and pay attention to our suppliers' financial and operational status at all times to achieve a stable supply of goods.

(IV) List of customers who have accounted for more than 10% of the total sales and purchases in any of the last two years

1. Information of major suppliers in the 2 past years

Unit: NT \$ thousands;%

Item	2021				2022				2023 up to the first quarter (Note 2)			
	Name	Amount	% of annual net purchase	Relation with issuer	Name	Amount	% of annual net purchase	Relation with issuer	Name	Amount	Percentage of net sales for the year ended the previous quarter (%)	Relation with issuer
1	A	126,557	13.76	N/A	A	163,881	26.83	N/A	A	48,544	34.23	N/A
2	B	104,486	11.36	N/A	-	-	-	-	B	17,878	12.61	N/A
	Other	688,762	74.88	N/A	Other	446,893	73.17	N/A	Other	75,410	53.16	N/A
	Net purchase	919,805	100.00		Net purchase	610,774	100.00		Net purchase	141,832	100.00	

Note 1: Where procurement acquired from a supplier exceed 10% of total procurement for the most recent two years, the name of the said supplier, procurement value, and proportion of the procurement shall be disclosed. However, contractual terms dictate that the name of such a supplier or trading partner cannot be disclosed if the said supplier or trading partner is an individual and unrelated party, and codes may be used to replace the names instead.

Note 2: As of the date of publication of the annual report, companies that have been listed or whose stocks have been traded in the securities firm's business premises should be disclosed if they have the latest financial information reviewed or audited by the Certified Public Accountant / CPA.

Increase or decrease: due to a change in suppliers in products sold.

2. Information of major customers in the 2 past years

Unit: NT \$ thousands;%

Item	2021				2022				2023 up to the first quarter (Note 2)			
	Name	Amount	Percentage of net sales for the year [%]	Relation with issuer	Name	Amount	Percentage of net sales for the year [%]	Relation with issuer	Name	Amount	Percentage of net sales for the year ended the previous quarter [%]	Relation with issuer
1	A	912,712	50.92	N/A	A	548,081	39.93	N/A	A	79,404	31.45	N/A
2	B	185,169	10.33	N/A	B	133,081	9.69	N/A	B	39,762	15.75	N/A
	Other	694,558	38.75	N/A	Other	691,611	50.38	N/A	Other	133,346	52.80	N/A
	Net Sales	1,792,439	100.00		Net Sales	1,372,773	100.00		Net sales	252,512	100.00	

Note 1: The names of customers with more than 10% of total sales and the amounts and percentages of sales for the last two years are listed, except if the names of customers are not disclosed in the contract or if the customers are individuals and not related parties, they may be listed under the code.

Note 2: As of the date of publication of the annual report, companies that have been listed or whose stocks have been traded in the securities firm's business premises should be disclosed if they have the latest financial information reviewed or audited by the Certified Public Accountant / CPA.

Increase or decrease: due to the change in products sold in the market.

(V) Value of production volume in the last two years

Unit: pcs; NTS 1,000

Year Production amount	2021			2022		
	Production Capacity	Production Volume	Production value	Production Capacity	Production Volume	Production value
Main Products						
Computer multimedia peripheral video converters and interface cards, etc.	-	1,483,282	990,952	-	1,469,526	706,553
Other PC-related products	-	736,568	3,652	-	401,854	7,972
Total	-	2,219,850	994,604	-	1,871,380	714,505

Note 1: The Company's products are outsourced, so we have no production capacity.

Note 2: Production capacity refers to the amount of production that the Company can produce under regular operation using existing production facilities after considering necessary shutdowns, holidays and other factors.

Note 3: If the production of each product is substitutable, the production capacity may be combined and explained in the notes.

(VI) Sales volume for the last two years

Unit: pcs; NTS 1,000

Year Sales Volume Value	2021				2022			
	Domestic Sales		Export		Domestic Sales		Export	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value
Main Products								
Computer multimedia peripheral video converters and interface cards, etc.	111,274	235,955	1,372,008	1,552,387	61,818	153,807	1,407,708	1,207,627
Other PC-related products	314,477	2,128	422,091	1,969	362,669	7,130	39,185	4,209
Total	425,751	238,083	1,794,099	1,554,356	424,487	160,937	1,446,893	1,211,836

(VII) The Company's Key Performance Indicator (KPI).

- (1) The average turnover of the last two years for personnel costs

	2022	2021
Revenue	1,372,773	1,792,439
Personnel costs	197,291	192,284
Personnel costs/turnover	14.37%	10.73%

Unit: NT\$ 1,000

- (2) Average turnover per employee for the last two years (excluding the number of directors)

	2022	2021
Revenue	1,372,773	1,792,439
Number of Employees	145	141
Turnover / Number of Employees	9,467	12,712

Unit: NT\$ 1,000

III. Information on the number of workers in the industry in the last two years

Unit: Person

Year		2021	2022	As of March 30, 2023 (Note)
Number of Employees	Management Staff	51	51	51
	R&D personnel	90	94	91
	Total	141	145	142
Average age		38.6	38.5	38.3
Average length of service (year)		7.8	7.6	8.5
Number of Academic Degrees	Doctorate/PhD	0	0	0
	Master/MPhil	50	50	52
	University	84	88	85
	High school	7	7	5
	Below high school	0	0	0

Note: The above information does not include the number of directors.

IV. Disbursements for Environmental Protection

- (I) According to the characteristics of the Company's industry, the manufacturing process of our products is outsourced, the Company itself is not directly affected by the EU Restriction of Hazardous Substances Directive (RoHS), and the processing plants that we cooperate with are all in compliance with the EU Environmental Directive RoHS. In addition, all of them comply with the lead-free manufacturing process.
- (II) Total losses (including compensation) and penalties for environmental pollution in the latest year and up to printing date: None.
- (III) Future countermeasures (including improvement measures): In order to ensure the smooth and legal production process, the company will continue to find processing plants in line with the EU environmental protection directive to avoid process disruption.
- (IV) Possible expenses:

The Company strictly complies with all environmental protection laws and regulations, and our

processing plants also comply with all environmental protection laws and regulations. The Company's significant customers (Europe, the United States, and Japan) emphasize environmental protection issues motivates us to abide by the laws and regulations.

V. Labor Relations

(I) Labor-management agreements and implementation

1. Employee benefit measures and their implementation:

In 1998, the Company was approved by the Taipei Municipal Government Social Bureau to formally establish the "Employee Welfare Committee". Through the company's contribution of employee benefits, the Company has implemented a number of welfare measures, such as employee travel, dining, end-of-year end-of-the-year dental activities, and also provided enterprise medical care on-site services and signed a contract with a legally filed childcare service organization to accept employees' children. The Company has achieved remarkable results in promoting close and harmonious labor relations.

2. Further education and training:

To enhance employees' professional ability and knowledge to improve productivity, the Company allows employees to receive professional and appropriate training according to their duties and functions. In addition, if there are courses required by law for further education, such as continuing education for accounting supervisors and auditors, the company cooperates with the regulations. Furthermore, it uploads them to the supervisors for the record. (For details, please read this article. (Please refer to pages 81 to 83 of this annual report for further details)

3. Retirement System Implementation Circumstance:

- (1) Under the Labor Standards Act, a monthly retirement reserve of 2% of payroll is deposited in the Department of Trusts, Bank of Taiwan.
- (2) Since 1998, employees of the Company have been retired under the permitted retirement scheme.
- (3) The Labor Pension Act became effective on July 1, 2005, based on a defined contribution plan. After implementation, employees may choose to be subject to the pension provisions of the Labor Standards Act or to the pension system under the Act and retain the years of service prior to the application of the Act. For employees subject to the Act, the Company's monthly contribution rate to the employee's pension shall not be less than 6% of the employee's monthly salary.

4. Other significant agreements: None.

(II) Losses suffered from labor disputes in the most recent year and up to the printing date of the annual report, and disclose the estimated amount of current and potential future losses and measures to address them, and if it is not possible to make a reasonable estimate, state the fact that it is not possible to make a good estimate:

The Company's labor relations are harmonious. The management system is based on the Labor Standards Law; therefore, the Company has not suffered any loss due to labor disputes so far, and there should not be any such cases in the future.

VI. Important contract: None.

Chapter 6 Financial Information

I. Condensed Balance Sheet and Consolidated Income Statement

(I) Latest Annual Condensed Balance Sheet and Consolidated Income Statement - Under International Financial Reporting Standards

1. Abbreviated Balance Sheets

Unit: NT\$ 1,000

Item	Year	Financial information for the current year as of March 31, 2023 (Note 1)	2022	2021	2020	2019	2018
Current Assets		982,051	935,940	874,271	1,150,371	1,395,431	1,214,403
Investment Property		1,100,968	1,101,006	22,309	22,442	22,089	22,458
Intangible Assets		5,192	4,108	3,083	5,452	5,809	3,644
Other Assets		68,293	73,593	1,143,013	1,150,965	51,534	25,101
Total Assets		2,156,504	2,114,647	2,042,676	2,329,230	1,474,863	1,265,605
Current liabilities	Before Distribution	459,555	302,402	351,775	761,314	332,685	262,135
	After distribution	610,631	453,4787	550,560	1,026,361	484,469	390,308
Non-current Liabilities		50,028	52,260	49,743	47,180	47,431	41,124
Total Liabilities	Before Distribution	509,583	401,218	401,518	808,494	380,116	303,259
	After distribution	660,659	552,294	600,303	1,139,802	531,900	431,432
Equities Attributable to Owners of Parent Company		1,646,921	1,759,985	1,641,158	1,520,736	1,094,747	962,346
Share Capital		403,559	403,559	403,559	337,298	337,298	337,298
Capital surplus		793	793	793	793	793	793
Retained Earnings	Before Distribution	1,280,865	1,373,929	1,275,102	1,220,941	756,656	624,255
	After distribution	1,129,789	1,242,853	1,076,317	889,633	604,872	496,082
Other Equity		0	0	0	0	0	0
Treasury stock		(38,296)	(38,296)	(38,296)	(38,296)	0	0
Non-controlling Interests		0	0	0	0	0	0
Total Equity	Before Distribution	1,646,921	1,759,985	1,641,158	1,520,736	1,094,747	962,346
	After distribution	1,495,845	1,608,909	1,442,373	1,189,428	942,963	834,173

Note 1: Our Certified Public Accountant / CPA has reviewed and cleared the above financial information.

2. Abbreviated Consolidated Income Statement

Unit: NT\$ 1,000

Item \ Year	Financial information for the current year as of March 31, 2023 (Note 1)	2022	2021	2020	2019	2018
Operating Revenue	252,512	1,372,773	1,792,439	2,705,342	1,294,164	1,147,378
Gross profit	128,429	658,268	797,835	1,108,896	585,918	549,645
Operating profit (loss)	45,824	340,530	484,392	789,031	327,829	303,845
Non-operating revenue and expenses	1,691	42,225	(14)	(14,326)	4,715	19,420
Income before Tax	47,515	382,755	484,378	774,705	332,544	323,265
Net income from continuing operations	38,012	314,304	384,084	615,420	260,307	255,638
Loss from discontinued operations	0	0	0	0	0	0
Net income (loss) for the period	38,012	314,304	384,084	615,420	260,307	255,638
Other comprehensive income (loss) for the period (Net value after tax)	0	3,308	1,384	649	267	992
Total Comprehensive Income of Current Period	38,012	317,612	385,468	616,069	260,574	256,630
Net income attributable to shareholders of the parent company	38,012	317,612	385,468	616,069	260,574	256,630
Net Income Attributable to Non-controlling Interests	0	0	0	0	0	0
Total comprehensive income attributable to owners of the parent	38,012	317,612	385,468	616,069	260,574	256,630
Comprehensive Income Attributable to Non-controlling Interests	0	0	0	0	0	0
Earnings per Share	0.96	7.91	9.66	15.41	7.72	7.58

Note 1: Our Certified Public Accountant / CPA has reviewed and cleared the above financial information.

3. Names of auditing CPAs of the most recent five years and their audit opinions

Year	Name of the accounting firm	CPA	Opinions
2018	PricewaterhouseCoopers Taiwan	Minjuan Feng, Shengzhong Xu	Standard unqualified opinion
2019	PricewaterhouseCoopers Taiwan	Minjuan Feng, Shengzhong Xu	Standard unqualified opinion
2020	PricewaterhouseCoopers Taiwan	Minjuan Feng, Shengzhong Xu	Standard unqualified opinion
2021	PricewaterhouseCoopers Taiwan	Minjuan Feng, Yongjian Xu	Standard unqualified opinion
2022	PricewaterhouseCoopers Taiwan	Minjuan Feng, Yongjian Xu	Standard unqualified opinion

II. Financial Analyses for the Past Five Fiscal Years

(I) By International Financial Reporting Standards

Item		Year	Current year	2022	2021	2020	2019	2018	
		as of March 31, 2023							
Financial structure (%)	Ratio of liabilities to assets	23.63	16.77	19.66	34.71	25.77	23.96		
	Ratio of long-term capital to property, plant, and equipment	16,219.43	15,641.53	150.21	139.09	13,429.18	13,924.84		
Solvency %	Current Ratio	213.70	309.50	248.53	151.10	419.45	463.27		
	Quick Ratio	126.03	188.05	135.56	106.34	367.46	401.11		
	Times interest earned ratio	523.14	1,027.15	779.74	1,176.58	417.2	0		
Operating ability	Turnover of Accounts Receivable (times)	324.77	56.80	63.13	270.28	60.32	49.65		
	Average days for cash receipts	1.12	6.42	5.78	1.35	6.05	7.35		
	Inventory turnover rate (times) (Note 1)	1.21	1.76	2.52	5.71	3.95	3.81		
	Payables Turnover Ratio (Times)	4.50	6.68	3.67	5.70	5.66	5.22		
	Average days for sale of goods	302.77	207.38	144.97	63.95	92.40	95.80		
	Property, Plant, and Equipment Turnover (times)	94.37	2.49	3.26	4.91	171.83	229.91		
	Total Assets Turnover Ratio (Times)	0.47	0.66	1.02	1.42	0.94	0.96		
Profitability	Return on assets (%)	7.13	15.13	17.59	32.38	19.04	21.35		
	Return on equity (%)	8.93	18.48	24.29	47.06	25.31	28.73		
	Percentage of paid-in capital (%)	Operating Income	45.42	84.38	120.03	233.93	97.19	90.08	
		Pre-tax net profit	47.10	94.84	120.03	229.68	98.59	95.84	
	Net profit margin (%)	15.05	22.90	21.43	22.75	20.11	22.28		
Cash flows	Earnings per share (NT\$)	0.96	7.91	9.66	18.49	7.72	7.58		
	Cash flow ratio (%)	10.18	130.85	26.02	111.53	106.81	84.96		
	Cash flow adequacy ratio (%)	77.16	86.44	88.86	97.19	160.57	142.31		
Financial Leverage	Cash re-investment ratio (%)	(17.65)	28.03	-10.46	45.84	20.65	11.32		
	Degree of Operating Leverage (DOL)	5.09	2.91	2.87	2.80	2.97	2.75		
	Degree of financial leverage (DFL)	1.00	1.00	1.00	1.00	1.00	1.00		

Note 1: The company's inventory turnover in 2011 was 1.76, and the inventory turnover in 2010 was 2.52, a change of -30.16%. The main reason was that more raw materials needed to be prepared for production and shipment, resulting in higher purchases in the current period and an increase in the amount of inventory at the end of the current period, and the inventory turnover rate therefore decreased, with no major abnormalities.

Note 1: The following formula should be shown at the end of this table for the annual report:

1. Financial structure
 - (1) The ratio of liabilities to assets = total liabilities/total assets.
 - (2) Long-term capital to property, plant and equipment ratio = (total equity + non-current liabilities)/net property, plant and equipment.
2. Solvency
 - (1) Current ratio = current assets/current liabilities.
 - (2) Quick Ratio = (Current Assets - Inventory - Prepaid Expense)/Current Liabilities.
 - (3) Interest coverage multiple = net income before income tax and interest expense/interest expense for the current period.
3. Operating ability
 - (1) Receivables (including accounts receivable and notes receivable arising from operations) turnover ratio = net sales/balance of average receivables (including accounts receivable and notes receivable arising from operations) for each period.
 - (2) Average cash out days = 365/turnover of accounts receivable.
 - (3) Inventory turnover = cost of goods sold/average inventory.
 - (4) Accounts payable (including accounts payable and notes payable arising from operations) turnover = cost of goods sold/balance of average payables (including accounts payable and notes payable arising from operations) for each period.
 - (5) Average sales days = 365/inventory turnover.
 - (6) Property, plant and equipment turnover = net sales/average property, plant and equipment turnover.
 - (7) Total Asset Turnover = Net Sales/Average Total Assets.
4. Profitability
 - (1) Return on assets = {profit and loss after tax + interest expense x (1- tax rate)}/ Average total assets.
 - (2) Equity Return = Profit or Loss after Tax/Average Total Equity.
 - (3) Net profit margin = profit or loss after tax/net sales.
 - (4) Earnings per share = (profit or loss attributable to owners of the parent company - special share dividend)/weighted average number of issued shares. (Note 4)
5. Cash flows
 - (1) Cash flow ratio = net cash flow from operating activities/current liabilities.
 - (2) Net cash flow allowance ratio = net cash flow from operating activities for the most recent five years/for the most recent five years (capital expenditures + increase in inventories + cash dividends).
 - (3) Cash reinvestment ratio = (net cash flow from operating activities - cash dividend)/(gross property, plant and equipment + long-term investment + other non-current assets + working capital). (Note 5)
6. Leverage:
 - (1) Operating Leverage = (Net Operating Revenue - Variable Operating Costs and Expenses)/Operating Income (Note 6).
 - (2) Financial Leverage = Operating Income/(Operating Income - Interest Expense).

Note 2: In the above formula for calculating earnings per share, special attention should be paid to the following matters when measuring:

1. The calculation shall be based on the weighted average number of shares of common stock instead of the number of issued shares at the end of the year.
2. Where there is cash replenishment or treasury stock transaction, the circulation period should be considered when calculating the weight average number of shares.
3. In the case of capital increase by surplus or by capital reserve, the annual and semi-annual earnings per share of previous years shall be retrospectively adjusted in accordance with the proportion of capital increase without considering the issuance period of such capital increase.
4. If the preferred share cannot be converted into cumulative preferred shares, then the dividend of the year (whether it has been issued or not) shall be deducted from net income after tax (NIAT), or included as a net loss after tax. If the special shares are of a non-cumulative nature and have net profit after tax, the special dividend shall be deducted from the net profit after tax; if it is a loss, no adjustment shall be made.

Note 3: Cash flow analysis should pay particular attention to the following when measuring:

1. Net cash flow from operating activities is the net cash inflow from operating activities in the cash flow statement.
2. Capital expenditure is the annual cash outflow of capital investment.
3. The increase in inventory is counted only when the balance at the end of the period is greater than the balance at the beginning of the period. If the inventory decreases at the end of the year, it is counted as zero.
4. Cash dividends include the cash dividends of common stocks and preferred stocks.

5. Gross property, plant and equipment represents the total amount of property, plant and equipment before accumulated depreciation.

Note 4: Issuers should distinguish between fixed and variable operating costs and operating expenses depending on their nature and where estimates or subjective judgments are involved, note the reasonableness and maintain consistency.

Note 5: The ratio of paid-in capital of foreign companies is calculated as a percentage of net worth.

III. Audit Committee Review Report of the Latest Annual Financial Report

YUAN High-Tech Development Co., Ltd.

Audit Committee Review Report

The Board of Directors submits the 111th annual business report, financial statements and profit distribution proposal of the Company, of which Feng Min-Juan and Xu Yong-Jian, joint accounting firm of the financial statements industry, have completed the audit and issued the audit report. The above-mentioned business report, financial statements and profit distribution proposal have been reviewed and completed by the Audit Committee, and it is considered that there is no discrepancy, and it is hereby reported in accordance with the provisions of Article 14-4 of the Securities and Exchange Act and Article 219 of the Companies Act.

Sincerely,

2023 Annual General Meeting of Shareholders of Chint Technology Development Co., Ltd.

Convenor of the Audit Committee

Guo, Dong-Long

March 8, 2023

IV. Financial statements of the most recent year

CPA's Audit Report

(112) Cai-Shen-Bao-Zi No. 22004751

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

Opinions

The Balance Sheet as of December 31, 2022 and 2021, the Comprehensive Income Statement, the Statement of Changes in Equity and Cash Flow Statement for the period from January 1 to December 31, 2022 and 2021, as well as the Notes to the Financial Statements (including a summary of material accounting policies) of YUAN High-Tech Development Co., Ltd. (hereinafter referred to as YUAN Company), have been reviewed by us.

According to our review results, we have determined that the foregoing financial statements have been prepared in all material respects in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers as well as International Financial Reporting Standards endorsed by the Financial Supervisory Commission (FSC), International Accounting Standard, IFRIC Interpretations, and SIC Interpretations, with a fair presentation of the financial position as of December 31, 2022 and 2021, the financial performance and the cash flows for the period from January 1 to March 31, 2022 and 2021 of YUAN High-Tech Development Co., Ltd.

Basis for Audit Opinion

We conducted our audits in accordance with the Regulations Governing the Auditing and Attestation of Financial Statements by Certified Public Accountants and Auditing Standards 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. Personnel of our affiliated firm subject to independence standards has maintained their independence from YUAN Company in accordance with the R.O.C. Statement of Ethics, and performed other obligations hereof. We believe that we have obtained sufficient and appropriate evidence as the basis for the audit opinion.

Key Audit Matters

Key audit matters refer to the most important matters to the audit of 2022 financial statements of YUAN Company in the professional judgement according to our professional judgment. 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.

The key audit matters of 2022 financial statements of YUAN Company are as follows:

Closing of Operating Revenue

Explanations

For the accounting policy of recognition of revenue, please refer to Note IV (XXV), for accounting items of operating revenue and its explanations, please refer to Note VI (XV), and the amount of 2022 operating revenue is NT\$1,372,773.

The sales mode of YUAN Company is that the operating revenue is recognized upon warehouse shipments of processing plant, and the revenue is recognized upon shipment by the processing plant (control of inventory is transferred to client). The Company mainly relies on the statements or other information provided by the warehouse custodian of the processing plant as the basis for the recognition of revenue based on the inventory changes in the warehouse of the processing plant, and the point of sales recognition varies according to the conditions of the customer agreement. These recognized revenue processes typically involve many manual operations and may result in inappropriate revenue recognition or inconsistencies between the inventory custody entity and the number of books on file. Because the daily sales volume of YUAN Company is large and the impact of the transaction amount on the financial statements before and after the end of the financial statements is material, we have listed the closing of sales revenue as one of the most important matters to be audited.

Major Audit Procedures

The following is a summary of the corresponding procedures that have been implemented by the CPA for the specific aspects described in the key audit matters:

1. Understand the business model of YUAN Company and evaluate the rationality of its cycle system of operating revenue.
2. Run a closing test for the transactions of operating revenue for a certain period before and after the closing date, including supporting documents for verification of warehouse shipments at processing plants, and records of inventory movements recorded in the appropriate period.
3. Perform field observation on inventory quantities and check with the inventory quantities recorded in the accounts. In addition, track the reasons for the discrepancies between the inventory observation and the quantities recorded in accounts, and test the reconciling items prepared by YUAN Company to confirm that material differences are recorded in the accounts.

Assessment on Valuation Loss of Allowance Inventories

Explanations

For the accounting policy of inventory valuation, please refer to Note IV (X) of the Financial Report for details; For the accounting estimates and assumption uncertainty of inventory valuation, please refer to Note V (II) of the Financial Report for details; For the description of inventory accounting items, please refer to Note VI (IV) of the Financial Report for details. The balance of loss on inventory valuation and allowance inventories as of December 31, 2022 is NT \$392,548,000 and NT \$39,255,000, respectively.

YUAN Company mainly manufactures and sells computer multimedia peripheral video converters, interface cards and other related products, which are subject to rapid changes in technology and market price volatility, resulting in a higher risk of inventory price loss or obsolescence. The normal sales of inventory is measured by the cost and net realizable value, whichever is lower; for the inventory that is individually identified as obsolete and damaged, the net realizable value is included in the loss. The above-mentioned valuation loss of allowance inventories mainly comes from the inventory measured by the cost and net realizable value, whichever is lower, and inventory items individually identified as obsolete or damaged. Due to the large amount of inventories and the large number of items, and the net realizable value of individually identified obsolete or damaged inventory items often involves management judgment based on actual conditions, and it is also an area that needs to be judged in the audit, the CPA's assessment of the inventory valuation loss of the Company is listed as one of the most important matters to be audited.

Major Audit Procedures

The following is a summary of the corresponding procedures that have been implemented by the CPA for the specific aspects described in the key audit matters:

1. Obtain the provisioning policy of loss allowance for falling price of inventories of YUAN Company, unanimously adopt this policy during the period of comparison of financial statement, and evaluate the reasonableness of its provisioning policy.
2. Obtain a detailed list of the net realizable value of cost of inventories and the amount of slow-moving losses, review the relevant supporting documents, recalculate their accuracy, and evaluate the basis and reasonableness of the management's estimate of the net realizable value.
3. Check the relevant information obtained during the process of inventory counting, and ask the management and personnel related to inventory about details of inventory slow-moving, surplus, older inventory, obsolete or damaged items that are omitted from the inventory.

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 International Financial Reporting Standard, International Accounting Standard, IFRIC Interpretations, and SIC Interpretations as endorsed and issued by the Financial Supervisory Commission, and for preparing and maintaining necessary internal control procedures pertaining to the Financial Statements.

In preparing the financial statements, the management's responsibilities also include assessing the Company's ability as a going concern, disclosing relevant matters, and adopting the accounting basis for a going concern, unless the management intends to liquidate the Company or cease to operate, or there is no practical alternative other than liquidation or closure.

The governing body (including supervisor) of YUAN Company is responsible for supervising the 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 degree of assurance, but there is no assurance that the audit performed in accordance with the Auditing Standards of the Republic of China will detect any material misrepresentations in the financial statements. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the Auditing Standards of 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. Because fraud may involve collusion, forgery, intentional omission, misrepresentation or transgression of internal control, the risk of failure to detect the material misrepresentation due to fraud is higher than that of due to error.
2. Obtain the necessary understanding of the internal control related to the audit to design the appropriate audit procedures under the circumstances, provided that the purpose is not to express an opinion on the effectiveness of the internal control of YUAN Company.

3. Evaluate the appropriateness of accounting policies adopted by management as well as the reasonableness of accounting estimate and related disclosures.
4. Draw conclusions as to the appropriateness of the adopting basis for a going concern adopted by the management, and whether there is any material uncertainty on events or circumstances that may raise material concerns about the ability for a going concern of YUAN Company. 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. We draw our conclusion on the basis of the audit evidence obtained as of the audit report date. However, future events or circumstances may cause YUAN Company to cease to have the ability for 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.

We decide on the key audit matters of 2022 financial statements of YUAN Company from the matters communicated with the governance body. We specify these matters in the audit report, unless certain matters that are allowed for public disclosure by law, or in rare cases, we decide not to communicate certain matters in the audit report, because the negative impact of this communication can reasonably be expected to exceed the public interest improved.

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.: (84) Taiwan-Finance-
Securities-(VI)-13377
March 8, 2023

YUAN High-Tech Development Co., Ltd.
Balance Sheet
December 31, 2021 and 2022

Unit: NT\$ thousand

Assets	Note	December 31, 2022		December 31, 2021		
		Amount	%	Amount	%	
Current assets						
1100	Cash and cash equivalents	VI(I)	\$ 456,030	21	\$ 278,223	14
1150	Net notes receivable	VI(II)	3,552	-	9,620	-
1170	Net accounts receivable	VI(II)(III)	84	-	31,869	2
130X	Inventories	VI(IV)	353,293	17	375,831	18
1470	Other current assets	VI(III)	122,981	6	178,728	9
11XX	Total current assets		<u>935,940</u>	<u>44</u>	<u>874,271</u>	<u>43</u>
Non-current assets						
1600	Property, plant and equipment	VI(V)	11,252	1	1,092,552	54
1755	Right-of-use assets	VI(VI)	19,352	1	17,086	1
1760	Net amount of investment properties	VI(VIII) & VIII	1,101,006	52	22,309	1
1780	Intangible assets		4,108	-	3,083	-
1840	Deferred income tax assets	VI(XXI)	25,179	1	29,412	1
1900	Other non-current assets	VI(X)	17,810	1	3,963	-
15XX	Total non-current assets		<u>1,178,707</u>	<u>56</u>	<u>1,168,405</u>	<u>57</u>
1XXX	Total assets		<u>\$ 2,114,647</u>	<u>100</u>	<u>\$ 2,042,676</u>	<u>100</u>

YUAN High-Tech Development Co., Ltd.
Balance Sheet
December 31, 2021 and 2022

Unit: NT\$ thousand

Liabilities and equity		Note	December 31, 2022		December 31, 2021	
			Amount	%	Amount	%
Liabilities						
Current liabilities						
2130	Contract liabilities - current	VI(XV)	\$ 28,498	1	\$ 43,153	2
2150	Notes payable		29,665	1	53,596	3
2170	Accounts payable		56,197	3	74,330	4
2200	Other payables	VI(IX)	97,404	5	99,250	5
2230	Current tax liabilities		50,943	2	45,382	2
2250	Liability provision - current	VI(XI)	23,424	1	23,110	1
2280	Lease liabilities - current		14,572	1	9,371	-
2300	Other current liabilities		1,699	-	3,583	-
21XX	Total current liabilities		<u>302,402</u>	<u>14</u>	<u>351,775</u>	<u>17</u>
Non-current liabilities						
2550	Liability provision - non-current	VI(XI)	43,799	2	43,161	2
2570	Deferred income tax liabilities	VI(XXI)	1,186	-	-	-
2580	Lease liabilities - non-current		4,889	1	5,462	1
2600	Other non-current liabilities		2,386	-	1,120	-
25XX	Total non-current liabilities		<u>52,260</u>	<u>3</u>	<u>49,743</u>	<u>3</u>
2XXX	Total liabilities		<u>354,662</u>	<u>17</u>	<u>401,518</u>	<u>20</u>
Equity						
Share capital VI(XII)						
3110	Share capital of common stock		403,559	19	403,559	20
Capital reserve VI(XIII)						
3200	Capital reserve		793	-	793	-
Retained earnings VI(XIV)						
3310	Legal capital reserve		282,637	13	244,090	12
3350	Unappropriated earnings		1,111,292	53	1,031,012	50
Other equity						
3500	Treasury shares	VI(XII)	(38,296)	(2)	(38,296)	(2)
3XXX	Total equity		<u>1,759,985</u>	<u>83</u>	<u>1,641,158</u>	<u>80</u>
Material Contingent Liabilities and IX						
Unrecognized Contractual						
Commitments						
Significant Events after the Balance XI						
Sheet Date						
3X2X	Total liabilities and equity		<u>\$ 2,114,647</u>	<u>100</u>	<u>\$ 2,042,676</u>	<u>100</u>

YUAN High-Tech Development Co., Ltd.
Comprehensive Income Statement
From January 1 to December 31, 2021 and 2022

Unit: NT\$ thousand

(Except for earnings per share in NT\$)

Item	Note	2022		2021	
		Amount	%	Amount	%
4000 Operating income	VI(XV)	\$ 1,372,773	100	\$ 1,792,439	100
5000 Operating costs	VI(IV)	(714,505)	(52)	(994,604)	(56)
5900 Gross profit		<u>658,268</u>	<u>48</u>	<u>797,835</u>	<u>44</u>
Operating expenses	VI(X)(XIX)				
6100 Selling and marketing expenses		(51,297)	(4)	(39,856)	(2)
6200 Administrative expenses		(111,384)	(8)	(112,399)	(6)
6300 R&D expenses		(157,570)	(11)	(158,688)	(9)
6450 Expected credit impairment benefit (loss)	XII(II)	<u>2,513</u>	<u>-</u>	<u>(2,500)</u>	<u>-</u>
6000 Total operating expenses		<u>(317,738)</u>	<u>(23)</u>	<u>(313,443)</u>	<u>(17)</u>
6900 Operating profit		<u>340,530</u>	<u>25</u>	<u>484,392</u>	<u>27</u>
Non-operating income and expenses					
7100 Interest income	VI(XVI)	1,438	-	624	-
7010 Other income	VI(XVII)	18,275	1	9,328	1
7020 Other gains and losses	VI(XVIII)	22,885	2	(9,344)	(1)
7050 Finance costs		(373)	-	(622)	-
7000 Total non-operating income and expenses		<u>42,225</u>	<u>3</u>	<u>(14)</u>	<u>-</u>
7900 Net income before tax		<u>382,755</u>	<u>28</u>	<u>484,378</u>	<u>27</u>
7950 Income tax expenses	VI(XXI)	(68,451)	(5)	(100,294)	(5)
8200 Net profit in the current period		<u>\$ 314,304</u>	<u>23</u>	<u>\$ 384,084</u>	<u>22</u>
8311 Remeasurements of defined benefit plan	VI(X)	\$ 4,135	-	\$ 1,730	-
8349 Income tax related to items not reclassified	VI(XXI)	(827)	-	(346)	-
8300 Other comprehensive income, net		<u>\$ 3,308</u>	<u>-</u>	<u>\$ 1,384</u>	<u>-</u>
8500 Total comprehensive income for the period		<u>\$ 317,612</u>	<u>23</u>	<u>\$ 385,468</u>	<u>22</u>
Earnings per share	VI(XXII)				
9750 Basic earnings per share		<u>\$ 7.91</u>		<u>\$ 9.66</u>	
9850 Diluted earnings per share		<u>\$ 7.88</u>		<u>\$ 9.63</u>	

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

Chairman: Chao, Hsi-Cheng

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 2022

Unit: NT\$ thousand

2021	Note	Share capital of common stock	Capital reserve	Retained earnings		Treasury shares	Total equity
				Legal capital reserve	Unappropriated earnings		
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(XIV) 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
2022							
Balance as of January 1, 2022		\$ 403,559	\$ 793	\$ 244,090	\$ 1,031,012	(\$ 38,296)	\$ 1,641,158
Net profit in the current period		-	-	-	314,304	-	314,304
Other Comprehensive Income		-	-	-	3,308	-	3,308
Total comprehensive income for the period		-	-	-	317,612	-	317,612
Appropriation and distribution VI(XIV) of earnings of 2021:							
Provision for legal surplus reserve		-	-	38,547	(38,547)	-	-
Cash dividends		-	-	-	(198,785)	-	(198,785)
Balance on December 31, 2022		\$ 403,559	\$ 793	\$ 282,637	\$ 1,111,292	(\$ 38,296)	\$ 1,759,985

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

Chairman: Chao, Hsi-Cheng

Manager: Lin, Hung-Pei
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Accounting Manager: Lo, Chia-Ling

YUAN High-Tech Development Co., Ltd.
Cash Flow Statement
From January 1 to December 31, 2021 and 2022

Unit: NT\$ thousand

	Note	From January 1 to December 31, 2022	From January 1 to December 31, 2021
<u>Cash flows from operating activities</u>			
Current net profit before tax		\$ 382,755	\$ 484,378
Adjustments			
Income and expenses			
Depreciation expenses	VI(V)(VI)(VIII) (XIX)	21,136	26,542
Amortization expenses	VI(XIX)	3,657	4,729
Impairment loss on expected credit (reversal profit)	XII(II)	(2,513)	2,500
Interest income	VI(XVI)	(1,438)	(624)
Interest expense		373	622
Changes in assets/liabilities relating to operating activities			
Net changes in assets related to operating activities			
Decrease (increase) in notes receivable		6,068	(6,746)
Decrease (increase) in accounts receivable		34,298	(25,840)
Decrease (increase) in inventories		22,538	(42,260)
Decrease (increase) in other current assets		55,747	(29,318)
Increase in other non-current assets		(13,547)	-
Net change in liabilities related to operating activities			
(Decrease) increase in contract liabilities - current		(14,655)	13,679
Increase or decrease in notes payable		(23,931)	(145,742)
Decrease in accounts payable		(18,133)	(139,971)
Decrease in other payables		(1,846)	(25,320)
(Decrease) increase in other current liabilities		(1,884)	413
Increase in liability provision		952	6,846
Increase (decrease) in other non-current liabilities		3,360	(2,261)
Cash inflow from operating activities		452,937	121,627
Interest received		1,438	624
Interest paid		(373)	(622)
Income tax paid		(58,297)	(213,162)
Net cash inflow (outflow) from operating activities		395,705	(91,533)
<u>Cash flows from investing activities</u>			
Acquisition of property, plant and equipment	VI(V)	(2,571)	(4,799)
Purchase of intangible assets		(4,682)	(2,360)
(Increase) decrease in Refundable deposits		(302)	1,606
Net cash outflow from investment activities		(7,555)	(5,553)
<u>Cash flows from financing activities</u>			
Short-term loans		-	310,000
Repayment of short-term loans		-	(310,000)
Repayment of leasing principal	VI(XXIII)	(13,600)	(15,632)
Increase in guarantee deposits		2,042	-
Cash dividends	VI(XIV)	(198,785)	(265,046)
Net cash outflow from financing activities		(210,343)	(280,678)
Increase (decrease) in cash and cash equivalents for the current period		177,807	(377,764)
Balance of cash and cash equivalents at the beginning of period		278,223	655,987
Balance of cash and cash equivalents at the end of the period		\$ 456,030	\$ 278,223

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

Chairman: Chao, Hsi-Cheng

Manager: Lin, Hung-Pei

Accounting Manager: Lo, Chia-Ling

YUAN High-Tech Development Co., Ltd.
Notes to the Financial Report
2021 and 2022

Unit: NT\$ thousand
(unless otherwise specified)

I. Company History

YUAN High-Tech Development Co., Ltd. (hereinafter referred to as "the Company") was established in October, 1990 in the Republic of China, and is mainly engaged in the manufacturing, processing and trading of computer multimedia peripheral video converters and interface cards, electronic and computer parts, general import and export business of the aforementioned products, and the distribution and bidding business of the aforementioned products on behalf of domestic manufacturers.

II. Date and Procedures for Adoption of the Financial Report

This financial report was approved and promulgated by the Board of Directors on March 8, 2023.

III. Application of New and Amended Standards and Interpretations

- (I) Effect of the application of new and amended International Financial Reporting Standards ("IFRSs") as endorsed and promulgated by the Financial Supervisory Commission (hereinafter referred to as "FSC")

The following table lists the newly issued, amended and revised IFRSs and interpretations as endorsed and promulgated by the FSC in 2022:

<u>Newly Issued, Amended, and Revised Standards and Interpretations</u>	<u>The effective date published by International Accounting Standards Board (IASB)</u>
Amendments to IFRS 3 - Reference to the Conceptual Framework	January 1, 2022
Amendments to IAS 16 - Property, Plant and Equipment - Proceeds before Intended Use	January 1, 2022
Amendments to IAS 37 - Onerous Contracts - Cost of Fulfilling a Contract	January 1, 2022
Annual Improvements to IFRS Standards 2018-2020	January 1, 2022

The Company assessed the above standards and interpretations and there is no significant impact to the Company's financial position and financial performance.

- (II) The impact of newly issued and amended IFRS endorsed by FSC but yet has not been adopted by the Company

The following table lists the newly issued, amended and revised IFRSs and interpretations as endorsed by the FSC in 2023:

<u>Newly Issued, Amended, and Revised Standards and Interpretations</u>	<u>The effective date published by International Accounting Standards Board (IASB)</u>
Amendments to IAS 1 - Disclosure Initiative-Accounting Policies	January 1, 2023
Amendments to IAS 8 - Definition of Accounting Estimates	January 1, 2023
Amendments to IAS 12 - Deferred Tax related to Assets and Liabilities arising from a Single Transaction	January 1, 2023

The Company assessed the above standards and interpretations and there is no significant impact to the Company's financial position and financial performance.

(III) The impact of IFRS published by the IASB but not yet endorsed by the FSC

The following table lists the newly issued, amended and revised IFRSs and interpretations published by the IASB but not yet endorsed by the FSC:

<u>Newly Issued, Amended, and Revised Standards and Interpretations</u>	<u>International Accounting Standards Board Effective date of issuance</u>
Amendments to IFRS 10 and IAS 28 - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be decided by IASB
Amendments to IFRS 16 - Lease Liability in a Sale and Leaseback	January 1, 2024
IFRS 17 - Insurance Contracts	January 1, 2023
Amendments to IFRS 17 - Insurance Contracts	January 1, 2023
Amendments to IFRS 17 - Initial Application of IFRS 17 and IFRS 9 - Comparative Information	January 1, 2023
Amendments to IAS 1 - Classification of Liabilities as Current or Non-current	January 1, 2024
Amendments to IAS 1 - Non-current Liabilities with Covenants	January 1, 2024

The Company assessed the above standards and interpretations and there is no significant impact to the Company's financial position and financial performance.

IV. Summary of Significant Accounting Policies

The main accounting policies adopted in the preparation of this financial report are described below. Unless otherwise stated, these policies apply consistently throughout all reporting periods.

(I) Statement of Compliance

This financial report has been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, as well as International Financial Reporting Standard, International Accounting Standard, IFRIC Interpretations, and SIC Interpretations (hereinafter referred to as "IFRSs") as endorsed and issued by the Financial Supervisory Commission.

(II) Basis of Preparation

1. Except for the following important items, this financial report is prepared at historical cost:

A defined benefit liability is recognized as the net value of the pension fund assets minus the present value of the defined benefit obligation.

2. The preparation of financial report in compliance with IFRSs requires the use of certain significant accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. Please refer to Note V for items involving in a higher degree of judgment or complexity or items involving in significant assumptions and estimates to the financial report.

(III) Translation of foreign currency

The items presented in the financial report of the Company are measured at the currency (i.e., functional currency) of the main economic environment in which the Company operating. This financial report is presented in the functional currency of the Company, New Taiwan Dollar.

Transaction in foreign currencies and balances

1. Transaction in foreign currencies are translated into functional currencies at the spot exchange rate on the trading day or the measurement date, and the translation differences generated by such transactions are recognized as profit or loss for the current period.
2. The balance of monetary assets and liabilities in foreign currencies shall be evaluated and adjusted according to the spot exchange rate on the balance sheet date, and the translation differences generated by such adjustment shall be recognized as profit and loss for the current period.
3. If the balance of non-monetary assets and liabilities in foreign currencies is not measured at fair value, it shall be measured at the historical exchange rate of the initial trading day.
4. All other exchange gains and losses shall be presented under "Other gains and losses" in the Income Statement.

(IV) The classification criteria for assets and liabilities whether are current or non-current

1. An asset that meets any of the following conditions shall be classified as current asset:
 - (1) The asset is expected to be realized, or intended to be sold or consumed in the normal operating cycle;
 - (2) The liability is held primarily for trading purposes;
 - (3) The asset is expected to be realized within 12 months after the balance sheet date; and
 - (4) The asset is cash or a cash equivalent unless the asset is restricted from being exchanged or used to pay off a liability at least 12 months after the balance sheet date.

The Company classifies all assets that do not meet the foregoing conditions as non-current.

2. A liability that meets any of the following conditions shall be classified as current liability:
 - (1) The liability is expected to be paid off in the normal operating cycle;
 - (2) The liability is held primarily for trading purposes;
 - (3) The liability is expected to be paid off within 12 months after the balance sheet date; and
 - (4) The liability of which the settlement term cannot be deferred unconditionally to at least 12 months after the balance sheet date. However, the terms of a liability which may result in the settlement of an equity instrument at the option of the counterparty will not affect its classification.

The Company classifies all liabilities that do not meet the foregoing conditions as non-current.

(V) Cash equivalents

Cash equivalents refer to short-term investments with highly liquidity that can be converted into quota cash at any time with little risk of change in value. Time deposits that meet the foregoing definition and are held for the purpose of meeting short-term cash commitments in operation are classified as cash equivalents.

(VI) Accounts and notes receivable

1. Accounts and notes receivable refer to the accounts and notes which have the right to unconditionally receive the consideration for the transfer of goods or services in accordance with the contract.
2. The Company measures the short-term accounts and notes receivable without interest paid at the original invoice value, due to the little effect from discount.
3. The Company's expected factoring receivables are operated for the purpose of selling, and shall be measured at fair value subsequently, with changes recognized as profit and loss for the current period.

(VII) Impairments of financial assets

At each balance sheet date, the Company, taking into account all reasonable and verifiable information (including forward-looking information) regarding financial assets measured at amortized cost, and accounts receivable with material financial components, measures the loss allowance by the expected credit loss in 12 months for those without credit risk increased significantly since the initial recognition, and measures the loss allowance by the expected credit loss during the duration for those with credit risk increased significantly since the initial recognition. For accounts receivable that do not contain a material financial component, the Company measures the loss allowance by the expected credit loss during the duration.

(VIII) Derecognition of financial assets

The Company will derecognize a financial asset if:

1. The contractual rights to receive cash flows from the financial asset expire.
2. The Company transfers the contractual rights to receive cash flows from the financial asset and virtually has transferred all the risks and rewards of the ownership of the financial asset.
3. The Company transfers the contractual rights to receive cash flows from the financial asset without retaining control over the financial asset.

(IX) Lessor's lease transaction - operating lease

The deduction of any inducement given to the lessee from the lease income of an operating lease shall be recognized as the current profit or loss by the straight-line method during the lease term.

(X) Inventories

Inventory shall be measured at the lower of cost or net realized value, and the cost is determined by weighted average method. The costs of finished goods and work in process include raw materials, direct labor, other direct costs and manufacturing overhead related to production, but does not include borrowing costs. The item-by-item comparison method is adopted for the lower

of comparative cost and net realized value. The net realized value refers to the balance of the estimated selling price in the normal course of business minus the estimated cost to be invested until completion and estimated costs required to complete the sale.

(XI) Property, plant and equipment

1. Property, plant and equipment are accounted for on the basis of acquisition cost.
2. Subsequent costs are included in the asset's carrying amount or recognized as separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replacement shall be derecognized. All other maintenance costs shall be recognized as current profit or loss when incurred.
3. Property, plant and equipment shall be subsequently measured by the cost model, and shall be depreciated by the straight-line method based on the estimated service life except for land. If each item of property, plant and equipment is material, it shall be depreciated separately.
4. The Company reviews each asset's residual values, service lives and depreciation methods at the end date of each fiscal year. If expected values of residual values and service lives differ from the previous estimates or there has been a material change in the expected consumption pattern of the future economic benefits contained in the asset, it shall be treated in accordance with the provisions of the IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors for changes in accounting estimates since the date of the change. The service life of each asset is as follows:

Machinery equipment	2 to 5 Years
Transportation equipment	5 Years
Office equipment	2 to 5 Years
Lease improvement	2 Years

(XII) Lessee's lease transaction - right-of-use assets/lease liabilities

1. The leased assets shall be recognized as the right-of-use assets and lease liabilities on the date when they are available to the Company. When the lease contract is a short-term lease or a lease of an underlying asset of low value, the lease payment shall be recognized as expense during the lease period by straight-line method.
2. The lease liabilities shall be recognized at the present value of the unpaid lease payments at the commencement date of lease discounted at the Company's interest rate on the increment loan. A lease payment is a fixed payment minus any lease inducement that may be received.

The lease liabilities shall be measured by the interest method and the amortized cost method subsequently, and the provision for interest expense shall be made during the lease term. When the lease term or lease payment changes not due to the contract modification, the lease liability will be reassessed and the remeasurement amount will be adjusted to the right-of-use asset.

3. The right-of-use assets shall be recognized at cost on the commencement date of lease, and the cost shall include:

(1)The initial measurement amount of the lease liability;

(2)Any lease payment paid on or before the commencement date.

The right-of-use assets shall be measured by the cost model subsequently, and the provision for depreciation expense shall be made on the earlier of the expiry date of the asset's service life or the expiry date of the lease term. When the lease liability is reassessed, the right-of-use assets will be adjusted to any remeasurement of the lease liability.

4. For a lease modification that reduces the scope of the lease, lessee will reduce the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognize the difference between the carrying amount and the remeasurement amount of the lease liability in the profit and loss.

(XIII) Investment properties

Investment properties shall be recognized at acquisition cost, and measured by the cost model subsequently. Except for land, investment property shall be depreciated by the straight-line method according to the estimated service life, which is 10-20 years.

(XIV) Intangible assets

Computer software

Computer software shall be recognized at acquisition cost, and amortized over an estimated service life of 1 - 5 years by the straight-line method.

(XV) Impairment of non-financial assets

On the balance sheet date, the Company estimates the recoverable amount of the assets with an indication of impairment, and recognizes the impairment loss when the recoverable amount is lower than the book value. The recoverable amount refers to the fair value of an asset minus the cost of disposal or its use value, whichever is higher. When the impairment of an asset recognized in previous years does not exist or decreases, the impairment loss shall be reversed, provided that the increase in the carrying amount of the asset resulting from the reversal of the impairment loss shall not exceed the carrying amount of the asset after deducting depreciation or amortization if the impairment loss is not recognized.

(XVI) Loans

It refers to a short-term loan from a bank. At the time of initial recognition, the Company shall measure the loans by deducting transaction costs from their fair value, and shall subsequently recognize the interest expense in profit and loss during the current period according to the amortization procedure using the effective interest method for any difference between the price after deducting transaction costs and the redemption value in profit and loss.

(XVII) Accounts and notes payable

1. Accounts and notes payable are debts incurred for the purchase of raw materials, goods or services on credit and notes payable incurred either arising from business or not arising from business.
2. The Company measures the short-term accounts and notes payable without interest paid at the original invoice value, due to the little effect from discount.

(XVIII) Derecognition of financial liabilities

The Company derecognizes financial liabilities when its contractual obligations specified have been performed, canceled or due.

(XIX) Offsetting of financial assets and liabilities

The Company may offset the financial assets and financial liabilities against each other and present them net in the balance sheet only when it has a legally enforceable right to offset the recognized amount of financial assets and liabilities, and intends to close on a net basis or realize assets and pay off liabilities at the same time.

(XX) Liability provision

Provision for liabilities (including warranties and provisions for liabilities arising from litigation) shall be recognized when the Company has a current legal or constructive obligation arising from a past event, and it is likely that the Company will have to discharge resources with economic benefit in the future to fulfill the obligation, the amount of such obligation can be reliably estimated. The provision for liabilities shall be measured by the best estimated present value of the expenditure required to fulfill the obligation at the balance sheet date, with a pre-tax discount rate which reflects the current market assessment of the time value of money and the specific risk of the liability. The amortization of the discount shall be recognized as interest expense. No provision for liabilities shall be recognized for future operating losses.

(XXI) Employee benefits

1. Short-term employee benefits

Short-term employee benefits shall be measured at the undiscounted amount expected to be paid and shall be recognized as expenses when the services are provided.

2. Pension

(1) Defined contribution plans

For a defined contribution plan, the amount of the pension fund to be contributed shall be recognized as the current pension cost on an accrual basis. Contributions paid in advance shall be recognized as assets to the extent refundable cash or reduced future payments.

(2) Defined benefit plans

A. Net obligations under defined benefit plans shall be calculated by discounting the amount of future benefits earned by the employee from the current or past services, and by present value of defined benefit obligations less the fair value of plan assets at the balance sheet date. Net obligations under defined benefit plan shall be calculated on an annually basis by actuaries using the projected unit benefit method. The discount rate adopted shall be the market yield (at the balance sheet date) of government bonds in the same currency and period as the defined benefit plan at the balance sheet date.

B. The rereasurement amount generated by the defined benefit plan shall be recognized in other comprehensive income for the period in which it is incurred and expressed in retained earnings.

3. Employees compensation and remuneration to directors

Employees compensation and remuneration to directors shall be recognized as expenses and liabilities where there are legal or constructive obligations and the amounts can be reasonably estimated. If there is a difference between the actual amount distributed and the accrued amount resolved subsequently, it shall be treated as a change in accounting estimate. In addition, if employees compensation is issued in stock, the number of shares shall be calculated based on the closing price of the day prior to the resolution of the board of directors.

(XXII) Income tax

1. Income tax expense includes current and deferred income taxes. Income tax shall be recognized in profit and loss, except that income tax related to items included in other comprehensive income or directly included in equity shall be separately included in other comprehensive income or directly included in equity.
2. The Company shall calculate the current income tax on the basis of the tax rates that are legislated or substantially legislated at the balance sheet date by the country in which the Company operates and generates its taxable income. Management shall evaluate on a regularly basis the status of income tax returns in respect of applicable income tax regulations and, where applicable, estimate income tax liabilities based on the taxes expected to be paid to tax authorities. The expense of income tax imposed on undistributed earnings under the Income Tax Act shall not be recognized according to the actual distribution of undistributed earnings until the next year of the year in which the surplus is generated after the earnings distribution plan is approved by the shareholders' meeting.
3. Deferred income tax shall be recognized on the basis of temporary differences between the tax basis of assets and liabilities and their carrying amounts on the balance sheet, using the balance sheet method. Deferred tax is subject to the tax rate (and tax law) that is legislated or substantially legislated at the balance sheet date and is expected to apply at the time of realization of the relevant deferred tax asset or settlement of the deferred tax liability.
4. Deferred income tax assets shall be recognized to the extent that temporary differences are likely to be used to offset future taxable income, and the unrecognized and recognized deferred income tax assets shall be reassessed on each balance sheet date.
5. The Company shall offset the current income tax assets and current income tax liabilities against each other only when it has the legal enforcement power to offset the recognized current income tax assets and liabilities against each other and intends to repay them on a net basis or realize assets and pay off liabilities at the same time. The Company shall offset the deferred income tax assets and liabilities against each other only when it has the legal enforcement power to offset the current income tax assets and the current income tax liabilities against each other, and the deferred income tax assets and liabilities are generated by the same taxpayer, or by different taxpayers, levied by the same tax authority, provided that each taxpayer intends to repay them on a net basis or realize assets and pay off liabilities at the same time.
6. Unused income tax credits transferred in later period arising from research and development expenditure shall be recognized as income tax assets to the extent that future tax income is likely to be available for the use of the unused income tax credit.

(XXIII) Share capital

1. Common stock is classified as equity, and the incremental costs directly attributable to the issuance of new shares or stock options shall be included as price deduction in equity with the net amount after deduction of income tax.
2. When the Company repurchases its outstanding shares, it recognizes the consideration paid, including any directly attributable incremental costs, as a reduction of shareholders' equity on a net after-tax basis. When the repurchased shares are subsequently re-issued, the difference between the book value and the consideration received after deducting any directly attributable incremental costs and income tax effects of the repurchased shares shall be recognized as an adjustment of shareholders' equity.

(XXIV) Dividend distribution

Cash dividends distributed to the Company's shareholders shall be recognized in the financial report when the dividends distribution are approved by resolution of the shareholders' meeting or by special resolution of the Board of Directors. Cash dividends distribution shall be recognized as liabilities, while stock dividends distributed to the shareholders of the Company shall be recognized as stock dividends to be distributed when the distribution is resolved at the Company's stockholders' meeting, and recognized as ordinary shares on the base date of issue of new shares.

(XXV) Recognition of revenue

1. Merchandise sales
 - (1) The Company develops, manufactures and sells computer multimedia peripheral video converters, interface cards and other related products, and recognizes the sales revenue when the control of the products is transferred to the customer, that is, when the products are delivered to the customer, the customer has the discretion over the distribution and price of the products, and the Company has no outstanding 110

(XXVI) Operating segments

Information about the Company's operating segments is reported in a manner consistent with internal management reports provided to principal operating decision maker. The principal operating decision maker is responsible for allocating resources to the operating segments and evaluating their performance. The principal operating decision maker of the Company is identified as the Board of Directors.

V. Major sources of uncertainty in major accounting judgments, estimates and assumptions

At the time of the preparation of this financial report, management has used its judgment in determining the accounting policies to be adopted and has made accounting estimates and assumptions based on reasonable expectations concerning future events according to the current conditions as at the balance sheet date. Significant accounting estimates and assumptions made that may differ from actual results will be continuously evaluated and adjusted taking into account historical experience and other factors. Such estimates and assumptions are subject to the risk of a material adjustment of the carrying amounts of assets and liabilities in the following fiscal year. The Company has taken into account the economic impact of the COVID-19 outbreak in its significant accounting judgments and will continue to evaluate the impact on its financial position and financial performance. Please refer to the following descriptions of the uncertainties in significant accounting judgments, estimates and assumptions:

(I) Significant judgments adopted for accounting policies

None.

(II) Significant accounting estimates and assumptions

Valuation of inventory

Since inventories are valued at the lower of cost and net realized value, the Company must use judgment and estimation to determine the net realized value of inventories at the balance sheet date. Due to rapid changing technology, the Company evaluates the amount of inventory for normal wear and tear, obsolescence, or without market value at the balance sheet date and offsets the cost of inventory to net realized value. This inventory valuation is based primarily on product demand estimates for specific periods in the future and may be subject to material change.

As of December 31, 2022, the carrying amount of the Company's inventory is NT\$353,293.

VI. Description of Material Accounting Items

(I) Cash and cash equivalents

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Cash on hand and working capital	\$ 1,005	\$ 753
Check deposits and current deposits	318,925	202,570
Time deposits	<u>136,100</u>	<u>74,900</u>
	<u>\$ 456,030</u>	<u>\$ 278,223</u>

1. The Company transacts with financial institutions of high credit quality, and transacts with a variety of financial institutions to diversify credit risk; therefore, the probability of counterparty's default is remote.
2. The Company has not pledged any cash and cash equivalents.

(II) Notes and accounts receivable

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Notes receivable	\$ 3,552	\$ 9,620
Less: allowance for loss	<u>-</u>	<u>-</u>
	<u>\$ 3,552</u>	<u>\$ 9,620</u>
Accounts receivable	\$ 93	\$ 35,069
Less: allowance for loss	<u>(9)</u>	<u>(3,200)</u>
	<u>\$ 84</u>	<u>\$ 31,869</u>

1. The aging analysis of accounts receivable and notes receivable is as follows:

	December 31, 2022		December 31, 2021	
	<u>Accounts receivable</u>	<u>Notes receivable</u>	<u>Accounts receivable</u>	<u>Notes receivable</u>
Not overdue	\$ 93	\$ 3,552	\$ 34,382	\$ 9,620
Within 30 days	-	-	2	-
31-90 days	-	-	7	-
91-180.days	-	-	-	-
More than 181 days	<u>-</u>	<u>-</u>	<u>678</u>	<u>-</u>
	<u>\$ 93</u>	<u>\$ 3,552</u>	<u>\$ 35,069</u>	<u>\$ 9,620</u>

The above aging analysis is based on the number of days overdue.

2. Balances of accounts receivable and notes receivable as of December 31, 2022 and 2021 were generated by contracts with customer, and the balance of accounts receivable under contracts with customer as of January 1, 2021 was NT\$12,103.
3. Without regard to collateral held or other credit enhancements, the maximum exposure amount representing most the credit risk of the Company's notes receivable as of December 31, 2022 and 2021 is NT\$3,552 and NT\$9,620, and the maximum exposure amount representing most the credit risk of the Company's accounts receivable as of December 31, 2022 and 2021 is NT\$84 and NT\$31,869, respectively.
4. Please refer to Note XII (II) for information on the credit risks.

(III) Transfer of financial assets

Transferred financial assets derecognized as a whole

The Company entered into an account receivable factoring agreement with Taipei Fubon Commercial Bank Co., Ltd., CTBC Bank Co., Ltd. and Cathay United Bank Co., Ltd. On November 9, 2021, December 17, 2021, July 17, 2020, and November 9, 2021 respectively. The Company is contractually free from the risk of non-collection of such transferred receivables and is only liable for losses arising from commercial disputes, and the Company has no ongoing involvement in such transferred receivables. Therefore, the Company derecognizes such factoring accounts receivable. The relevant information regarding those outstanding accounts receivable is as follows:

	<u>Amount of factoring accounts receivable</u>	<u>Derecognition amount</u>	<u>Unused amount</u>
December 31, 2022	<u>\$ 105,824</u>	<u>\$ 105,824</u>	<u>\$ 390,893</u>
December 31, 2021	<u>152,356</u>	<u>152,356</u>	<u>355,913</u>

The foregoing derecognition amounts are unadvanced and presented as "other current assets". The Company transacts its factoring accounts receivable with financial institutions of high credit quality, and transacts with a variety of financial institutions to diversify credit risk; therefore, the probability of counterparty's default is remote.

(IV) Inventories

<u>December 31, 2022</u>			
<u>Loss allowance for falling</u>			
	<u>Costs</u>	<u>price</u>	<u>Carrying amount</u>
Raw material	\$ 335,062	(\$ 18,753)	\$ 316,309
Work in process	54,369	(19,942)	34,427
Finished products	<u>3,117</u>	<u>(560)</u>	<u>2,557</u>
Total	<u>\$ 392,548</u>	<u>(\$ 39,255)</u>	<u>\$ 353,293</u>

<u>December 31, 2021</u>			
<u>Loss allowance for falling</u>			
	<u>Costs</u>	<u>price</u>	<u>Carrying amount</u>
Raw material	\$ 380,625	(\$ 26,577)	\$ 354,048
Work in process	33,884	(15,026)	18,858
Finished products	<u>3,301</u>	<u>(376)</u>	<u>2,925</u>
Total	<u>\$ 417,810</u>	<u>(\$ 41,979)</u>	<u>\$ 375,831</u>

Inventory cost recognized as expense and loss in the current period:

	<u>2022</u>	<u>2021</u>
Cost of inventory sold	\$ 715,758	\$ 991,301
(Recovery gain) Loss from falling price	(2,724)	3,303
Loss from scrap	<u>1,471</u>	<u>-</u>
	<u>\$ 714,505</u>	<u>\$ 994,604</u>

Due to disposed inventories recognized as loss from falling price in 2022, the recovery gain of inventories of the Company is generated.

				<u>2021</u>			
	<u>Land</u>	<u>Land improvement</u>	<u>Machinery equipment</u>	<u>Transportation equipment</u>	<u>Office equipment</u>	<u>Lease improvement</u>	<u>Total</u>
Accumulated depreciation	-	(3)	(2,588)	(3,224)	(4,941)	-	(10,756)
	<u>\$ 1,078,743</u>	<u>\$ 111</u>	<u>\$ 3,996</u>	<u>\$ 2,482</u>	<u>\$ 7,220</u>	<u>\$ -</u>	<u>\$1,092,552</u>

The real property, plant and equipment of the Company have not been provided as guarantee.

(VI) Leasing transaction - lessee

1. The underlying assets leased by the Company are buildings, with a general lease term between 1 and 2 years. The lease agreements are negotiated individually and contain a variety of terms and conditions. There are no restrictions other than that the leased assets may not be used as guaranteed for loan.
2. The Company shall lease the parking space for a period not exceeding 12 months.
3. Information on the book value and recognized depreciation expenses of the right-of-use assets is as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
	<u>Carrying amount</u>	<u>Carrying amount</u>
Buildings	<u>\$ 19,352</u>	<u>\$ 17,086</u>

	<u>2022</u>	<u>2021</u>
	<u>Depreciation expenses</u>	<u>Depreciation expenses</u>
Buildings	<u>\$ 15,962</u>	<u>\$ 20,779</u>

4. The increase of the Company's right-of-use assets for the years ended December 31, 2022 and 2021 is NT\$18,228 and NT\$11,827, respectively.
5. Information on the profit and loss relating to the lease contract is as follows:

	<u>2022</u>	<u>2021</u>
<u>Items affecting current profit and loss</u>		
Interest expense on lease liabilities	\$ 370	\$ 417
Expenses attributable to short-term lease contract	918	271

6. The total lease cash outflow of the Company for the years ended December 31, 2022 and 2021 is NT\$14,888 and NT\$16,998, respectively.

(VII) Lease transactions - lessor

1. The underlying assets rented out by the Company include land and buildings, with a general lease term between 1 and 9 years. Lease agreements are negotiated individually and contain a variety of terms and conditions. In order to preserve the use of the leased assets, the lessee is usually required not to use the leased assets as guarantee for loan or to provide salvage value guarantee.

2. For the rental income recognized by the Company under operating lease agreement for the years ended December 31, 2022 and 2021, please refer to Note VI(VIII), on which there is no variable lease payment.
3. The maturity date analysis of the lease payment made by the Company under operating lease is as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
2022	\$ -	\$ 753
2023	11,867	-
2024	11,106	-
2025	10,158	-
2026	10,158	-
2027	10,158	-
After 2028	<u>33,013</u>	<u>-</u>
	<u>\$ 86,460</u>	<u>\$ 753</u>

(VIII) Investment Properties

	<u>2022</u>		
	<u>Land</u>	<u>Buildings and structures</u>	<u>Total</u>
January 1			
Costs	\$ 21,520	\$ 23,538	\$ 45,058
Accumulated depreciation	<u>-</u>	<u>(22,749)</u>	<u>(22,749)</u>
	<u>\$ 21,520</u>	<u>\$ 789</u>	<u>\$ 22,309</u>
January 1	\$ 21,520	\$ 789	\$ 22,309
Reclassification	1,078,743	101	1,078,844
Depreciation expenses	<u>-</u>	<u>(147)</u>	<u>(147)</u>
December 31	<u>\$ 1,100,263</u>	<u>\$ 743</u>	<u>\$ 1,101,006</u>
December 31			
Costs	\$ 1,100,263	\$ 23,653	\$ 1,123,916
Accumulated depreciation	<u>-</u>	<u>(22,910)</u>	<u>(22,910)</u>
	<u>\$ 1,100,263</u>	<u>\$ 743</u>	<u>\$ 1,101,006</u>

	<u>2021</u>		
	<u>Land</u>	<u>Buildings and structures</u>	<u>Total</u>
January 1 Costs	\$ 21,520	\$ 23,538	\$ 45,058
Accumulated depreciation	-	(22,616)	(22,616)
	<u>\$ 21,520</u>	<u>\$ 922</u>	<u>\$ 22,442</u>
January 1 Depreciation expenses	\$ 21,520	\$ 922	\$ 22,442
December 31	-	(133)	(133)
	<u>\$ 21,520</u>	<u>\$ 789</u>	<u>\$ 22,309</u>
December 31 Costs	\$ 21,520	\$ 23,538	\$ 45,058
Accumulated depreciation	-	(22,749)	(22,749)
	<u>\$ 21,520</u>	<u>\$ 789</u>	<u>\$ 22,309</u>

1. Rental income and direct operating expenses of investment properties:

	<u>2022</u>	<u>2021</u>
Rental income from investment properties (Note)	<u>\$ 9,207</u>	<u>\$ 1,489</u>
Direct operating expenses incurred in investment properties with rental income in the current period	<u>\$ 1,678</u>	<u>\$ 336</u>

Note: Accounted for "Other income".

- The fair value of the investment properties held by the Company as of December 31, 2022 and 2021 is NT\$1,332,837 and NT\$50,102, respectively. The fair value is based on the evaluation of the transaction prices of similar properties in the vicinity of the related assets and belongs to the third level fair value.
- Please refer to Note VIII for details of the investment properties provided as guarantee.
- In order to enhance the efficiency and revitalize the assets, the Board of Directors resolved on April 14, 2022 to lease all the land in Neihu to Gramus International Co., Ltd. Due to the change in the purpose of holding the property from self-use to rental and receiving rental income, the lands are reclassified from property, plant and equipment to investment properties in accordance with IAS 40, Accounting for Investment Property.

(IX) Other Payables

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Wages payable	\$ 76,548	\$ 75,977
Remuneration payable to directors	7,974	10,091
Remuneration payable to employees	7,974	10,091
Commission payable	877	814
Other expense payables	<u>4,031</u>	<u>2,277</u>
	<u>\$ 97,404</u>	<u>\$ 99,250</u>

(X) Pension

1.

(1) In accordance with the provisions of the Labor Standards Act, the Company has formulated a retirement plan with defined benefits, which applies to the seniority of all regular employees prior to the implementation of the Labor Pension Act on July 1, 2005, and to the subsequent seniority of employees who choose to continue to apply the Labor standards Act after the implementation of the Labor Pension Act. If an employee is eligible for retirement, the pension payment shall be based on his/her seniority and the average salary of the six months prior to his/her retirement. Two bases will be given for each year of service up to 15 years (inclusive), and one base will be given for each year of service exceeding 15 years, subject to a maximum of 45 accumulated bases. The Company allocates 2% of the total salary per month to the retirement fund, which is deposited in a special account at the Bank of Taiwan in the name of the Supervisory Committee of Labor Retirement Reserve. In addition, before the end of each fiscal year, the Company shall estimate the balance of the special account for the retirement reserve fund for the employees referred to in the preceding paragraph. If the balance is insufficient to cover the estimated pension amount of the employees eligible for retirement in the following year, the Company will allocate the balance in a lump sum before the end of March next year.

(2) The amounts recognized in the balance sheet are as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Present value of defined benefit obligation	(\$ 39,210)	(\$ 39,750)
Fair value of plan assets	<u>45,138</u>	<u>38,975</u>
Net defined benefit assets (liabilities)	<u>\$ 5,928</u>	<u>(\$ 775)</u>

(3) Changes in net defined benefit liabilities are as follows:

	<u>Present value of defined benefit obligation</u>	<u>Fair value of plan assets</u>	<u>Net defined benefit liabilities</u>
2022			
Balance as of January 1	(\$ 39,750)	\$ 38,975	(\$ 775)
Current service cost	(427)	-	(427)
Interest (expenses) income	(239)	234	(5)
	<u>(40,416)</u>	<u>39,209</u>	<u>(1,207)</u>
Remeasurements:			
Changes in financial assumptions	1,206	-	1,206
Impact			
Experience adjustments	-	2,929	2,929
	<u>1,206</u>	<u>2,929</u>	<u>4,135</u>
Pension contribution	-	3,000	3,000
Pension payment	-	-	-
Balance as of December 31	<u>(\$ 39,210)</u>	<u>\$ 45,138</u>	<u>\$ 5,928</u>

	<u>Present value of defined benefit obligation</u>	<u>Fair value of plan assets</u>	<u>Net defined benefit liabilities</u>
2021			
Balance as of January 1	(\$ 43,090)	\$ 38,314	(\$ 4,776)
Current service cost	(715)	-	(715)
Interest (expenses) income	(129)	115	(14)
	<u>(43,934)</u>	<u>38,429</u>	<u>(5,505)</u>
Remeasurements:			
Changes in financial assumptions	1,174	-	1,174
Impact			
Experience adjustments	-	556	556
	<u>1,174</u>	<u>556</u>	<u>1,730</u>
Pension contribution	-	3,000	3,000
Pension payment	3,010	(3,010)	-
Balance as of December 31	<u>(\$ 39,750)</u>	<u>\$ 38,975</u>	<u>(\$ 775)</u>

(4) The fund assets of the defined benefit retirement plan of the Company are entrusted and operated by Bank of Taiwan within the proportion and amount of the entrusted operation items determined in the annual investment and utilization plan of this fund year in accordance with items in Article VI of Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement

Fund (Depositing in financial institutions at home and abroad, investing in listed, OTC or private equity securities and investing in securitized merchandises of domestic and foreign real estate, etc.), and relevant application is supervised by Labor Funds Supervisory Committee. The minimum income of the annual account distribution from the use of the funds shall not be less than the income calculated at the interest rate of two-year term deposits of local banks, or, if there is any deficiency, it shall be supplemented by the State Treasury after being approved by the Regulator. Since the Company has no right to participate in the operation and management of the Fund, it is unable to disclose the classification of the fair value of the plan assets in accordance with Paragraph 142 of IAS 19. For the fair value of the Fund's total assets constituted on December 31, 2022 and 2021, please refer to the annual utilization report on labor retirement fund announced by the government.

(5) The actuarial assumptions relating to the pensions are summarized as follows:

	<u>2022</u>	<u>2021</u>
Discount Rate	<u>1.20%</u>	<u>0.60%</u>
Future salary increase rate	<u>2.50%</u>	<u>2.50%</u>

Assumptions for future mortality are estimated on the basis of the 6th Experience Life Table of the Life Insurance Industry.

The present value of defined benefit obligations affected by changes in major actuarial assumptions adopted is analyzed as follows:

	<u>Discount Rate</u>		<u>Future salary increase rate</u>	
	<u>Increase by</u> <u>0.25%</u>	<u>Decrease by</u> <u>0.25%</u>	<u>Increase by</u> <u>0.25%</u>	<u>Decrease by</u> <u>0.25%</u>
December 31, 2022				
Impact on the present value of defined welfare obligations	<u>(\$ 490)</u>	<u>\$ 499</u>	<u>\$ 394</u>	<u>(\$ 391)</u>
December 31, 2021				
Impact on the present value of defined welfare obligations	<u>(\$ 488)</u>	<u>\$ 502</u>	<u>\$ 393</u>	<u>(\$ 385)</u>

The sensitivity analysis described above is to analyze the effects of single assumption change based on under the circumstances that other assumptions remain unchanged. In practice, many changes of assumptions may be linked. Sensitivity analysis is consistent with the methodology used to calculate the net pension liabilities of the balance sheet.

The methodology and assumptions used to prepre the sensitivity analysis in this period are the same as that of previous period.

(6) The Company's projected contribution to retirement plan for 2023 is NT\$3,000.

(7) As of December 31, 2022, the weighted average duration of the retirement plan is 5 years. The maturity analysis of pension payments is as follows:

Next 1 year	\$	3,370
Next 2 to 5 years		29,514
Next 6 years or more		<u>2,926</u>
	<u>\$</u>	<u>35,810</u>

2.

(1) Since July 1, 2005, the Company has established a defined contribution retirement plan for employees of Taiwan nationality in accordance with the Labor Pension Act. The Company contributes 6% of the monthly salary as labor pension funds to individual labor pension accounts at the Bureau of Labor Insurance, Ministry of Labor for employees every month in respect of the employee's choice to apply the labor pension system stipulated in the Labor Pension Act. The employee's pension shall be paid by monthly or in a lump sum based on his/her special pension account and accumulated income.

(2) The pension costs recognized by the Company under the foregoing pension plan for the years ended December 31, 2022 and 2021 are NT\$6,968 and NT\$6,329, respectively.

(XI) Liability provision

	<u>Repair and warranty</u>	<u>Litigation compensation</u>	<u>Total</u>
Balance as of January 1, 2022	\$ 64,419	\$ 1,852	\$ 66,271
Increase in provision for liabilities during the current period	<u>952</u>	<u>-</u>	<u>952</u>
Balance on December 31, 2022	<u>\$ 65,371</u>	<u>\$ 1,852</u>	<u>\$ 67,223</u>

	<u>Repair and warranty</u>	<u>Litigation compensation</u>	<u>Total</u>
Balance as of January 1, 2021	\$ 57,573	\$ 1,852	\$ 59,425
Increase in provision for liabilities during the current period	<u>6,846</u>	<u>-</u>	<u>6,846</u>
Balance as of December 31, 2021	<u>\$ 64,419</u>	<u>\$ 1,852</u>	<u>\$ 66,271</u>

The analysis of liability provision is as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Current	<u>\$ 23,424</u>	<u>\$ 23,110</u>
Non-current	<u>\$ 43,799</u>	<u>\$ 43,161</u>

1. Repair and warranty

The provision for liabilities of repair and warranty of the Company's are mainly related to the sales of computer multimedia peripheral video converters and interface cards, etc., and are estimated based on the historical repair and warranty information of such products. The Company expects that such liability provision will occur over the next three years.

2. Litigation compensation

In a patent infringement dispute with Societa Italiana per lo Sviluppo Dell 'Elettronica S.P.A, the German court ruled on January 9, 2013 that the Company had infringed the German Patent No. EP402973 of Sisvel, and the Company shall: (1) bear the court fees of the second instance; (2) bear the reasonable legal fees of Sisvel; (3) indemnify Sisvel for any loss incurred as a result of the infringement. The calculation of actual damages shall be based on royalty, and the actual sales figures of the Company shall be used as the basis for royalty calculation. Since the whole case has been concluded, the Company has made a liability provision of NT\$1,852 according to the judgment.

(XII) Share capital

1. The authorized capital of the Company is NT\$800,000, which is divided into 80,000 shares with a face value of NT\$10 per share. As of December 31, 2022, the paid-in capital is NT\$403,559. The payments of all shares issued by the Company have been received.
2. A reconciliation of the number of outstanding shares of the Company's common stock at the beginning and end of the period is as follows (Unit: thousand shares)

	<u>2022</u>	<u>2021</u>
January 1	39,757	33,131
Stock dividends	=	<u>6,626</u>
December 31	<u>39,757</u>	<u>39,757</u>

3. Treasury shares

- (1) The reasons for the recovery of shares and the number:

<u>Name of the holding company</u>	<u>Reasons for recovery</u>	<u>December 31, 2022</u>	
		<u>Number of shares</u>	<u>Carrying amount</u>
The Company	Shares transferred to employees	599,000	\$ 38,296

<u>Name of the holding company</u>	<u>Reasons for recovery</u>	<u>December 31, 2021</u>	
		<u>Number of shares</u>	<u>Carrying amount</u>
The Company	Shares transferred to employees	599,000	\$ 38,296

- (2) It is stipulated by the Securities and Exchange Act that the proportion of the number of shares repurchased by a company shall not exceed 10% of the total number of shares issued by such company, and the total amount of shares repurchased shall not exceed the retained earnings plus the premium of issued shares and the realized capital reserve.
- (3) The treasury shares held by the Company shall not be pledged in accordance with the Securities and Exchange Act, and no shareholders are entitled to their rights until the shares have been transferred.
- (4) In accordance with the provisions of the Securities and Exchange Act, shares repurchased for the purpose of transferring shares to employees shall be transferred within five years from the date of repurchase. If the shares are not transferred within the time limit, the Company shall be deemed to have not issued shares, and shall go through the alteration registration to cancel the shares. For the purpose of maintaining the Company's credit and shareholders' equity, the Company shall go through the alteration registration and cancellation of shares within six months from the date of repurchase.

(XIII) Capital reserve

In accordance with the Company Act, the surplus from the issuance of shares in excess of par value and the capital reserves from the receipt of donations shall be used to cover losses, and shall be distributed as new shares or distributed in cash to shareholders according to their original shareholding ratio when the Company has no accumulated losses. In addition, in accordance with the relevant provisions of the Securities and Exchange Act, when the foregoing capital reserve is appropriated to capital, the total amount shall not exceed 10% of the paid-in capital each year. The Company shall not appropriate capital reserve to capital if the loss is still not covered after appropriating capital surplus to capital deficiency.

(XIV) Retained earnings

1. In accordance with the Articles of Incorporation, if there is earnings in the annual total account, in addition to paying all taxes in accordance with the law, the earnings shall be used to make up the loss of the previous year first, and 10% shall be set aside as the legal surplus reserve. If there is surplus, it shall be retained or distributed according to the resolution of the shareholders' meeting. When the surplus is distributed by cash dividends, the Company shall authorize the Board of Directors to adopt a special resolution and report to the shareholders' meeting in accordance with laws and regulations. The amendment to the Articles of Incorporation was completed on July 20, 2021.
2. The Company's dividend policy is as follows: At the end of each fiscal year, the Company's Board of Directors shall make a proposal for the earnings distribution or loss recovery plan, and dividends shall be distributed in the form of cash dividends in part or in whole, of which stock dividends shall not exceed 90% of the dividends distributed for the current fiscal year.
3. The legal surplus reserve shall be exclusively used to cover accumulated deficit, to issue new shares or distribute cash to shareholders in proportion to their original shareholding ratio, provided that legal surplus reserve used for the issue of new shares or cash distributed

to shareholders shall be limited to the portion in excess of 25% of the paid-in capital.

4. When distributing the earnings, in accordance with the regulations, the Company shall set aside special surplus reserve from the debit balance of other equity items at the balance sheet date in the current year. When the debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.
5. The resolution on earnings distribution for 2021 resolved by shareholders' meeting on June 14, 2022 and the resolution on earnings distribution for 2020 resolved by shareholders' meeting on July 20, 2021 are as follows:

	<u>2021</u>		<u>2020</u>	
	<u>Amount</u>	<u>Dividends Per Share (NT\$)</u>	<u>Amount</u>	<u>Dividends Per Share (NT\$)</u>
Legal capital reserve	\$ 38,547		\$ 61,606	
Cash dividends	198,785	\$ 5	265,046	\$ 8
Stock dividends	-		<u>66,261</u>	2
	<u>\$ 237,332</u>		<u>\$ 392,913</u>	

6. The Surplus Earnings Distribution Plan in 2022 of the Company, as proposed by the Board of Directors on March 8, 2023, is as follows:

	<u>2022</u>	
	<u>Amount</u>	<u>Dividends Per Share (NT\$)</u>
Legal capital reserve	\$ 31,761	
Cash dividends	<u>151,076</u>	3.8
	<u>\$ 182,837</u>	

The distribution proposal of surplus earnings in 2022 mentioned above has not been resolved by the shareholders' meeting as of March 8, 2023.

(XV) Operating income

	<u>2022</u>	<u>2021</u>
Income from contracts with customers	<u>\$ 1,372,773</u>	<u>\$ 1,792,439</u>

1. Disaggregation of income from contracts with customers

The income of the Company is derived from the rendering of goods that are transferred at a certain point and can be broken down by the following main product lines:

	<u>2022</u>	<u>2021</u>
Sales income		
Computer multimedia peripheral video		
Converters and interface cards, etc.	\$ 1,361,434	\$ 1,788,342
Others	<u>11,339</u>	<u>4,097</u>
Total	<u>\$ 1,372,773</u>	<u>\$ 1,792,439</u>

2. Contract liabilities

	<u>December 31, 2022</u>	<u>December 31, 2021</u>	<u>January 1, 2021</u>
Contract liabilities:			
Contract liabilities-Advances on sales	<u>\$ 28,498</u>	<u>\$ 43,153</u>	<u>\$ 29,474</u>

3. Contract liabilities at the beginning of period recognized as income in the current period

	<u>2022</u>	<u>2021</u>
The beginning balance of contract liabilities is recognized as income in the current period		
Advances on sales	<u>\$ 28,890</u>	<u>\$ 15,911</u>

(XVI) Interest income

	<u>2022</u>	<u>2021</u>
Interest on bank deposits	<u>\$ 1,438</u>	<u>\$ 624</u>

(XVII) Other income

	<u>2022</u>	<u>2021</u>
Rental income	\$ 9,207	\$ 1,489
Other income – others	<u>9,068</u>	<u>7,839</u>
	<u>\$ 18,275</u>	<u>\$ 9,328</u>

(XVIII) Other gains and losses

	<u>2022</u>		<u>2021</u>
Foreign exchange gains (losses)	\$ 25,340		(\$ 9,173)
Miscellaneous disbursements	(2)		-
Other losses	<u>(2,453)</u>		<u>(171)</u>
	<u>\$ 22,885</u>		<u>(\$ 9,344)</u>

(XIX) Additional information on the nature of expense

	<u>2022</u>		<u>2021</u>
Employee benefit expenses	\$ 235,975		\$ 229,753
Depreciation expenses of right-of-use assets	15,962		20,779
Depreciation expenses of real property, plant and equipment	5,027		5,630
Investment properties - buildings and structures			
Depreciation expenses	147		133
Amortization expense of intangible assets	<u>3,657</u>		<u>4,729</u>
	<u>\$ 260,768</u>		<u>\$ 261,024</u>

(XX) Employee benefit expenses

	<u>2022</u>		<u>2021</u>
Salary expenses	\$ 205,265		\$ 202,375
Labor and health insurance expenses	13,432		12,738
Pension expenses	7,400		7,058
Other employment costs	<u>9,878</u>		<u>7,582</u>
	<u>\$ 235,975</u>		<u>\$ 229,753</u>

1. In accordance with the Articles of Incorporation, the Company shall, after deducting the accumulated losses based on the current year's profits, if there is still earnings, allocate no less than 2% as employee compensation and no more than 2% as remuneration to directors.
2. For the years ended December 31, 2022, and 2021, the estimated remuneration of the Company for employees was NT\$7,974 and NT\$10,091, respectively, and the estimated remuneration for directors and supervisors was NT\$7,974 and NT\$10,091, respectively. The amounts mentioned above were recorded as salary expenses.

The amounts are estimated at 2% based on the profits for the year ended December 31, 2022. The estimated amount is in line with the amount actually distributed by the Board of Directors and paid in cash.

The compensation for employees and remuneration to directors resolved by the Board of Directors for 2021 are consistent with the amounts recognized in the financial report of 2021.

Information on remuneration for employees and directors approved by the Board of directors of the Company is available at the Market Observation Post System.

(XXI) Income tax

1. Income tax expenses

(1) Components of income tax expense

	<u>2022</u>	<u>2021</u>
Current tax:		
Income tax incurred in current period	\$ 72,000	\$ 100,575
Additional income tax on unappropriated earnings	7,407	11,158
Overvaluation of income tax in previous years	<u>(15,548)</u>	<u>(7,656)</u>
Total income tax in the period	<u>63,859</u>	<u>104,077</u>
Deferred income tax:		
Initial generation and reversal of temporary differences	<u>4,592</u>	<u>(3,783)</u>
Total deferred income tax	<u>4,592</u>	<u>(3,783)</u>
Income tax expenses	<u>\$ 68,451</u>	<u>\$ 100,294</u>

(2) Income tax related to other comprehensive income:

	<u>2022</u>	<u>2021</u>
Remeasurements of defined benefit	<u>(\$ 827)</u>	<u>(\$ 346)</u>

2. Relationship between income tax expense and accounting profit

	<u>2022</u>	<u>2021</u>
Income tax of profit before tax calculated at the statutory tax rate	\$ 76,551	\$ 96,875
Tax effect of excluded items according to tax law	41	(83)
Overvaluation of income tax in previous years	<u>(15,548)</u>	<u>(7,656)</u>
Additional income tax on unappropriated earnings	<u>7,407</u>	<u>11,158</u>
Income tax expenses	<u>\$ 68,451</u>	<u>\$ 100,294</u>

3. The amounts of deferred income tax assets or liabilities arising from temporary differences are as follows:

	<u>January 1</u>	<u>2022</u>		<u>December 31</u>
		<u>Recognized in profit or loss</u>	<u>Recognized in other comprehensive net income</u>	
Temporary differences:				
- Deferred income tax assets:				
Doubtful debt expenses	\$ 550	(\$ 550)	\$ -	\$ -
Inventory price loss	8,395	(545)	-	7,850
Not actually contributed pension expenses	155	(155)	-	-
Unrealized exchange losses	6,996	(2,893)	-	4,103
Unrealized repair costs	12,885	19	-	13,077
Unused vacation bonus	431	(282)	-	149
Sub-total	\$ 29,412	(\$ 4,233)	\$ -	\$ 25,179
- Deferred tax liabilities:				
Pension	\$ -	(\$ 359)	(\$ 827)	(\$ 1,186)
Sub-total	\$ -	(\$ 359)	(\$ 827)	(\$ 1,186)
Total	\$ 29,412	(\$ 4,592)	(\$ 827)	\$ 23,993

	<u>January 1</u>	<u>2021</u>		<u>December 31</u>
		<u>Recognized in profit or loss</u>	<u>Recognized in other comprehensive net income</u>	
Temporary differences:				
- Deferred income tax assets:				
Doubtful debt expenses	\$ -	\$ 550	\$ -	\$ 550
Inventory price loss	7,734	661	-	8,395
Not actually contributed pension expenses	955	(454)	(346)	155
Unrealized exchange losses	5,299	1,697	-	6,996
Unrealized repair costs	11,516	1,369	-	12,885
Unused vacation bonus	471	(40)	-	431
Total	\$ 25,975	\$ 3,783	(\$ 346)	\$ 29,412

4. The Company's profit-seeking enterprise income tax has been approved by the tax collection authority to the year 2020.

(XXII) Earnings per share

		<u>2022</u>	
	<u>After-tax amount</u>	<u>Weighted average number of outstanding shares (thousand shares)</u>	<u>Earnings per share (NT\$)</u>
<u>Basic earnings per share</u>			
Net profit attributable to common shareholders in the current period	<u>\$ 314,304</u>	<u>39,757</u>	<u>\$ 7.91</u>
<u>Diluted earnings per share</u>			
Net profit attributable to common shareholders in the current period	314,304	39,757	
Impact of potential common stock with dilution effect			
Employee remuneration	-	132	
Impact of net current profit attributable to common shareholders plus potential common stocks	<u>\$ 314,304</u>	<u>39,889</u>	<u>\$ 7.88</u>

		<u>2021</u>	
	<u>After-tax amount</u>	<u>Number of weighted outstanding shares retroactively adjusted (thousand shares)</u>	<u>Earnings per share (NT\$)</u>
<u>Basic earnings per share</u>			
Net profit attributable to common shareholders in the current period	<u>\$ 384,084</u>	<u>39,757</u>	<u>\$ 9.66</u>
<u>Diluted earnings per share</u>			
Net profit attributable to common shareholders in the current period	384,084	39,757	
Impact of potential common stock with dilution effect			
Employee remuneration	-	109	
Impact of net current profit attributable to common shareholders plus potential common stocks	<u>\$ 384,084</u>	<u>39,866</u>	<u>\$ 9.63</u>

(XXIII) Changes in liabilities generated from financing activities

	<u>2022</u>	<u>2021</u>
	<u>Lease liabilities</u>	<u>Lease liabilities</u>
January 1	\$ 14,833	\$ 19,326
Changes in cash flow from financing	(13,600)	(15,632)
Other non-cash changes	18,228	11,139
December 31	<u>\$ 19,461</u>	<u>\$ 14,833</u>

VII. Related Party Transactions

- (I) Parent company and ultimate controller: None.
(II) Information of remuneration to the main management

	<u>2022</u>		<u>2021</u>
Short-term employee benefits	\$ 38,529		\$ 44,254
Post-employment benefits	<u>3,000</u>		<u>3,000</u>
Total	<u>\$ 41,529</u>		<u>\$ 47,254</u>

VIII. Pledged Assets

The Company's assets provided as guarantee are as follows:

<u>Asset item</u>	<u>Carrying amount</u>		<u>Guarantee purpose</u>
	<u>December 31, 2022</u>	<u>December 31, 2021</u>	
Investment properties - land	\$ -	\$ 21,520	Guarantee of borrowing limit
Investment properties - buildings and structures	<u>-</u>	<u>789</u>	Guarantee of borrowing limit
	<u>\$ -</u>	<u>\$ 22,309</u>	

IX. Material Contingent Liabilities and Unrecognized Contractual Commitments

None.

X. Losses due to Major Disasters

None.

XI. Significant Events after the Balance Sheet Date

For the surplus earnings distribution plan for 2022 proposed by the Board of Directors on March 8, 2023, please refer to Note VI (XIV) for details.

XII. Others

(I) Capital management

The capital management the Company aims to ensure the Company's ability as a going concern, so as to maintain an optimal capital structure to reduce the cost of capital, and provide returns to shareholders. In order to maintain or restructure its capital structure, the Company may adjust the dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. The Company uses a debt-to-capital ratio to monitor its capital, which is calculated by dividing the total liabilities of the balance sheet by the total liabilities and equity.

The Company's strategy in 2022 remains the same as that in 2021, with a commitment to maintain a debt ratio below 40%-45%. The debt-to-capital ratio of the Company as of December 31, 2022 and 2021 is 17% and 20%, respectively.

(II) Financial instruments

1. Categories of financial instruments

As of December 31, 2022 and 2021, the carrying amounts of financial assets (including cash and cash equivalents, notes receivable, accounts receivable, other receivables, other financial assets of factoring receivables, and refundable deposits) classified as measured at amortized cost under IFRS 9 by the Company are NT\$572,041 and NT\$478,887 respectively, the carrying amounts of financial liabilities (including notes payable, accounts payable, other payables and guarantee deposits) classified as measured at amortized cost are NT\$185,652 and NT\$227,176, respectively, and the carrying amounts of lease liabilities are NT\$19,461 and NT\$14,833 as of December 31, 2022 and 2021, respectively.

2. Risk Management Policy

- (1) The Company's daily operations are subject to a number of financial risks, including market risks (including exchange rate risks and interest rate risks), credit risks and liquidity risks. The Company adopts a comprehensive risk management and control system to clearly identify, measure and control the risks described, seeking to mitigate the potential adverse impact on the Company's financial position and performance.
- (2) Risk management shall be carried out by the Finance and Accounting Department of the Company in accordance with the policies approved by the Board of Directors. The Finance and Accounting Department of the Company is responsible for identifying, assessing and mitigating financial risks through close cooperation with the Company's internal operating units. The Board of Directors has established written principles for overall risk management and written policies on specific areas and issues, such as exchange rate risk, interest rate risk, credit risk, the use of derivative and non-derivative financial instruments, and the investment of surplus working capital.

3. The nature and extent of the material financial risk

(1) Market risks

Exchange rate risk

- A. The Company is engaged in the business involved in several non-functional currencies (the functional currency of the Company is new Taiwan dollar), which are subject to exchange rate fluctuations. Information on assets and liabilities in foreign currency that are significantly affected by exchange rate fluctuations is as follows:

	<u>December 31, 2022</u>		
(Foreign currency: functional currency)	<u>Foreign currency (NT\$ thousand)</u>	<u>Exchange rate</u>	<u>Carrying amount (NT\$)</u>
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	<u>\$ 9,024</u>	30.71	<u>\$ 277,127</u>
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	<u>\$ 1,266</u>	30.71	<u>\$ 38,879</u>

<u>December 31, 2021</u>			
(Foreign currency: functional currency)	<u>Foreign currency</u> (NT\$ thousand)	<u>Exchange rate</u>	<u>Carrying amount</u> (NT\$)
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	<u>\$ 12,037</u>	27.68	<u>\$ 333,184</u>
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	<u>\$ 1,921</u>	27.68	<u>\$ 53,173</u>

B. The aggregate amount of total conversion (losses) benefits (realized and unrealized) recognized by the Company for the year of 2022 and 2021 for the monetary items, which have been materially affected by exchange rate fluctuations, is NT\$25,340 and (NT\$9,173), respectively.

C. The impacts on foreign currency market risks of the Company due to material exchange rate fluctuations are analyzed as follows:

(Foreign currency: functional currency)	<u>Range of changes</u>	<u>2022 Sensitivity Analysis</u>	
		<u>Impacts on profit and loss</u>	<u>Impacts on other comprehensive income</u>
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	1%	\$ 2,217	\$ -
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	1%	\$ 311	\$ -

(Foreign currency: functional currency)	<u>Range of changes</u>	<u>2021 Sensitivity Analysis</u>	
		<u>Impacts on profit and loss</u>	<u>Impacts on other comprehensive income</u>
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	1%	\$ 2,665	\$ -
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	1%	\$ 425	\$ -

Cash flow and interest rate risks with fair value

- A. The main interest-bearing assets of the Company are cash (presented as "cash and cash equivalents"). As all the maturity dates are less than 12 months, there is no material risk of interest rate changes affecting the cash flow.
- B. The Company does not use any financial instruments to hedge its interest rate risk.

(2) Credit risk

- A. The credit risk of the Company is the risk of financial loss of the Company due to the failure of a customer or a counterparty of a financial instrument to fulfill its contractual obligations, which is mainly caused by the inability of the counterparty to repay the cash flow of accounts receivable payable on the terms of collection.
- B. The Company establishes credit risk management from a corporate perspective. In accordance with the stated internal credit policy, each of the Company's operating units shall carry out the management and credit risk analysis of each new customer before establishing the payment and delivery terms and conditions with such customer. Internal risk control is to assess the credit quality of customers by taking into account their financial position, historical experience, and other factors.
- C. The Company adopts IFRS 9 to provide the following assumptions as a basis for judging whether the credit risk of a financial instrument has increased significantly since the initial recognition:

When the contract payment is overdue for more than 30 days according to the agreed terms, it is deemed that the credit risk of a financial asset has increased significantly since the initial recognition.
- D. The Company adopts IFRS 9 to provide assumptions that if the contract payment is overdue for more than 90 days according to the agreed terms, it is deemed to have breached the contract.
- E. The Company groups the accounts receivable from customers according to the characteristics of customer ratings and customer types and adopts a simplified approach to estimate the expected credit losses based on a provision matrix.
- F. The Company adjusts the loss rate based on historical and current information for a specific period by taking into account the forward-looking considerations for the future to estimate the allowance for losses on accounts receivable. The reserve matrices as of December 31, 2022 and 2021 are as follows:

	<u>Not overdue</u>	<u>1 - 90 days overdue</u>	
<u>December 31, 2022</u>			
Expected loss rate	5.73%	5.75%	
Total book value	\$ 3,645	\$ -	
Allowance for loss	9	-	
	<u>91-180 days overdue</u>	<u>More than 181 days overdue</u>	<u>Total</u>
<u>December 31, 2022</u>			
Expected loss rate	5.75%	100.00%	
Total book value	\$ -	\$ -	\$ 3,645
Allowance for loss	-	-	9
	<u>Not overdue</u>	<u>1 - 90 days overdue</u>	
<u>December 31, 2021</u>			
Expected loss rate	5.73%	5.75%	
Total book value	\$ 44,002	\$ 9	
Allowance for loss	2,521	1	
	<u>91-180 days overdue</u>	<u>More than 181 days overdue</u>	<u>Total</u>
<u>December 31, 2021</u>			
Expected loss rate	5.75%	100.00%	
Total book value	\$ -	\$ 678	\$ 44,689
Allowance for loss	-	678	3,200

G.The statement of changes in allowance loss of the Company's accounts receivable adopting simplified approach is as follows:

	<u>2022</u>
	<u>Accounts receivable</u>
January 1	\$ 3,200
Reversal of impairment loss	(2,513)
Amounts written off as uncollectible	(678)
December 31	<u>\$ 9</u>
	<u>2021</u>
	<u>Accounts receivable</u>
January 1	\$ 700
Provision for impairment loss	2,500
December 31	<u>\$ 3,200</u>

(3) Liquidity risk

- A. The Company's Finance Department monitors the Company's working capital requirements to ensure that adequate funds are available to meet operational requirements.
- B. The Company invests the remaining funds in interest-bearing demand deposits and time deposits (presented as "cash and contractual cash"). The instrument chosen by the Company has an appropriate maturity date or sufficient liquidity. The Company held the monetary market positions of NT\$455,025 and NT\$277,470 as of December 31, 2022 and 2021, respectively, which are expected to generate immediate cash flows to manage liquidity risk.
- C. The following table shows the Company's non-derivative financial liabilities grouped according to their respective maturity dates, which are analyzed based on the remaining period from the balance sheet date to the contract maturity date.. The amount of contract cash flow disclosed in the following table is the amount undiscounted.

December 31, 2022	<u>Within 1 year</u>	<u>1 to 2 years</u>	<u>2 to 5 years</u>	
<u>Non-derivative financial liabilities:</u>				
Lease liabilities	\$ 14,863	\$ 4,962	\$ -	
December 31, 2021	<u>Within 1 year</u>	<u>1 to 2 years</u>	<u>2 to 5 years</u>	<u>Over 5 years</u>
<u>Non-derivative financial liabilities:</u>				
Lease liabilities	\$ 9,614	\$ 5,545	\$ -	\$ -

(III) Information on fair value

1. Please refer to Note VI.(VIII) for the details of fair value of investment properties measured at costs.
2. The carrying amounts of financial instruments not measured at fair value, including cash and cash equivalents, notes receivable, accounts receivable, other receivables, notes payable, accounts payable and other payables, are a reasonable approximation of their fair values.

(IV) Other Matters

Due to the COVID-19 epidemic and the government's measures to prevent COVID-19, the Company has implemented relevant measures and continues to manage related matters, which have had no material impact on the Company's operations and business in 2022.

XIII. Separately Disclosed Items

(I) Information on significant transactions

1. Lending of funds to others: None.
2. Endorsement/guarantee provided for others: None.
3. Marketable securities held at the end of year (excluding investments in subsidiaries, associates, and joint ventures): None.
4. Accumulated purchase or disposal of individual marketable securities in excess of NT\$300 million or 20% of the paid-in capital: None.
5. Acquisition of real estate at cost in excess of NT\$300 million or 20% of paid-in capital: None.
6. Disposal of real estate at price in excess of NT\$300 million or 20% of the paid-in capital: None.
7. Purchases or sales to related parties of at least NT\$100 million or 20% of paid-in capital: None.
8. Accounts receivable from related parties equal to or in excess of NT\$100 million or 20% of paid-in capital: None.
9. Engaged in derivatives trading: None.
10. The business relationship between the parent company and subsidiaries, and between subsidiaries, and significant transactions and amounts: None.

(II) Information on investees

None.

(III) Information on investments in mainland China

None.

(IV) Information on substantial shareholders

Information of major shareholders: Please refer to Schedule 1.

XIV. Segment Information

(I) General information

The Company operates in a single industry and has been identified as a single reporting segment by the operating decision maker, the Board of Directors, who evaluates performance of and allocates resources to the Company as a whole.

(II) Segment Information

1. The Company's operating segment profit and loss is measured at the pre-tax operating profit and loss and is used as a basis for performance evaluation. The accounting policies and estimates of the operating segment is the same as the summary of significant accounting policies and significant accounting estimates and assumptions set forth in Note IV and Note V.
2. The financial information presented to key operating decision makers is the same as and with the same measurement method as that in the consolidated income statement.

(III) Product and service-specific information

The main business of the Company is the sales of TV cards, digital signal processors and other computer multimedia peripheral interface cards. Because it is a single product, there is no need to disclose the application of its product-specific information.

(IV) Region-specific information

The region-specific information of the Company in 2022 and 2021 are as follows:

<u>Region</u>	<u>2022</u>		<u>2021</u>	
	<u>Revenue</u>	<u>Non-current assets</u>	<u>Revenue</u>	<u>Non-current assets</u>
Asia	\$ 1,014,356	\$ -	\$ 1,413,268	\$ -
America	113,918	-	95,503	-
Europe	81,200	-	66,533	-
Taiwanese	160,937	1,153,528	213,109	1,138,993
Others	<u>2,362</u>	<u>-</u>	<u>4,026</u>	<u>-</u>
	<u>\$ 1,372,773</u>	<u>\$ 1,153,528</u>	<u>\$ 1,792,439</u>	<u>\$ 1,138,993</u>

(V) Important client information

Important client information of the Company in 2022 and 2021 are as follows:

<u>Client Name</u>	<u>2022</u>	<u>2021</u>
Company A	\$ 548,081	\$ 912,712
Company B	133,081	185,169
Company C	<u>54,891</u>	<u>88,326</u>
	<u>\$ 736,053</u>	<u>\$ 1,186,207</u>

YUAN High-Tech Development Co., Ltd.
Statement of Notes Payable
December 31, 2022

Statement I

Unit: NT\$ thousand

Item	Abstract	Amount
Cash on hand		\$ 965
Petty cash		40
Check deposits		279
Current deposits	\$3,656 Exchange rate 30.71	318,646
Time deposits		136,100
		<u>\$ 456,030</u>

YUAN High-Tech Development Co., Ltd.
Statement of Notes Payable
December 31, 2022

Statement II

Unit: NT\$ thousand

<u>Item</u>	<u>Amount</u>		<u>Abstract</u>
	<u>Costs</u>	<u>Net realizable value</u>	
Raw materials	\$ 335,062	\$ 356,727	Raw materials are valued at replacement cost as the net realizable value and work in-process and finished goods are valued at net realizable value
Work in progress (semi-finished)	54,369	56,628	
Finished products	<u>3,117</u>	<u>5,311</u>	
Total	392,548	<u>\$ 418,666</u>	
Less: Price loss of allowance inventories	<u>(39,255)</u>		
	<u>\$ 353,293</u>		

YUAN High-Tech Development Co., Ltd.
Statement of Accounts Payable
December 31, 2022

Statement III

Unit: NT\$ thousand

Item	Amount	Remark
Company A	\$ 16,479	
Company B	1,636	
Others	11,550	Balance of each sporadic supplier does not exceed 5% of the current account balance
	<u>\$ 29,665</u>	

YUAN High-Tech Development Co., Ltd.
Statement of Cost of Goods Sold
From January 1 to December 31, 2022

Statement V

Unit: NT\$ thousand

Item	Amount	Remark
Company A	\$ 24,905	
Company B	3,213	
Company C	4,063	
Company D	7,562	
Others	16,454	Balance of each sporadic supplier does not exceed 5% of the current account balance
	<u>\$ 56,197</u>	

YUAN High-Tech Development Co., Ltd.
Statement of Cost of Goods Sold
From January 1 to December 31, 2022

Statement V

Unit: NT\$ thousand

Item	Quantity	Amount
Computer multimedia peripheral video converters and interface cards, etc.	1,469,526 pcs	\$ 1,361,434
Other PC-related products	401,854 pcs	11,339
Net sales income		<u>\$ 1,372,773</u>

YUAN High-Tech Development Co., Ltd.
Statement of Cost of Goods Sold
From January 1 to December 31, 2022

Statement V

Unit: NT\$ thousand

Item	Amount
Raw materials at beginning of period	\$ 380,625
Add: Incoming in the current period	539,696
Less: raw materials at end of period	(1,851)
Segment receiving	(335,062)
Others	(3,178)
Raw materials consumed in the current period	580,230
Production overheads — processing costs	88,975
Production costs	669,205
Add: work-in-process at beginning of period	33,884
Purchase in the current period	70,982
Others	134
Less: work-in-process at end of period	(54,369)
Work in progress scrap	(1,220)
Segment receiving	(1,641)
Cost of finished products	716,975
Add: finished products at beginning of period	3,301
Purchase in the current period	99
Less: finished products at end of period	(3,117)
Finished good scrap	(251)
Segment receiving	(811)
Cost of production and sales	716,196
Inventory recovery profit	(2,724)
Loss from scrap	1,471
Other operating costs	(438)
Operating costs	<u>\$ 714,505</u>

YUAN High-Tech Development Co., Ltd.
Statement of Selling and Marketing Expenses
From January 1 to December 31, 2022

Statement VI

Unit: NT\$ thousand

Item	Amount	Remark
Salary expenditure (including pension)	\$ 25,617	
Travel expenditure	7,392	
Exhibition expenditure	3,113	
		Balance of each miscellaneous account does not exceed 5% of the current account balance
Others	15,175	
	<u>\$ 51,297</u>	

YUAN High-Tech Development Co., Ltd.
Statement of General and Administrative Expenses
From January 1 to December 31, 2022

Statement VII

Unit: NT\$ thousand

Item	Amount	Remark
Salary expenditure (including pension)	\$ 58,291	
Depreciation	19,343	
Employee benefits		
Others	33,750	Balance of each miscellaneous account does not exceed 5% of the current account balance
	<u>\$ 111,384</u>	

YUAN High-Tech Development Co., Ltd.
Statement of Research and Development Expenses
From January 1 to December 31, 2022

Statement VIII

Unit: NT\$ thousand

Item	Amount	Remark
Salary expenditure (including pensions and overtime)	\$ 128,758	
Insurance premium	11,024	
Others	17,788	Balance of each miscellaneous account does not exceed 5% of the current account balance
	<u>\$ 157,570</u>	

YUAN High-Tech Development Co., Ltd.
Statement of Employee Benefits and Depreciation and Amortization Expenses by Function (continued)
From January 1 to December 31, 2022

Statement X

Unit: NT\$ thousand

Sex	Feature	2022			2021		
		For operating costs	For operation expenses	Total	For operating costs	For operation expenses	Total
Employee benefit expenses							
	Salary expenses	\$ -	\$ 197,291	\$ 197,291	\$ -	\$ 192,284	\$ 192,284
	Labor and health insurance expenses	-	13,432	13,432	-	12,738	12,738
	Pension expenses	-	7,400	7,400	-	7,058	7,058
	Remuneration Paid to Directors	-	7,974	7,974	-	10,091	10,091
	Other employee benefit expenses	-	9,878	9,878	-	7,582	7,582
	Depreciation expenses	-	21,136	21,136	-	26,542	26,542
	Amortization expenses	-	3,657	3,657	-	4,729	4,729

Note:

1. The average number of employees in the current year and the previous year were 145 and 141, respectively, of which the number of directors who do not concurrently serve as employees were 4 and 3, respectively.
2. For companies whose shares are listed on the TWSE/TPEX, the following information should also be disclosed:
 - (1) The average employee benefits expense for the current year is NT\$1,617 ("Total employee benefit expenses for the current year - Total Directors' remuneration" / "Number of employees for the current year - Number of Directors who do not concurrently serve as employees").
The average employee benefits expense for the previous year is NT\$1,592 ((Total employee benefit expenses for the previous year - Total Directors' remuneration) / (Number of employees for the previous year - Number of Directors who do not concurrently serve as employees)).

YUAN High-Tech Development Co., Ltd.
Statement of Employee Benefits and Depreciation and Amortization Expenses by Function (continued)
From January 1 to December 31, 2022

Statement X

Unit: NT\$ thousand

- (2) The average employee salary expense for the current year is NT\$1,393 (Total employee salary expenses for the current year / (Number of employees for the current year - Number of Directors who do not concurrently serve as employees)).

The average employee salary expense for the previous year was NT\$1,393 (Total salary expense for the previous year / (Number of employees in the previous year - Number of Directors who do not concurrently serve as employees)).

- (3) Change in average employee salary expense is 0.4% ((Average employee salary expense of the current year - Average employee salary expense of the previous year) / Average employee salary expense of the previous year).

- (4) The remuneration of Supervisors for the current year was NT\$2,990, and the remuneration of Supervisors for the previous year was NT\$2,703.

- (5) The Company's remuneration policy:

The Company's remuneration policies, standards, portfolios and procedures for determining remuneration shall be implemented mainly following the Company's personnel rules and regulations and the Remuneration Committee Organizational Rules. Directors' compensation and employees' compensation shall be appropriated in proportion to the provisions of the Articles of Incorporation, approved by the Salary and Compensation Committee and submitted to the Board of Directors for approval before being reported to the Shareholders' Meeting. Remuneration for directors and managers is based on

industry standards, taking into account individual performance, the Company's operating results and the reasonableness of the correlation with future risks. Remuneration for employees is allocated based on industry standards, the competitive position of the Company's talents in the industry, the Company's overall operating results and profitability, budget planning, performance review and evaluation of future operating risks.

YUAN High-Tech Development Co., Ltd.
Information on substantial shareholders
December 31, 2022

Schedule 1

<u>Name of substantial shareholders</u>	<u>Shares held</u>	<u>Shares</u>	<u>Ratio</u>
Wei Sheng Investment Co., Ltd.	9,408,321		23.31%
Li, Shih-Chang	3,919,005		9.71%
Li, Shih-Kuei	3,174,000		7.86%
Xiang Li Investment Co., Ltd.	2,814,705		6.97%

- V. **Consolidated financial statements of the parent and subsidiary companies whose visas have been verified by accountants in the latest year:** None
- VI. **As of the date of publication of the annual report for the most recent year of the Company and its affiliated enterprises, if there is any difficulty in financial turnover, it shall list its impact on the financial situation of the Company:** No such matters

Chapter 7 Review and Analysis of Financial Status and Financial Performance and Risk Management

I. Comparative Financial Analysis

(I) Comparative analysis of financial statements for the last two years:

Unit: NT\$ 1,000

Item \ Year	2022	2021	Difference	
			Amount	%
Current Assets	935,940	874,271	61,669	7.05
Property, plant and equipment (Note 1)	11,252	1,092,552	-1,081,300	-98.97
Intangible assets (Note 2)	4,108	3,083	1,025	33.25
Other assets (Note 3)	1,163,347	72,770	1,090,577	1,498.66
Total Assets	2,114,647	2,042,676	71,971	3.52
Current liabilities	302,402	351,775	-49,373	-14.04
Other Liabilities	52,260	49,743	2,517	5.06
Total Liabilities	354,662	401,518	-46,856	-11.67
Share Capital	403,559	403,559	-	-
Capital surplus	793	793	-	-
Retained Earnings	1,393,929	1,275,102	118,827	9.32
Total Shareholders' Equity	1,759,985	1,641,158	118,827	7.24

Variance Analysis Explanation:

The main reasons for the change of 20% or more in the prior and subsequent periods and the amount of the shift amounting to NT\$10 million and its effects are described as follows:

Note 1 & 3: As the land in Neihu was leased to Gramus International on April 14, 2022 under a lease contract of 9 years, the land was re-categorized accordingly from property, plant and equipment to other assets - investment property.

Note 2: Purchase of licensed software required for business operation.

If the change in the remaining period does not reach 20% or more and the amount of change does not reach NT\$10 million, no analysis is proposed.

(II) Effect of changes in the financial position: None.

(III) Future plans: Not applicable.

II. Financial Performance

(I) Comparative analysis of financial performance for the last two years

Unit: NT\$ 1,000

Item	2022	2021	Difference	Variance ratio (%)
Total operating revenues (Note 1)	1,373,732	1,810,042	-436,310	-24.10
Sales returns and discounts (Note 2)	(959)	(17,603)	16,644	94.55
Net operating revenue (Note 3)	1,372,773	1,792,439	-419,666	-23.41
Operating cost (Note 4)	(714,505)	(994,604)	-280,099	-28.16
Gross profit	658,268	797,835	-139,567	-17.49
Operating Expenses	(317,738)	(313,443)	4,295	1.37
Other income and expense	0	0	0	0
Operating income (loss) (Note 5)	340,530	484,392	-143,862	-29.70
Non-operating income and gains (Note 6)	45,053	9,952	35,101	352.70
Non-operating expenses and losses (Note 7)	(2,828)	(9,966)	7,138	71.62
Net income (loss) before income tax (Note 8)	382,775	484,378	-101,603	-20.98
Income tax expense (Note 9)	(68,451)	(100,294)	31,843	-31.75
Net profit (loss) after tax	314,304	384,084	-69,780	-18.17

Analysis of changes in the percentage of increase or decrease of more than 20%:

Note 1.3.5.8.9 : This is due to the decrease in revenue in 2022 compared with 2021.

Note 2 : Decrease in return discounts

Note 4 : Operating costs decreased due to the decrease in sales in 2022.

Note 6, 7 : Foreign exchange impact

For the rest, if the change in the prior and subsequent periods does not reach 20% or more and the amount of change does not reach NT\$10 million, analysis is not considered.

III. Cash flows

Unit: NT\$ 1,000

Cash balance at beginning of period	Net Cash Flows from Operating Activities	Net cash flows from investing activities and fundraising activities	Cash Surplus (Inadequacy)	Remedial Measures for Cash Inadequacy	
				Investment Plan	Finance Management Plan
278,223	395,705	(217,898)	456,030	N/A	N/A

1. Analysis of the changes in cash flow this year:

(1) Operating activities: The main factors of net cash outflow from operating activities for the

period were payment for materials and income tax.

(2) Investing activities: The main factor of net cash outflow from investing activities was the payment of cash dividends.

2. **Cash shortfall remediation and liquidity analysis:** N/A

3. **Liquidity Analysis for the Coming Year:**

Unit: NT\$1,000

Cash balance at beginning of period ①	Estimated full-year net cash flow from operating activities②	Estimated annual cash outflow③	Estimated cash surplus (Shortfall) amount ① + ② - ③	Remedy for cash inadequacy	
				Investment Plan	Finance Management Plan
456,030	265,059	(171,077)	550,012	N/A	N/A

IV. **Impact of recent year significant capital expenditures on financial operations:** None.

V. **Reinvestment policy for the most recent year, the main reasons for its profit or loss, improvement plans and investment plans for the coming year:** None.

VI. **Risk Management Analysis and Assessment**

1. **The impact of interest rates, exchange rate changes and inflation on the Company's profit and loss in the recent year and future measures**

Item	2022 annual (thousand yuan)
Interest Expenses	373
Exchange (loss) gain	25,340

(1) **Impact of interest rate changes and future measures**

The total amount of interest expense for 2022 was NT\$373,000. The interest expense was mainly generated from interest on the lease liabilities and did not significantly impact the Company.

(2) **Impact of exchange rate changes and future measures**

The Company's products are mainly exported, and its export customers are priced in foreign currencies. The major components, such as ICs, are purchased from foreign vendors and paid in foreign currencies. Considering the relevant factors, the Company's foreign exchange gains and losses were as follows.

(A) We consider the exchange rate trend and hedge the exchange rate as necessary for purchases and sales of large amounts.

(B) The use of foreign currency to pay for raw materials naturally hedges the exchange rate risk of the major currencies. Foreign currency operations for hedging supplement it.

(C) Closely liaise with our bankers to obtain more favorable borrowing rates and keep track of exchange rate movements.

(3) **Inflationary Impact and Future Measures**

In response to the impact of inflation, the Company will minimize the impact through market transfer and process improvement.

2. **The policy of engaging in high-risk, highly leveraged investments, lending of funds to others, endorsements/guarantees, and derivative transactions in the most recent year, the main reasons for profit or loss, and the measures to be taken in the future:**

- (1) As of the date of the annual report, the Company has not engaged in any high-risk or highly leveraged investments.
- (2) The Company has established the "Procedures for Loaning Funds to Others and Endorsements/Guarantees", which detail the restrictions on loaning funds and endorsements and guarantees. As of the date of the annual report, the Company has not loaned any funds to or endorsed any endorsements/guarantees for others.

- (3) The Company has set forth detailed measures for the operation and risk management of derivative instruments in the "Procedures for the Acquisition or Disposal of Assets". As of the date of the annual report, the Company has not engaged in any derivative financial instruments.

3. Future R&D plans and estimated R&D expenses

The Company's competitive advantage lies in continuous research and development innovation, and the simultaneous success of research and development and marketing is the company's goal. In addition, establishing the company's integrated design and manufacturing concept can improve product quality, reduce costs, and speed up the product development process. Choose the right partners, cultivate the same culture, vision and goals, and build the right organizational culture to create maximum profit with adequate work.

Therefore, in addition to developing forward-looking products that meet the market demand and correctly grasping the direction of R&D, the Company expects to invest 10% of its annual revenue in R&D. In addition, the Company continues to strengthen its R&D team and provide efficient personnel training to enhance the overall professional quality of R&D. In terms of the ability to introduce production processes, the Company must achieve the ability to raise mass production immediately after product development to improve production yields and reduce product costs, which is an essential factor for the success of R&D and marketing.

4. The impact of significant domestic and foreign policy and legal changes on the Company's financial operations in the most recent year and the measures are taken in response:

The Company follows the requirements of national laws and policies. The relevant departments are always aware of the changes in essential rules and regulations and adjust the internal control system and management methods to ensure that the Company fully complies with the laws and regulations.

5. Impact of recent annual technological changes and industry changes on the company's financial business and response measures: None.

6. The impact of the recent corporate image change on corporate crisis management and response measures:

The Company strives to maintain an innovative, positive, and responsible corporate image and our employees have a good sense of commitment to the company.

7. Expected benefits and possible risks of mergers and acquisitions in the most recent year: The Company has no plans to undertake mergers and acquisitions in the most recent year.

8. Expected Benefits and Possible Risks of Recent Annual Expansion: The Company has no plans to expand the Plant in the most recent year.

9. Risk of concentration of purchases or sales in the most recent year: The Company has no risk of excessive concentration of purchases or sales.

10. Directors, supervisors or major shareholders holding more than 10%, the impact and risks of large-scale transfer or replacement of equity on the company: None.

11. Impacts and risks of changes in operating rights on the company: None.

12. Litigation or non-litigation matters:

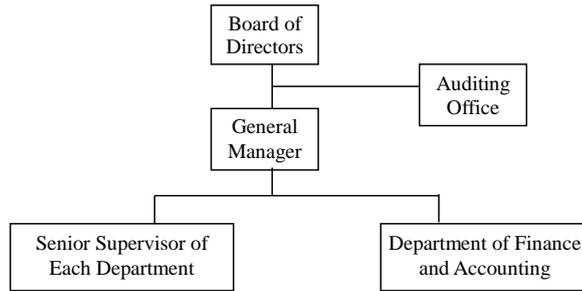
In connection with the patent infringement dispute with Societa Italiana per lo Sviluppo dell'Elettronica S.p.A, the German court ruled on January 9, 2003, that the Company infringed Sisvel's German Patent No. EP402973 and the Company shall be liable for: (1) court costs of the second trial; (2) reasonable attorney's fees of Sisvel; and (3) compensation for the damages suffered by Sisvel as a result of the infringement. Accordingly, the Company shall bear: (1) the court fee for the second trial; (2) the reasonable attorney's fee of Sisvel; (3) the compensation for the loss suffered by Sisvel as a result of the infringement; the actual damages shall be calculated based on the calculation of royalties, and the actual sales figures of the Company shall be used as

the basis for the calculation of royalties. Therefore, a provision of \$1,852 was made for the liability.

13. **Other important risks:** None.

14. **Risk Management Organization and Structure:**

(1) **Organization and Structure:**



(2) **Job Description:**

- A. Board of Directors: Approval of various processing procedures
- B. Supervisors in each department; performance evaluation process
- C. Finance Department: responsible for proposing and executing the process and recording all certificates according to the accounts
- D. Auditors: Checking irregularities

VII. **Other important matters:** None

Chapter 8 Special Disclosure

I. Related Companies Information:

The Company has no affiliates.

II. As of the latest year and the date of publication of the annual report, the status of the handling of private securities:

For the most recent year and as of the date of the annual report, the Company has not entered into any private placement of marketable securities.

III. Status of the Company's shares held or disposed of by subsidiaries in the most recent year and as of the date of publication of the annual report:

The Company has no subsidiaries.

IV. Other necessary additional clarifications:

Nil.

V. In the most recent year and as of the date of publication of the annual report, if the matters stipulated in Article 36, Paragraph 2, Paragraph 2 of the Securities Exchange Act have a significant impact on the equity of shareholders or the price of securities:

Litigation Cases Details See page 207 of the annual report for details of the lawsuit.