



YUAN High-Tech Development Co., Ltd.

2021

**Annual Report
(Translation)**

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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:

Name: Zhao, Xi-Zheng

Title: Chief Executive Officer (CEO)

Telephone Number: (02)2392-1233

Email: yuan.service@yuan.com.tw

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

Name: Jia-Ling Luo

Professional Title: Finance and Accounting Manager

Telephone Number: (02)2392-1233

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II. Addresses and Telephone Numbers of Headquarters, Branch Office, and Plant:

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Telephone Number: (02) 2392-1233

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

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

V. Overseas Securities Exchange: None

VI. Company Website: [http : //www.yuan.com.tw](http://www.yuan.com.tw)

YUAN High-Tech Development Co., Ltd



Chairman: Chen, Li-Min



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Chapter 1 Letter to Shareholders

I. 2021 Annual Operation Result

(I) Business Plan Implementation Results

The Company's 2021 net sales were NT\$1,792,439 000, a decrease of NT\$912,903 000 or 33.74% from 2020. The 2021 net income after tax was \$384,084 000, a 37.59% decrease from 2020.

(II) Budget implementation: Not applicable

(III) Analysis of Financial Revenues and Profitability

Analysis Item		2021	2020	
Financial Revenue and Expenditure	Non-Operating Income (in thousands)	0	0	
	Non-Operating Expenses (in thousands)	14	14,326	
Profitability	Return on assets (%)	17.59	32.38	
	Return on shareholders' equity (%)	24.29	47.06	
	Percentage of paid-in capital (%)	Operating Income	120.03	233.93
		Pre-tax net profit	120.03	229.68
	Net income ratio (%)	21.43	22.75	
	Earnings per share (NT\$)	9.66	15.41	

(IV) Research Development Status:

1. Technology, Development and R&D Overview High-Tech (OTC: 5474) was founded in 1990 and is headquartered in Taiwan. It is engaged in the design, development and manufacture of high-quality OEM/ODM capture cards, video and audio converter boxes and embedded software and hardware for artificial intelligence.

Looking back to 2021, the video capture industry is entering a highly integrated era, with digital home automation further integrating video capture systems, and many extensive applications in smart cities and factory automation also require high-quality video capture systems. In 2021, The Company continue to observe industry trends and technology trends, and through in-depth cooperation with upstream chip suppliers and self-designed FPGA lines, we develop and research products based on various audio-visual processing and remote control combinations, while strictly controlling the quality and stability of products, and reasonably controlling production costs.

Based on years of experience and expertise, our R&D team has developed a wide range of hardware, driver, firmware, FPGA, and SDK. The Company are able to vertically integrate various hardware modules and software components and utilize hardware components from chip suppliers with our own FPGA technology and R&D application capabilities to respond immediately to market and customer needs and improve product development and design to maximize business benefits.

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 been actively investing in the development of video AI-related technologies, hoping to combine the customer base and experience accumulated over the years in video software technology to help the existing image collection customer groups and seamlessly integrate artificial intelligence technology, and also introduces learning functions into the embedded system-on-a-chip (SoC: System on a Chip) applications to enhance product value. Imaging services include intelligent transportation, medical image recognition, face recognition, passenger flow analysis, and behavioural analysis. We have accumulated a large amount of image data for our customers to make intelligent activation applications through B2B in-depth communication and cooperation with end customers in the industry, and our solid technologies from the development of AI algorithms, the construction of image databases, the design of special logo software, and the construction of inference models are all discussed with our customers to help them achieve real AI technology implementation. Our AI development has already gained good practical applications in Taiwan, and we are actively participating in various intelligent construction projects of the government, providing solid audio and video technology support for different customer groups through our expertise in imaging technology.

We expect to build YUAN into the best imaging AI technology development centre in Taiwan within the next three years.

2. The technology or product that the Company has developed successfully in 2021

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

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

II. 2022 Annual Business Plan Summary

The Company will continue to have video capture devices, video converters and other related audiovisual multimedia products as the main sales and marketing force. In view of the growing maturity of video products and fierce competition in the market, we look forward to achieving our R&D progress and sales targets for the above key products, continuing to provide competitive products and services in areas such as audio-visual multimedia, and actively developing new markets and applications in order to effectively increase overall sales and profitability.

With years of accumulated R&D experience and expertise, and a precise grasp of market and technology trends, we are able to provide competitive AV multimedia and TV modules for brand and channel customers as well as OEM customers.

III. Future Development Strategies

- For gaming, medical and security applications in the PC high-speed video display industry, the current 4K60 is no longer able to meet the market demand, YUAN wants to develop an 8K high magnification video capture card, 8K UHD images can be completely clear and sharp, for sports realities, gaming games most notably, allowing users to have the smoothest ultra-high definition picture on the general display screen!
- To enhance the audio-visual experience and professional applications, we have developed a full line of related interface cards and converter boxes that support the ultra-high resolution.

- Intelligent Edge Computing can accelerate the speed of AI image processing. In addition, we will enhance the development of intelligent vision algorithms to create new solutions and integrate image acquisition with embedded GPU/FPGA to help customers use AI to solve problems and upgrade the industry.
- With the right product-market positioning and our cutting-edge technology and capability in audio-visual processing, the Company sets the direction of product design and development in the medium and long term to grasp the first opportunity and maintain the competitiveness of our products.
- We offer PCIe / miniPCIe / M.2 capture cards, USB2.0 / 3.0 capture boxes, video converter boxes and video streaming encoders to meet the needs of each market. The same set of drivers and SDKs compatible with Windows Directshow or Linux v4l2 is used for all interfaces of various AV products

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

- The Use of Embedded Computers for Artificial Intelligence Image Edge Computing

In addition, many image applications require real-time recognition. Sending images to the cloud for recognition will cause delays in credit, which is not suitable for specific applications that require real-time notifications and alerts. The front-end image acquisition device collects many recognition results, trains a highly accurate but relatively complex AI model with the cloud server, and then pushes the model to the front-end again through model compression or knowledge distillation techniques while maintaining high accuracy. Leveraging the capabilities of both the front-end and the cloud in such a cyclical mutual aid model significantly reduces network bandwidth, cloud GPU, and storage requirements. It allows the front-end devices to perform a variety of flexible and real-time applications.

- Integrated application of portable devices and network multimedia products

In the post-personal computer era, high technologies such as smartphones and tablets are gradually replacing PC-centric users, bringing the user experience to a higher level with information and entertainment available anytime, anywhere. At the same time, displays such as Smart TVs can replace some of the functions that consumers used to need to operate through PCs; therefore, more content providers will invest in providing different multimedia or streaming applications over the Internet, which will lead to a comprehensive upgrade of related peripheral industries through diverse applications and rich content. Therefore, the world's primary PC, smartphone, and TV providers aim to provide consumers with a consistent and coherent experience across a wide range of display devices such as PCs, mobile phones, and TVs.

- Educational Recordings to Improve Student Learning Outcomes

With today's sophisticated monitoring technology, it is possible to record the complete interaction between teachers and students. By keeping a complete record of teachers' teaching activities, not only can we help students who are absent from classes to review and catch up and listen to the interaction between teachers and students, but also students who want to improve their skills can get close to famous teachers from all over the world; in addition, teachers can also review their teaching progress and results, or compare with teachers who teach similar courses, to improve their teaching strength.

For the management, the complete documentation of the teaching process allows the administration to improve the deployment of the workforce, thus saving the burden on teachers and enhancing the counselling of students with low learning outcomes. In addition to adjusting teachers and students, monitoring records can also be used in the future to review and confirm the effectiveness of teaching and learning and to change the syllabus and teaching methods.

- Remote medical monitoring for improving medical interpretation

Compared to traditional care, where medical staff must be on hand and record the patient to obtain the latest information, remote medical monitoring allows the physician/central workstation to obtain patient images and relevant information remotely and allocate medical resources in a timely manner to provide the best care to the patient.

When applied to minimally invasive surgery or endoscopic observation of the patient's body, the more advanced audio-visual interface provides real-time, clear images that help physicians obtain adequate information when interpreting the patient's condition and analysing the lesions that have not been investigated before. After integrating the back-end database, the patient images can be combined with the examination report to provide a future reference for patients with similar symptoms.

- Read product defects on the production line and test

The monitoring products are suitable for recording product appearance, barcode reading, and finished product testing.

After the introduction of monitoring products to record the parts to be tested, the production line can record the appearance and barcode of the products produced in a brief period and use the recorded screen to compare the products with the computer to see if there are any missing parts, wrong parts or barcode serial number misplants.

With multi-interface monitoring products, production lines can use traditional monitors with multi-interface monitoring cards to receive multiple signals; simultaneously, multi-channel products can also provide various production lines to share a single monitor to reduce screen acquisition costs significantly.

- Increasing Demand for High-End Intelligence Analytics Spurs Digital Surveillance Growth

With countries focusing on anti-terrorism and social security, the digital surveillance industry has grown steadily. The development of the surveillance industry has evolved from traditional analogue cameras and DVR recorders to support high-resolution IP and HDcctv related devices and from simple video recording and real-time viewing to active, intelligent identification and analysis networked viewing and remote control. As the technology matures and security becomes more complex, the demand for and importance of intelligent analysis such as face recognition is increasing day by day. Mastering the front and back-end related equipment for high-resolution images will be an important part of the process.

Chairman Chen, Li-Min

General Manager Lin, Hong-Pei

Accounting Supervisor Luo, Jia-Ling

Chapter 2 Company Profile

I. Date of Establishment: October 1, 1990

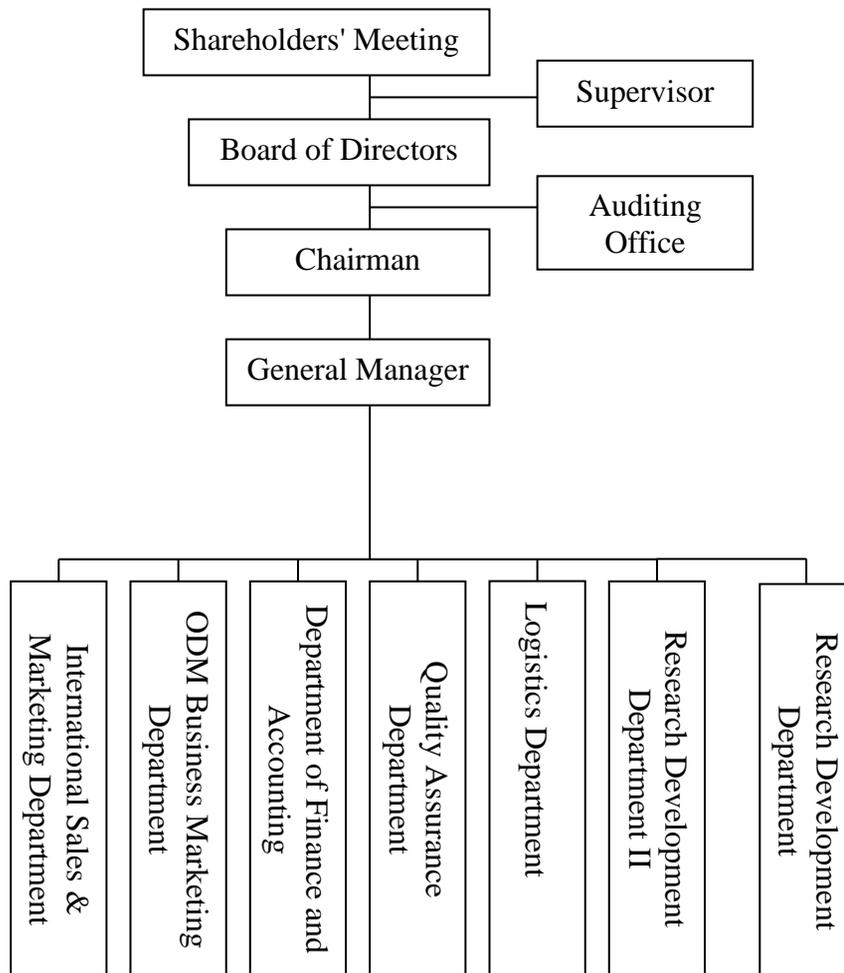
II. Company History:

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 reorganise 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 Increased capital to NT\$60 million in cash and NT\$30 million in surplus, also increased capital to NT\$240 million
10. October 1999 Increased capital by NT12.66 million from surplus and increased paid-in capital to NT256.6 million
11. October 2000 The capital increased to NT\$13.313 million by transferring the surplus, and the paid-in capital increased to NT\$265,973 million
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, analyse 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 Research Development Department II	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

18th April, 2022

Title	Nationality/ Place of Registration	Name	Gender Age (Note 2)	Date Elected	Term	Date First Elected (Note 3)	Shareholding When Elected		Current Shareholding		Spouse & Minor Shareholding		Shares Held in Others' Names		Education and Work Experience (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		
							Number of Shares	%	Number of Shares	%	Number of Shares	Shareholding Ratio	Number of Shares	%			Job Title	Name	Relationship
Representative of Corporate Director (Note 1) Chairman	R.O.C.	Chen, Li-Min	Male 61-70	2019.06.12	3	1999.01.26	7,234,101	21.45%	7,926,101	0.38%	1,093,428	3.24%	0	0%	*Institute of Business Administration, National Chengchi University *Chairman of the Board of the Company	Chairman of the Board the Company General Manager of Kunshan Construction	Director and Deputy General Manager	Yang, Shi- Huai	Brother-in- law
Corporate Director	R.O.C.	Wei Sheng Investment Co., Ltd. (Note 1)	-	2019.06.12	3	2001.08.29	7,234,101	21.45%	7,926,101	23.50%	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.	Li, Shi-Long	Male 51-60	2019.06.12	3	2001.08.29	7,234,101	21.45%	7,926,101	23.50%	0	0%	0	0%	* Mingshin University of Science and Technology *Tongde Co., Ltd.	N/A	N/A	N/A	N/A
Representative of Corporate Director (Note 1)	R.O.C.	Zhao, Xi-Zheng	Male 51-60	2019.06.12	3	2007.06.13	7,234,101	21.45%	7,926,101	23.50%	17,000	0.044%	0	0%	* Deputy General Manager of Tongde Co., Ltd.	Chief Executive Officer / CEO of the Company	N/A	N/A	N/A
Representative of Corporate Director (Note 1)	R.O.C.	Lin, Hong-Pei	Male 41-50	2019.06.12	3	2019.06.12	7,234,101	21.45%	7,926,101	23.50%	0	0%	0	0%	* Institute of Information Engineering, Tatung University * Deputy General Manager of R&D Department 2 of our company	President of the Company	N/A	N/A	N/A
Director	R.O.C.	Li, Yao-Kui	Male 61-70	2019.06.12	3	2001.08.29	301,248	0.89%	333,248	0.99%	0	0%	0	0%	*Institute of National Chengchi University * Xinyi Accounting Firm Certified Public Accountants	Deputy Chairman of the Company's Accountant	N/A	N/A	N/A
Director	R.O.C.	Yang, Shi-Huai	Male 51-60	2019.06.12	3	1999.01.26	973,439	2.89%	797,439	2.36%	0	0.001%	0	0%	* Research Institute of Information and Electronics, National Central University * Deputy General Manager of R&D Department of the Company	Deputy General Manager of of R&D Department of the Company	Chairman	Chen, Li-Min	Brother-in- law

Title	Nationality/ Place of Registration	Name	Gender Age (Note 2)	Date Elected	Term	Date First Elected (Note 3)	Shareholding When Elected		Current Shareholding		Spouse & Minor Shareholding		Shares Held in Others' Names		Education and Work Experience (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		
							Number of Shares	%	Number of Shares	%	Number of Shares	Shareholding Ratio	Number of Shares	%			Job Title	Name	Relationship
Independent Director	R.O.C.	Huang, Shu-Zhen	Female 51-60	2019.06.12	3	2016.06.14	5,000	0.01%	5,000	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	2016.06.14	0	0%	0	0%	0	0%	0	0%	* Department of Electronics, Chin-Yi University of Science and Technology *Research and Development Associate of Beley International Co., 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	502,650	1.49%	502,650	1.49%	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.	Sun, Sheng	Male 61-70	2019.06.12	3	2006.06.09	0	0%	0	0%	0	0%	0	0%	* Department of International Trade, Feng Chia University * Manager of Chang Hwa Bank	Supervisor of the Company	N/A	N/A	N/A

Note 1: Wei Sheng Investment Co., Ltd. is represented by Chen, Li-Min; Zhao, Xi-Zheng; Li Shi-Long and Lin, Hong-Pei.

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

18th April, 2022

Name of corporate shareholder (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

18th April, 2021

Name of corporate shareholder (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)	Circumstances of independence (Note 2)	Number of Other Public Companies where the Individual Concurrently Serves as an Independent Director
Representative of the Corporate Director Chairman Chen, Li-Min	<ul style="list-style-type: none"> • Chairman of the Board 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
Corporate Director Li, Shi-Long	<ul style="list-style-type: none"> • 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
Representative of the Corporate Director Zhao, Xi-Zheng	<ul style="list-style-type: none"> • Deputy General Manager of Tongde Co., Ltd. • President 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 Lin, Hong-Pei	<ul style="list-style-type: none"> • 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
Director Li, Yao-Kui	<ul style="list-style-type: none"> • Chairman of the Board of Directors of the Small and Medium Enterprises and Credit Guarantee Fund • Vice-Chairman of the Company • 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 Yang, Shi-Huai	<ul style="list-style-type: none"> • Deputy General Manager of of R&D Department 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)	Circumstances of independence (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"> • Beley International Finance Manager • 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
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. 	<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 Sun, Sheng	<ul style="list-style-type: none"> • Manager of Chang Hwa Bank • 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. • 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 Company's current Board of Directors consists of eight directors, including two independent directors, with extensive experience and expertise in the financial, commercial and management fields. In addition, the Company also emphasizes gender equality in the composition of the Board of Directors. Currently, there are eight directors, including one female director, representing 12.5%. The relevant implementation scenarios are listed in the table below.:

Core Projects	Basic Composition						Industry Experience				Professional capabilities							
	Name of Director	Country Citizenship	Gender	Staff	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								
	Chen, Li-Min	Republic of China	Male	√		√							√					√
	Zhao, Xi-Zheng	Republic of China	Male	√	√												√	
	Li, Shi-Long	Republic of China	Male		√												√	
	Li, Yao-Kui	Republic of China	Male	√		√				√				√				√
	Lin, Hong-Pei	Republic of China	Male	√	√												√	
	Yang, Shi-Huai	Republic of China	Male	√	√												√	
	Huang, Shu-Zhen	Republic of China	Female		√								√					√
	Zeng, Hong-Chi	Republic of China	Male		√												√	

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

The Company currently has eight directors (including two independent directors), all of whom possess the necessary abilities in business, finance and accounting or corporate business. The composition of the Company's board of directors and the background of its members will continue to be the same in the future. 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 organisation'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

April 18, 2022

Title (Note 1)	Nationality	Name	Gender	Date Elected	Shareholding		Shares Held by Spouse and Minor Children		Shares Held in Others' Names		Education and Work Experience (Note 2)	Position Held with Other Companies	Managerial Officer who Are Spouses or within the Second Degree of Kinship		
					Number of Shares	%	Number of Shares	%	Number of Shares	%			Job Title	Name	Relationship
Chief Executive Officer	R.O.C.	Zhao, Xi- Zheng	Male	2021.08	0	0%	20,400	0.05%	0	0%	* 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, Tatung University * Deputy General Manager of Research and Development Department II of the Company	N/A	N/A	N/A	N/A
Vice President	R.O.C.	Yang, Shi- Huai	Male	1998.4	901,126	2.23%	0	0%	0	0%	*Institute of Electrical Engineering, National Central University * Deputy General Manager of R&D Department of the Company	N/A	Chairman	Chen, Li- Min	Brother-in-law
Manager, Department of Finance and Accounting	R.O.C.	Luo, Jia- Ling	Female	1994.6	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\$)
April 18, 2022

Job 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								Ratio of Total Remuneration (A, B, C, D, E, F, and G) to Net Income (%) (Note 10)		Receipt of remuneration from businesses other than subsidiaries (Note 11)
		Compensation (A) (Note 2)		Severance Pay and Pension (B)		Directors (C) (Note 3)		Business Execution Fees (D) (Note 4)				Salary, Bonus, and Allowance (E) (Note 5)		Severance Pay and Pension (F)		Employee Compensation (G) (Note 6)						
		The Company	All Companies in Consolidated Financial Statements (Note 7)	The Company	All Companies in Consolidated Financial Statements (Note 7)	The Company	All Companies in Consolidated Financial Statements (Note 7)	The Company	All Companies in Consolidated Financial Statements (Note 7)	The Company	All Companies in Consolidated Financial Statements (Note 7)	The Company	All Companies in Consolidated Financial Statements (Note 7)	The Company	All Companies in Consolidated Financial Statements (Note 7)	Cash	Stock Amount	Cash	Stock Amount	The Company	All Companies in Consolidated Financial Statements (Note 7)	
Chairman	Representative of Wei Sheng Investment Co., Ltd.: Chen, Li-Min																					
Director	Representative of Wei Sheng Investment Co., Ltd.: Luo, Xi-Zheng																					
Director	Representative of Wei Sheng Investment Co., Ltd.: Li, Shi-Long	4,184	4,184	0	0	7,568	7,568	0	0	3.06%	3.06%	26,363	26,363	0	0	893	0	893	0	10.16%	10.16%	0
Director	Representative of Wei Sheng Investment Co., Ltd.: Lin, Hong-Pei																					
Director	Li, Yao-Kui																					
Director	Yang, Shi-Huai																					
Independent Director	Huang, Shu-Zhen	480	480	0	0	0	0	0	0	0.12%	0.12%	0	0	0	0	0	0	0	0	0.12%	0.12%	0
Independent Director	Zeng, Hong-Chi																					

- 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 authorised 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.
- 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 of the first four items		Total remuneration of the first seven items	
	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				
NT\$1,000,000 (inclusive) ~ NT\$2,000,000 (exclusive)	Wei Sheng Investment - Li, Shi-Long Wei Sheng Investment - Zhao, Xi-Zheng Wei Sheng Investment - Lin, Hong-Pei Yang, Shi-Huai	Wei Sheng Investment - Li, Shi-Long Wei Sheng Investment - Zhao, Xi-Zheng Wei Sheng Investment - Lin, Hong-Pei Yang, Shi-Huai	Wei Sheng Investment - Li, Shi-Long	Wei Sheng Investment - Li, Shi-Long
NT\$2,000,000 (inclusive) ~ NT\$3,500,000 (exclusive)	Li, Yao-Kui	Li, Yao-Kui		
NT\$3,500,000 (inclusive) ~ NT\$5,000,000 (exclusive)	Wei Sheng Investment - Chen, Li-Min	Wei Sheng Investment - Chen, Li-Min	Li, Yao-Kui	Li, Yao-Kui
NT\$5,000,000 (inclusive) ~ NT\$10,000,000 (exclusive)			Wei Sheng Investment - Chen, Li-Min Wei Sheng Investment - Zhao, Xi-Zheng Wei Sheng Investment - Lin, Hong-Pei Yang, Shi-Huai	Wei Sheng Investment - Chen, Li-Min Wei Sheng Investment - Zhao, Xi-Zheng Wei Sheng Investment - 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)	6	6	6	6

Independent Directors' Remuneration Scale

Range of Remuneration Paid to Directors of the Company	Name of Director			
	Total remuneration of the first four items		Total remuneration of the first seven items	
	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	Huang, Shu-Zhen; Zeng, Hong-Chi	Huang, Shu-Zhen; Zeng, Hong-Chi	Huang, Shu-Zhen; Zeng, Hong-Chi	Huang, Shu-Zhen; Zeng, Hong-Chi
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	2	2

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: Note: Net income after tax refers to the net income after tax of the most recent year; if International Financial Reporting Standards have been adopted, net income after tax refers to the net income after tax of the most recent year for an individual or separate financial reports.

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. Supervisors' remuneration (aggregated to match the level of disclosure of names)

(Unit: NTD thousand) 18th April, 2022

Job Title	Name	Remuneration of Supervisors						Total A, B and C as a percentage of net income after tax (Note 8)		Whether compensations to Directors from an invested company other than the Company's subsidiary (Note 9)
		Compensation (A) (Note 2)		Compensation (B) (Note 3)		Business Execution Expense (C) (Note 4)		The Company	All Companies in Consolidated Financial Statements (Note 5)	
		The Company	All Companies in Consolidated Financial Statements (Note 5)	The Company	All Companies in Consolidated Financial Statements (Note 5)	The Company	All Companies in Consolidated Financial Statements (Note 5)			
Supervisor	Liu, Ying-Jun	180	180	2,523	2,523	0	0	0.70%	0.70%	0
Supervisor	Sun, Sheng									

Supervisor Remuneration Range Table

Range of Remuneration to Supervisors	Name of Supervisor	
	Total remuneration for the first three items	
	The Company (Note 6)	All companies in the financial statements (Note 7)D
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)	Liu, Ying-Jun; Sun, Sheng	Liu, Ying-Jun; Sun, Sheng
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:
- a. The amount of remuneration the Company's supervisors receive from businesses other than subsidiaries should be clearly stated in this column.
 - b. 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".
 - c. 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 for General Manager and Deputy General Manager (aggregated to match the level of disclosure) (Unit: NTD thousand) 18th April, 2022**

Job Title	Name	Salary (A) (Note 2)		Severance Pay and Pension (B)		Bonus and Allowance (C) (Note 3)		Employee Compensation (D) (Note 4)				Ratio of Total Remuneration (A+B+C+D) to Net Income (%) (Note 8)		Receipt of remuneration from businesses other than subsidiaries (Note 9)
		The Company	All Companies in Consolidated Financial Statements (Note 5)	The Company	All Companies in Consolidated Financial Statements (Note 5)	The Company	All Companies in Consolidated Financial Statements (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			
Chief Executive Officer	Zhao, Xi-Zheng	9,163	9,163	0	0	14,200	14,200	893	0	893	0	6.32%	6.32%	0
General Manager	Lin, Hong-Pei													
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 statements (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)	Zhao, Xi-Zheng; Lin, Hong-Pei; Yang, Shi-Huai	Zhao, Xi-Zheng; 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)	3	3

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
Supervisor	0	0	0
General Manager and Deputy General Managers	0	0	16,825

5. Employee Remuneration

Employee Remuneration

(Unit: Thousand NT\$)

April 18, 2022

	Title (Note 1)	Name (Note 1)	Stock	Cash	Total	Percentage of total compensations to NIAT (%)
Managerial Officer	Chief Executive Officer	Zhao, Xi- Zheng	0	1,064	1,064	0.28%
	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 should fill out this form in addition to Schedule I-2.

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

Job 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 Remuneration (A+B+C+D) to Net Income (%) (Note 6)		Remuneration from Invested Companies Other than Subsidiaries or the Parent Company (Note 7)
		The Company	All Companies in Consolidated Financial Statements (Note 5)	The Company	All Companies in Consolidated Financial Statements (Note 5)	The Company	All Companies in Consolidated Financial Statements (Note 5)	The Company		Companies in the Consolidated Financial Statements (Note 5)		The Company	All Companies in Consolidated Financial Statements	
								Cash	Stock Amount	Cash	Stock Amount			
Chief Executive Officer	Zhao, Xi-Zheng													
General Manager	Lin, Hong-Pei													
Deputy General Manager of R&D	Yang, Shi-Huai	10,246	10,246	--	-	15,100	15,100	1,064	-	1,064	-	6.88%	6.88%	-
Manager, Department of Finance and Accounting	Luo, Jia-Ling													

Note 1: The "Top Five Highest-Paid Supervisors" refer to the managers of the Company. The criteria for recognising 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 recognised 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. **Names and positions of the top ten employees who received employee stock options and the top ten bonus shares (amount):** The Company has not issued any 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:

Percentage of Net Income After Tax (%)	Director (Excluding part-time 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
2010	6.20	N/A	0.31	N/A	4.05	N/A
2021	10.28	N/A	0.7	N/A	6.32	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. For the years ended December 31, 2021, and 2020, the estimated remuneration of the Company for employees was \$10,091 and \$16,140, respectively, and the estimated remuneration for directors and supervisors was \$10,0910 and \$16,140, respectively. The amounts mentioned above were recorded as salary expenses.

For the year ended December 31, 2021, the profit was estimated at 2%, which is in line with the amount to be distributed by the board of directors, and the employees' remuneration will be paid in cash.

The 2020 remuneration to employees, directors, and supervisors resolved by the board of directors is consistent with the amount recognised in the 2020 financial statements. 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 attendance of directors and independent directors at the seven (A) meetings of the Board of Directors in 2021 is as follows:

Title	Name (Note 1)	Attendance in Person (B)	Numbers of attendance by proxy	Attendance Rate in Person (%) [B/A] (Note 2)	Remark
Chairman	Wei Sheng Investment Co., Ltd. Representative: Representative: Chen, Li-Min	7	0	100%	N/A
Director	Wei Sheng Investment Co., Ltd. Representative: Zhao, Xi-Zheng	7	0	100%	N/A
Director	Wei Sheng Investment Co., Ltd. Representative: Shi-Long Li	6	0	85.71%	N/A
Director	Wei Sheng Investment (Stock) Co., Ltd. Representative: Hong-Pei Lin	7	0	100%	N/A
Director	Li, Yao-Kui	7	0	100%	N/A
Director	Yang, Shi-Huai	7	0	100%	N/A
Independent Director	Shu-Zhen Huang Huang	7	0	100%	N/A
Independent Director	Zeng, Hong-Chi	7	0	100%	N/A

Other mentionable items:

I. For the matters listed in Article 14-3 of the Securities and Exchange Act and other issues resolved by the Board of Directors with the objection or reservation of the independent directors and for which records or written statements are available, the date and period of the Board of Directors' meeting, the content of the motion, the opinions of all independent directors, and the Company's treatment of the views of the independent directors shall be stated: There are no such cases in the Company.

II. Where a director abstains from voting for a decision about which he or she has a conflict of interest, the director's name, the content of the resolution, reasons for abstentions, and the vote's results should be recorded:

- The remuneration recommendations submitted by the Remuneration Committee, which include the review of the Company's 2020 management compensation allocation proposal, were approved by the remaining attending directors after the stakeholders (Chairman Chen, Li-Min, Vice-Chairman Li, Yao-Kui, Chief Executive Officer Zao, Xi-Zheng, General Manager Lin, Hong-Pei and Deputy General Manager Yang, Shi-Huai) left the meeting.

III. Listed companies should disclose information such as the assessment period and period of the self-assessment by the board of directors (or equivalent), the scope, method and content of the assessment, and fill in the Schedule II (2) Information on the execution of the evaluation by the board of directors: the company established and performed the performance assessment of the board of directors on November 13, 2020, and completed the 2021 evaluation of the performance of the board of directors before the first quarter of 2022 and made a declaration under regulations.

IV. Goals for strengthening board functions (such as establishing an audit committee, improving information transparency, etc.) and implementation evaluation for the current year and the most recent year:

- The Company shall amend the "Rules of Procedure of the Board of Directors" of the Company following March 16 2018, and comply with them with the consent of the Board of Directors.

2. The Company established the Remuneration and Compensation Committee on December 9, 2011, and had two meetings in 2021.
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 executives and accountants (should include significant matters, methods and results of communication regarding the financial and business situation of the company): Good interaction through the board of directors, audit business reports and correspondence between accountants and governance units.

(I) Independent Director Communication Policy with Internal Audit Supervisors and Certified Public Accountant / CPA:

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
2021/11/09	2021 Season 3 Audit Report	All independent directors have no objection
	2022 Internal Audit Plan	
2021/08/10	2021 Season 2 Audit Report	All independent directors have no objection
2021/05/11	2021 Season 1 Audit Report	All independent directors have no objection
2021/03/23	Statement on Internal Control	All independent directors have no objection
	2020 Season 4 Audit Report	

(II) Communication policy between Independent Director and Certified Public Accountant / CPA:

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

Evaluation Cycle (Note 1)	Period of Assessment (Note 2)	Scope of Assessment (Note 3)	Assessment Method (Note 4)	Content (Note 5)
Once a year	2021/01/01 ~ 2021/12/31	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, 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) The evaluation of the Board performance includes at least 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) The evaluation of the Board member's performance includes at least 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) The evaluation of the functional committee's performance includes at least participation in the operation of the company, awareness of the duties of the functional committee, the quality of decisions made by the functional committee, the makeup of the functional committee and election of its members, and internal control.

3. Attendance of Supervisors at Board of Directors

The Board of Directors of the Company met seven times in the latest 2021 (A), and the attendance was as follows:

Job Title	Name	Attendance in Person (B)	Percentage of Attendance in Person (%) (B/A)(Note)	Remark
Supervisor	Liu, Ying-Jun	6	85.71%	N/A
Supervisor	Sun, Sheng	6	85.71%	N/A

Other mentionable items:

I. Composition and responsibilities of supervisors:

1. **Communication between the supervisor and the company's employees and shareholders (such as communication channels, methods, etc.):** through the attendance of the board of directors, the supervisor and the shareholders' meeting should be well-communicated.
2. **Communication between independent Supervisor and internal audit Supervisor and Certified Public Accountant / CPA (should include significant matters, methods and results of communication regarding the financial and business situation of the company):** good interaction through the board of directors, audit business reports and correspondence between accountants and governance units.

- II. **If the supervisor attends the meeting of the board of directors for comments, the date, period, content of the proposal, resolution of the board of directors and the handling of the company's comments on the supervisor's statement shall be clarified:** the supervisor attends the meeting of the board of directors. The date, content of the proposal, and resolution of the company's board of directors are detailed on pages 51 to 58 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. Corporate Governance Supervisor Setup

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.

- (II) **Audit committee operation:** The Company does not have an audit committee, which is expected to be set up in 2022.

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

Evaluation Item	Status of Operations (Note 1)			Deviations from the Corporate Governance Best Practice Principles for Listed Companies and reasons thereof
	Yes	No	Summary Description	
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 (I) Does the company establish and implement internal operating procedures to deal with shareholders' suggestions, doubts, disputes, and litigations? (II) Does the company possess a list of its major shareholders with controlling power as well as the ultimate owners of those major shareholders? (III) Does the company establish and execute a risk management and firewall system within its affiliates? (IV) Does the company establish internal rules against insiders using undisclosed information to trade in securities?	V V V	V V 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. (II) The Company has designated staff who has the final list of major shareholders and major shareholders who actually control the Company. (III) At present, the Company does not have any Affiliate Enterprise regulated by the Company's laws. (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.	No Significant Difference N/A N/A N/A
III. Composition and responsibilities of the Board of Directors (I) Does the board develop and implement a diversity guideline for the composition of its members? (II) Does the company voluntarily establish other functional committees in addition to the legally-required Remuneration and Compensation Committee and Audit Committee?	V 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. (II) The Company has established the Remuneration and Compensation Committee and this year completed the establishment of the Audit Committee and various other	N/A N/A

Evaluation Item	Status of Operations (Note 1)			Deviations from the Corporate Governance Best Practice Principles for Listed Companies and reasons thereof
	Yes	No	Summary Description	
(III) Does the company establish a standard to measure the performance of the Board, and implement it annually? (IV) Does the company regularly evaluate the independence of the CPAs?	V	V	functional committees, which the Board of Directors will set according to the size of the Board of Directors and the number of independent directors. (III) On November 13, 2020, the Company's Board of Directors adopted the method of evaluation of the performance of the Board of Directors and completed the 2021 performance evaluation of the Board of Directors before the first season in 2022 and made the required public declaration. (IV) The Company regularly assesses the independence of Certified Public Accountant / CPA.	N/A N/A
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, Annual Report, page 31.	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:	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
VII. Information disclosure (I) Does the company have a website to disclose the financial operations and corporate governance status?	V		(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.	N/A

Evaluation Item	Status of Operations (Note 1)			Deviations from the Corporate Governance Best Practice Principles for Listed Companies and reasons thereof
	Yes	No	Summary Description	
(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)? (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?	V		(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. (III) Currently reported within three months after the end of the year as required.	
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)?	V		(I) Employee benefits: handled following the provisions of the Labour Standards Law. (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. (III) Investor Relations: There is also a speaker and a dedicated mailbox to appoint designated staff to deal with matters such as shareholder advice, doubts or disputes. (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. (V) Stakeholder's interests: Market Observation Post System regularly disclose financial and business-related information. (VI) Further director and supervisor training: planning relevant director and supervisor training courses. (VII) Implementation of risk management policies and risk	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	Summary Description	
			<p>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) The Company purchased liability insurance for directors and supervisors: The liability insurance for directors and supervisors of the Company was adopted by the Board of Directors on 12 May 2021.</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 2021 corporate governance self-assessment on the self-assessment operation platform of the “Corporate Governance Appraisal Section” of the Securities and Exchange Institute website.</p> <p>1. Director and supervisor's purchased liability insurance</p>	N/A

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

(IV) Composition, duties and operations of the Remuneration Committee :

1. **Establishment:** the Company established the Remuneration and Compensation Committee on December 9, 2011.
2. **Committee member:**

(1) **Roster :**

Name	Current position	Academic Experience	Remark
Huang, Shu-Zhen	Financial Manager of Beley International Co., Ltd.	Department of Accounting, Chungyu Institute of Technology Accounting Specialist of PRODISC TECHNOLOGY INC., Ltd. Head of Taiwan Branch of CHAMP VIEW CAPITAL INVESTMENT, Ltd.	
Zeng, Hong-Chi	R&D Associate of Beley International Co., Ltd.	Department of Electronic Engineering, National Chin-Yi University of Technology Engineer of Xuqing Computer Co., Ltd. R&D Associate of Tongde co., ltd. R&D Associate of Beley International Co., Ltd.	
Xian-Chang Guo	N/A	PhD. of Institute of Management Science, National Chiao Tung University Master of Institute of Management Science, Tamkang University Bachelor of Economics, Fu Jen Catholic University Professor and Head of the Department of Finance, National Chi Nan University Associate Professor of Department of Finance, National Chi Nan University Associate Professor of Department of International Business, National Chi Nan University President of Takming University of Science and Technology Professor of Department of Finance, Takming University of Science and Technology Professor of Department of Accounting, Shih Chien University Professor of College of Management and Design, Ming Chi University of Technology	

(2) Information on Members of the Remuneration and Compensation Committee

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. 	<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	

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	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. 	<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	

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 • Professor and Supervisor of the Department of Finance, National Chi Nan University; Associate Professor of the Department of Finance, National Chi Nan University; Associate Professor of the Department of International Business, National Chi Nan University • President of Takming University of Science and Technology, Professor of Finance Department, Takming University of Science and Technology; Professor of Accounting Department, Shih Chien University, Professor of College of Technology Management and Design, Ming-Chi University of 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 :

Under Article 7 of the Company's "Remuneration and Compensation Committee Organization Regulations", the functions of the Compensation 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 compensation referred to in the preceding two paragraphs, including cash compensation, stock options, dividend shares, retirement benefits or separation payments, various allowances and other incentives of a substantial nature, shall be consistent with the remuneration of the directors, supervisors and managers concerned in the guidelines for the publication of the annual report of a public issuing 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. Implementation Status

- (1) **There are three members of the Remuneration and Compensation Committee from the Company.**

(2) **Term of office of the members of the Committee: June 12, 2019, to June 11, 2021. The most recent meeting of the 2021 Annual Remuneration and Compensation Committee was held twice (A). The qualifications and attendance of the members are as follows:**

Job Title	Name	Attendance in Person (B)	Numbers of attendance by proxy	Attendance Rate (%) (B/A) (Note)	Remark
Convener	Huang, Shu-Zhen	2	0	100%	N/A
Committee Member	Zeng, Hong-Chi	2	0	100%	N/A
Committee Member	Xian-Chang Guo	2	0	100%	N/A

Other mentionable items:

- I. Suppose the Board of Directors does not adopt or amend the recommendation of the Compensation Committee. In that case, it shall state the date of the Board of Directors, the period, the content of the proposal, the result of the resolution of the Board of Directors and the opinion of the Company on the Compensation Committee (if the Board of Directors adopts the recommendation that the compensation is better than that of the Compensation Committee, it shall state the circumstances and reasons for the difference): the Company does not have such cases, please describe the details of the meeting in the third point of other items.
- 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
2021.3.15	<ol style="list-style-type: none"> 1. Review various salary compensation projects to be implemented by the Company in 2021. 2. Review the scope of the applicable Managers that the Company should submit to the Compensation Committee for a pre-remuneration review. 3. Review the distribution of remuneration to directors and supervisors of the Company in 2020. 4. Review the amount of managerial staff remuneration of the Company in 2020. 5. Review the performance appraisal exercise for directors, supervisors and managers and the 	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

	annual salary increase plan for managers.				
2021.12.27	<ol style="list-style-type: none"> 1. Review the Company 2021 year-end manager bonus payment plan 2. Review the policies, systems, standards and structure of performance appraisal and compensation for directors, supervisors and managers. 3. Discuss the 2022 work plan of the Company's remuneration committee. 	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/committees.htm					

Note:

- (1) 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.
- (2) 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. Compensation 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) 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 environmental management systems based on the characteristics of their industries?	V		In order to avoid environmental pollution, our company purchases products that comply with ROHS standards.	N/A
(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		V	The Company has not yet evaluated the planned greenhouse gas	We will assess the demand and consider

Promoted items	Execution Scenarios (Note 1)			Deviations from the Sustainable Development Best Practice Principles for Listed Companies and Reasons Thereof
	Yes	No	Summary Description	
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?			emissions, water usage and total waste weight statistics.	the process.
IV. Social issues (I) Does the company formulate appropriate management policies and procedures according to relevant regulations and the International Bill of Human Rights?	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
(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 customer protection policies and grievance procedures?		V	The Company has designated staff and business email addresses to deal with customer rights and interests issues and deal with customer needs promptly.	N/A
(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	No significant difference.

Promoted items	Execution Scenarios (Note 1)			Deviations from the Sustainable Development Best Practice Principles for Listed Companies and Reasons Thereof
	Yes	No	Summary Description	
			responsibility policy and has a significant impact on the environment and society.	
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 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. 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. 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!				

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.

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

Evaluation Item	Status of Operations (Note 1)			Deviations from “Ethical Corporate Management Best Practice Principles for Listed Companies” and Reasons
	Yes	No	Summary Description	
<p>I. Establishment of ethical corporate management policies and programs</p> <p>(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?</p> <p>(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"?</p> <p>(III) Does the company specify in its prevention programs the operating procedures, guidelines, punishments for violations, and a grievance system and implement them and review the prevention programs on a regular basis?</p>	<p>V</p> <p>V</p> <p>V</p>		<p>(I) On March 25, 2015, the Company established the Code of Business Conduct of Integrity, which specifies the policies and practices of integrity management.</p> <p>(II) 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.</p> <p>(III) 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".</p>	<p>(I) N/A</p> <p>(II) N/A</p> <p>(III) N/A</p>
<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>V</p>		<p>(I) The Company has signed a confidentiality agreement with all of our customers.</p>	<p>(1) None</p>

Evaluation Item	Status of Operations (Note 1)			Deviations from “Ethical Corporate Management Best Practice Principles for Listed Companies” and Reasons
	Yes	No	Summary Description	
<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 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	V	<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>(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>	<p>(2) None</p> <p>(iii) None</p> <p>(iv) None</p> <p>(5) No significant difference</p>
<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>	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>(1) N/A</p>

Evaluation Item	Status of Operations (Note 1)			Deviations from “Ethical Corporate Management Best Practice Principles for Listed Companies” and Reasons
	Yes	No	Summary Description	
(II) Can the accused be reached by an appropriate person for follow-up? (III) Does the company provide protection for whistle-blowers against receiving improper treatment?	V V		(II) The Company's "Code of Conduct for Integrity" specifies the standard operating procedures for investigating complaint matters and the related confidentiality mechanism. (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.	(2) N/A (3) N/A
IV. Enhanced disclosure of ethical corporate management information Does the company disclose its ethical corporate management policies and the results of its implementation on the company’s website and MOPS?	V		The Company has disclosed information about the Company's integrity management on the Market Observation Post System and the Company's Code of Conduct on its website at the following address:	No significant difference.
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) The Company shall disclose how it has established the Code of Corporate Governance and related regulations: by uploading the Code of Business Conduct on the Company's website.

(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 the self-inspection of the internal control system of the Company for the year ended 2021, we hereby declare the following:

- 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. An internal control system has inherent limitations. No matter how perfectly designed, an effective internal control system can provide only reasonable assurance of accomplishing its 3 stated objectives above. Moreover, the effectiveness of an internal control system may be subject to changes due to extenuating circumstances beyond control. 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 results of the initial evaluation, the Company concluded that its internal control system (including the supervision and management of subsidiaries) as of December 31, 2021, including the understanding of the extent to which operational effectiveness and efficiency objectives have been achieved, the reporting of such internal control system is reliable, timely, transparent and in compliance with relevant regulations and relevant laws and regulations. The design and implementation of such internal control system are 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. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171, and 174 of the Securities and Exchange Act.
- VII. The board approved this statement of directors of the Company at the board meeting held on March 21, 2022. Of the eight directors present, zero had opposing views, and the rest agreed to the contents of this statement and hereby declared.

YUAN High-Tech Development Co., Ltd.

Chairman: Chen, Li-Min

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) Penalties Imposed upon the Company and the Company's Employees According to Law, Penalties Imposed by the Company upon Employees for the Violation of the Internal Control System Policy, Principal Deficiencies, and Improvement Status during the Most Recent Fiscal Year and the Current Fiscal Year up to the Date of Publication of the Annual Report: 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
2021.02.09	<ol style="list-style-type: none"> 1. Report on the implementation of the audit plan of the Company from November 2020 to January 2021. 2. The Company intends to obtain a financing quota with a new cooperative bank branch. Please propose it for a public decision. 	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. We have obtained a financing quota with the new branch of our Taiwan Cooperative Bank. 	N/A	N/A
2021.03.24	<ol style="list-style-type: none"> 1. Report on the implementation of the audit plan of the Company in February 2021. 2. Report 2020 Annual Board Performance Review. 3. The compensation proposals resolved by the Compensation Committee are presented for discussion. 4. The amendment to the "Bylaws" is tabled for discussion. 5. Amendments to the "Rules of Procedure of the Shareholders' Meeting" are tabled for discussion. 6. The 2020 annual financial statements are presented for discussion. 7. The 2020 surplus earnings distribution proposal is presented for discussion. 8. The proposal to issue new shares by transferring surplus earnings in 2022 is presented for discussion. 9. 2020 Annual Business Report is presented for 	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. The performance evaluation was completed and reported to the Board of Directors. 3. The compensation plans have been implemented following the recommendations of the Compensation Committee. 4~5. The board of directors has resolved and submitted it to the shareholders' meeting for recognition. 6. The 2020 financial statements were recognised and uploaded to the Market Observation Post System. 7. 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>discussion.</p> <p>10. 2020 Internal Control System Statement is presented for discussion.</p> <p>11. 2021 Annual General Meeting of Shareholders is scheduled to be held for discussion.</p> <p>12. The Company intends to extend the contract with Taiwan Business Bank to obtain a financing quota. Please propose it for a public decision.</p> <p>13. The Company proposed to approve the Certified Public Accountant / CPA change from the first quarter of 2021.</p>		<p>directors has resolved and submitted it to the shareholders' meeting for recognition.</p> <p>8. The board of directors has resolved and submitted it to the shareholders' meeting for recognition.</p> <p>9. The board of directors has resolved and submitted it to the shareholders' meeting for recognition.</p> <p>10. The board of directors has resolved and submitted a report to the shareholders' meeting.</p> <p>11. After the resolution, various shareholders' meetings have been arranged.</p> <p>12. The board of directors has resolved to extend the contract with Taiwan Business Bank.</p> <p>13. The Company has been audited and certified by Certified Public Accountant / CPA Min-Juan Feng and Yong-Jian Xu since the first quarter of 2011.</p>		
2021.05.12	<p>1. Report on the financial statements of the Company for the first quarter of 2021</p> <p>2. Report on the implementation of the audit plan of the Company from March to April 2021.</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</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
	<ol style="list-style-type: none"> 3. The Company's insiders are involved in short term trading and have the right to be involved in the disclosure. 4. The purchase of 2021 liability insurance for the directors and supervisors of the Company is proposed for examination and discussion. 		<ol style="list-style-type: none"> completed and reported to the Board of Directors. 3. The Company has informed its insiders about the reversionary rights due to short term trading. 4. The 2021 liability insurance policy for the directors and supervisors of the Company was purchased and uploaded to the Market Observation Post System. 		
2021.06.30	<ol style="list-style-type: none"> 1. Report on the implementation of the audit plan of the Company from May to June 2021. 2. It is proposed to reschedule the date and place of the 2021 Annual General Meeting of Shareholders of the Company for examination and 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. A shareholders' meeting was held at 9: 00 a.m. on Tuesday, July 20, 2016, at B1 (Financial Center Meeting Room), No. 88, Section 2 Zhongxiao East Road, Zhongzheng District, Taipei City. 	N/A	N/A
2021.08.04	<ol style="list-style-type: none"> 1. The proposal to set the basis for issuing new shares (ex-rights) from the 2021 annual surplus earnings and related matters is submitted for discussion. 	After consulting all the directors present without any objection, the Chairman passed each bill.	<ol style="list-style-type: none"> 1. The relevant information has been uploaded to the Public Information Observatory. 	N/A	N/A
2021.08.11	<ol style="list-style-type: none"> 1. Report on the Company's financial statements for the second quarter of 2011. 2. Report on the implementation of the audit plan of the Company in July 2021. 3. To be elected as Vice Chairman of the Company and proposed for discussion. 4. To elect the chief executive officer and general 	After consulting all the directors present without any objection, the Chairman passed each bill.	<ol style="list-style-type: none"> 1. The written submission and online reporting have been completed after the resolution 2. The audit was completed and reported to the Board of Directors. 3. Mr. Li, Yao-Kui has been appointed as the vice chairman 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
	manager of the Company and propose for discussion.		the Company. 4. Mr Zhao, Xi-Zheng has been appointed as the Company's chief executive officer, and Mr Lin, Hong-Pei has been appointed as the general manager.		
2021.11.10	<ol style="list-style-type: none"> 1. Report the financial statements of the Company for the third quarter of 2021. 2. The implementation of the audit plan of the Company from August to October 2021 3. Report on the Company's integrity management performance of 2021. 4. The Company's 2022 annual internal audit plan was submitted for approval. 5. The Company shall set up a corporate governance supervisor and propose it to a public decision. 6. The Company has agreed on the intelligent property management plan and proposed it for a public decision. 7. The Company intends to extend the contract with Chang-Hwa Bank to obtain a financing quota. Please propose it for a public decision. 8. The Company applied for non-recourse accounts receivable of acquisition quota with Cathay United Bank. Please propose it for a public decision. 9. The Company's financial statements are subject to an evaluation of the independence and suitability of the Certified Public Accountant / CPA to propose a public decision. 10. The Company shall 	After consulting all the directors present without any objection, the Chairman passed each bill.	<ol style="list-style-type: none"> 1. The written submission and online reporting have been completed after the resolution 2. The audit was completed and reported to the Board of Directors. 3. The Company did not violate the Code of Business Conduct for Corporate Integrity in the relevant norms in 2021. 4. The internal audit plan for 2021 has been implemented. 5. The Company's designated head of corporate governance supervisor is Ms Luo, Jia-Ling the Finance and Accounting Department manager, who has more than 20 years of experience in managing finance, stock affairs, and business affairs of publicly traded companies. The relevant information has been reported to the supervisory authorities. 6. The Board of Directors has resolved and 	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
	allocate an official bus for use on official business and submit it to the referendum.		<p>complied.</p> <p>7. The Company has applied for a consolidated credit quota of NT\$100 million and an export guarantee quota of US\$0.8 million with Chang-Hwa Bank, and authorized our chairman, to handle all matters related to the credit line with Chang-Hwa Bank on behalf of the Company.</p> <p>8. The Company has applied for non-recourse accounts receivable of acquisition with Cathay United Bank- the non-advanced quota of US\$0.5 million to implement risk management and authorised the chairman of the board of directors to negotiate the contracts signing and identity verification.</p> <p>9. 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.</p> <p>10. We have purchased additional official vehicles.</p>		
2022.01.14	1. Report on the implementation of the audit plan of the Company from	After consulting all the directors present without any	1. The audit was completed and reported to 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>November to December 2021.</p> <p>2. The Compensation Committee resolved each compensation proposal for discussion.</p>	<p>objection, the Chairman passed each bill.</p>	<p>Board of Directors.</p> <p>2. Compensation plans were implemented following the recommendations proposed by the Remuneration Committee.</p>		
2022.03.21	<p>1. Report on the Company audit implementation plan from January to February 2011.</p> <p>2. 2021 Annual Board Performance Review Report.</p> <p>3. I. The Compensation Committee resolved each compensation proposal for discussion.</p> <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</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. The performance evaluation has been completed and reported to the supervisors.</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>	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>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 Method" and propose it for discussion.</p> <p>17. The Board of Directors has decided to convene the 2022 Annual General Meeting of Shareholders for discussion.</p> <p>18. We intend to obtain a financing quota with a new branch of Taiwan Cooperative Bank. Please propose it for public decision.</p>				
2022.04.20	<ol style="list-style-type: none"> 1. Report real estate leasing cases. 2. Nomination of candidates for election as directors (including independent directors) of 2022 is proposed for discussion. 	After consulting all the directors present without any objection, the Chairman passed each bill.	<ol style="list-style-type: none"> 1. The contract has been signed, and the report of the Board of Directors has been presented. 2. The relevant list has been uploaded and is awaiting election by the shareholders' meeting. 		
2022.05.11	<ol style="list-style-type: none"> 1. Report the Company financial statements for the first quarter of 2022 2. Report the Company audit implementation plan from March to April 2022. 3. The purchase of 2022 liability insurance for the directors and supervisors of the Company is proposed for examination and discussion. 4. Report the Company 	After consulting all the directors present without any objection, the Chairman passed each bill.	<ol style="list-style-type: none"> 1. The written submission and online reporting have been completed after the resolution 2. The audit was completed and reported to the Board of Directors. 3. The year of 2022 liability insurance policy was 	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
	schedule for the greenhouse gas inventory.		<p>purchased for the directors and supervisors of the Company and uploaded to the Market Observation Post System.</p> <p>4. It has been reported to the Board of Directors and implemented according to the schedule.</p>		

2. Shareholders' Meeting

Date of meeting	Summary of important proposals	Result of Resolution	Subsequent execution
2021.06.16	<p>(I) Announcements</p> <ol style="list-style-type: none"> 1. 2020 Annual Business Report 2. Supervisors' Review of the 2020 Annual Report on Financial Statements 3. 2020 Annual Report on Compensation to Directors and Supervisors and Distribution of Employees' Compensation 4. 2020 Annual Surplus Earnings Distribution Cash Dividend Situation Report <p>(II) Proposed Resolutions</p> <ol style="list-style-type: none"> 1. 2020 Annual Report and Proposed Financial Statements 2. 2020 Surplus Earnings Distribution Plan <p>(III) Discussion Items</p> <ol style="list-style-type: none"> 1. Amendment to the bylaws 2. Amendments to the "Rules of Procedure for Shareholders' Meetings" 3. The proposal to issue new shares by transferring surplus earnings in 2022 	<p>After consulting all directors present without any objection, the Chairman is approved to be submitted to the shareholders' meeting for recognition.</p>	<p>The resolutions were approved by the board of directors and acknowledged by the Shareholders' meeting, and cash dividends of NT\$8 per share and stock dividends of NT\$2 per share (200 shares per thousand shares without compensation) were paid on August 27, 2021, with an ex-dividend date of August 28, 2021.</p>
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>Approved by the Chairman after consultation with all Directors present and without objection, pending submission to the shareholders' meeting for recognition</p>	<p>All resolutions have been approved by the board of directors and are pending submission to the shareholders' meeting.</p>

Date of meeting	Summary of important proposals	Result of Resolution	Subsequent execution
	<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 		

(XII) For the most recent year and as of the printing date of the annual report, the directors or supervisors have different opinions on important resolutions passed by the board of directors and have recorded or stated in writing: None.

(XIII) For the most recent year and as of the date of the annual report, the resignation and dismissal of the chairman, the board of directors, the president, the Accounting Supervisor, the head of finance, the head of the internal audit and the head of research and development of the Company: None.

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

Training Date	Name of program	Training Institution	Participating Employees	Hours	training expense
2021/04/15	Legal risks of business operation and management and ways to deal with internal audit staff	The Institute of Internal Auditors, R.O.C.	Audit/Lin Mei Ru	6hrs.	3,000
2021/09/29	Risk Oriented Internal Audit Methodology and Practice	The Institute of Internal Auditors, R.O.C.	Audit/Lin Mei Ru	6hrs.	3,000
2021/08/23	Internal Audit Functional Committee Operational Practice	Securities and Futures Market Development Foundation of the Republic of China	Finance/Lian Yijun	6hrs.	3,500
2021/10/20	How auditing interprets financial information and insights into financial fraud analysis	Securities and Futures Market Development Foundation of the Republic of China	Finance/Lian Yijun	6hrs.	3,500
2021/10/21~2021/10/22	Ongoing Education for Securities Issuers, Securities Firms, and TWSE Chief Accounting Officer	Accounting Research and Development Foundation	Head of Finance/Luo Jiaxuan	12hrs.	8,000

(XV) Directors and supervisors of further education:

Date of Training	Name of program	Training Institution	Attendees	Lesson Hours	Expenses
2021/10/18	Briefing session for insiders on stock ownership	Incorporated Corporation Securities Counter Trading Center	Vice-Chairman/Li Yao-Kui	3hrs.	-
2021/10/18	Briefing session for insiders on stock ownership	Incorporated Corporation Securities Counter Trading Center	Corporate Director Representative/General Manager Lin, Hong-Pei	3hrs	-

(XVI) Manager Progression:

Date of Training	Name of program	Training Institution	Attendees	Lesson Hours	Expenses
2021/10/21~2021/10/22	Continuing Education (12hr) Practical Workshop for Accounting Supervisors of Issuer Securities Exchanges	Accounting Research and Development Foundation	Finance Manager/Luo Jialing	12hrs.	8,000

(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. To obtain certificates of completion of continuing education for internal auditors in 2021
Department of Finance and Accounting	Luo, Jia-Ling	1. To obtain certificates of completion of continuing education for Accounting Supervisor in 2021
	Lian Yi-kun	1. To obtain certificates of completion of continuing education for internal auditors in 2021
	Liu, Zhi-Yan	1. Certified Internal Auditors (CIA) License
Quality Assurance Department	Wong Shi-chul	1. Certificate of quality of products supplied by the Quality Institute of the Republic of China 2. International Bar Code Management Technician Certificate 3. 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)

To establish an excellent internal mechanism for the handling and disclosure of material information of the Company and to avoid improper leakage of information.

To ensure the consistency and correctness of the information published by the Company to the outside world, we have established these operating procedures for compliance.

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, supervisors, 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. To be responsible for receiving consultation, review and advice on internal material information processing operations and related to these procedures.
- 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 Company's directors, supervisors, managers, and employees shall perform their business under integrity and trust and sign confidentiality agreements with the care and fidelity obligations.

Directors, supervisors, managers and employees who know material internal information of the Company shall not disclose material internal information known to them to others.

The directors, supervisors, managers and employees of the Company shall not inquire or collect internal material information of the Company that is not relevant to their respective duties from anyone who knows internal material details of the Company, nor shall they disclose to others material internal information of the Company that is not disclosed to them to conduct 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 establishment of firewalls as specified in the preceding two articles and shall 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)

Organisations 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 authorised 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 authorisation.

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 Company's directors, supervisors, managers and employees become aware of a breach of material internal information,

It should be reported to the specialist 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 authorisation 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 authorisation 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)

At least once a year, the Company shall conduct education and training on these procedures and related laws and regulations for directors, supervisors, managers and employees.

New directors, supervisors, managers, and employees will provide timely education and orientation.

Chapter 6 Supplementary Provisions

Article 18 These Procedures shall be implemented after approval by the Board of Directors and shall be amended as well.

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

Chapter 1 General Principles

- Article 1 Basis
To comply with the Company's capital lending operations guidelines and strengthen the financial management of the endorsements/guarantees process and reduce operational risks, establish these procedures under 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 recognised 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 may make loans of funds to foreign companies in which the Company directly or indirectly holds 100% of the voting shares or to foreign companies in which the Company directly or indirectly holds 100% of the voting shares, subject to the limits outlined in Paragraph 2 of Article 1. The loan period of funds shall not exceed one year but may be extended for one year by a resolution of the Board of Directors.
When a person in charge of TUC violates Paragraph 1, the person in charge shall bear the liability and return the liability. If TUC is damaged, it shall 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 loan of funds shall not exceed one year or one business cycle (whichever is longer) from the date of lending.
- (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 authorised 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 authorisation 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 Company's internal auditors shall audit the Operating Procedures for Loaning Funds to Others and the implementation thereof no less frequently than quarterly and prepare written records accordingly. They shall promptly notify all the Supervisors and Independent Directors in writing of any material violation found.
- (III) Suppose that the Company's loan recipients do not comply with these procedures or the balance exceeds the limit due to changes in circumstances. In that case, the auditing unit shall urge the Finance Department to set a deadline for recovering the loaned funds that exceed the limit, send the improvement plan to each supervisor and independent director, and complete the improvement according to the project's 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 the interest of time, the Board of Directors may authorise the Chairman (or the General Manager, either one) to make a decision within 30% of the current net worth, submit a report after that to the Board of Directors for approval, and report the relevant information to the Board of Shareholders for reference. When the Company makes endorsements/guarantees to others, it shall 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 subsidiary makes endorsements/guarantees for a subsidiary whose net worth is less than half of the paid-in capital, the Company's internal auditors shall, in addition to the handling under the provisions of the preceding paragraph, audit the operating procedures for endorsements/guarantees for others and the implementation thereof no less frequently than quarterly and prepare written records accordingly. They shall promptly notify all the Supervisors and Independent Directors in writing of any material violation found.
In the case of a subsidiary with shares having no par value other than NT\$ 10, for the paid-in capital in the calculation under subparagraph 11 of the preceding paragraph, the sum of the share capital plus paid-in money is paid more than par shall be substituted.

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 authorised 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 Company's internal auditors shall audit the Operating Procedures for Endorsements/Guarantees for Others and the implementation thereof no less frequently than quarterly and prepare written records accordingly. They shall promptly notify all the Supervisors and Independent Directors in writing of any material violation found.
- (II) If the entity for which endorsements/guarantees are made fails to meet the

requirements of Article 8 of these Procedures that were initially met due to a change in circumstances of the Company, or if the amount of endorsements/guarantees exceeds the quota set out in Article 9 of these Procedures due to a change in the basis for calculating the limit, the audit unit shall urge the Finance Department to discharge the amount or excess of endorsements/guarantees of the said entity in entirety at the expiration of the term stipulated in the contract or within a specific period. It shall submit the rectification plans to all the Supervisors and Independent Directors, complete the rectification according to the timeframe set out in the project, and report the same to the Board of Directors.

- (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 subsidiaries shall also audit the procedures for lending funds to others and their execution at least quarterly and make written records. If significant irregularities are found, they shall immediately notify the Company's auditing unit in writing. The Company's auditing unit shall send the written information to each supervisor and independent director.
- (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 subsidiary's internal auditors shall audit the operating procedures for endorsements/guarantees for others and the implementation thereof no less frequently than quarterly and prepare written records accordingly. They shall promptly notify the audit unit of the Company in writing of any material violation found, and the audit unit of the Company shall submit the written information to all the Supervisors and Independent Directors.
- (IV) When the 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

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

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

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 made under Paragraph 1 of Article 36 of the Securities and Exchange Act (hereinafter referred to as the Act) and the relevant provisions of the Regulations Governing the Acquisition and Disposal of Assets by Public Companies.
- Article 3 Scope of Assets
- I. Investments in stocks, government bonds, corporate bonds, financial bonds, securities representing interests in a fund, depositary receipts, call (put) warrants, beneficial interest securities, and asset-backed securities.
 - II. Real property (including land, houses and buildings, investment property, and construction enterprise inventory) and equipment.
 - III. 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 through mergers, demergers, acquisitions, or transfer of shares by law: Refers to assets acquired or disposed of through mergers, demergers, or acquisitions conducted under the Business Mergers and Acquisitions Act, Financial Holding Company Act, Financial Institutions Merger Act and other acts, or to the transfer of shares from another company through issuance of new shares of its own as the consideration therefor (hereinafter "transfer of shares") under Article 156-3 of the Company Act.
 - III. Related parties, subsidiaries: refers to those recognised 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 organised securities exchange market regulated by the competent securities authorities of the jurisdiction where it is located.

IX. Securities dealer's business premises: Domestic securities dealer's business premises refers to the premises where securities dealers have set up counters to conduct transactions under regulations governing the trading of marketable securities by securities dealers; foreign securities dealer's business premises refers to the business premises of financial institutions under the control of foreign securities authorities that are expected to conduct securities business.

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 an appraisal report or opinion, the personnel referred to in the preceding paragraph shall comply with the following:

- I. Before taking on a case, you should carefully assess your professional competence, practical experience and independence.
- II. When auditing a case, they shall appropriately plan and execute adequate working procedures to have a conclusion and use the conclusion as the basis for issuing the report or opinion. The related working procedures, data collected, and conclusion shall be fully and accurately specified in the case working papers.
- III. They shall undertake an item-by-item evaluation of the completeness, appropriateness and reasonableness of the sources of data used, the parameters, and the information, as the basis for issuing the appraisal report or the opinion.
- IV. The declaration shall include the professionalism and independence of the relevant personnel, the assessment of the reasonableness and correctness of the information used

and the compliance with the relevant laws and regulations.

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) The Company shall acquire or dispose of assets subject to the procedures or other legal requirements specified by the Board of Directors. If any director objects and there is a record or written statement, the Company shall send the director's objection information to the respective supervisors. In presenting transactions for the acquisition or disposal of assets to the Board of directors for discussion 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 results of professional appraisers are in any of the following cases except that all the valuation result of the acquired assets is higher than the transaction amount or all the valuation result of the disposed of assets is lower than the transaction amount. In addition, the professional appraisers should contact the accountant under the provisions of the statement of Auditing Standards No. 20 issued by the Accounting

Research and Development Foundation of the Republic of China (hereinafter referred to as the Accounting Research and Development Foundation) and express specific opinions on the reason for the difference and the fairness of the transaction price:

1. The 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 centralised 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 unrealised 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 centralised 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 unrealised 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) The Company shall acquire or dispose of assets subject to the procedures or other legal requirements specified by the Board of Directors. If any director objects and there is a record or written statement, the Company shall send the director's objection information to the respective supervisors. In presenting transactions for the acquisition or disposal of assets to the Board for discussion 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, before the date of occurrence, contact an accountant to express its opinion on the reasonableness of the transaction price. If an accountant is required to employ an expert reporter, it shall comply with the Auditing Standards No.20 issued by the Accounting Research and Development Foundation. However, this does not apply if the marketable securities are publicly quoted in an active market or otherwise stipulated by the Financial Supervisory Commission (hereinafter referred to as the Commission).
- (II) Suppose the Company acquires or disposes of assets through court auction procedures. In that case, the certificate issued by the court may be substituted for the appraisal report or the Certified Public Accountant's opinion.

Article 9

Processing procedures for related party transactions

- I. When the Company acquires or disposes of an asset from or to a related party and adheres to the procedure on the acquisition and disposal of real property set out in Article 7, the Company shall ensure that the necessary resolutions are adopted. The reasonableness of the transaction terms is appraised under the following provisions. Where the transaction amount reaches ten per cent or more of the Company's total assets, the Company shall also obtain an appraisal report from a professional appraiser or a CPA's opinion in line with the preceding provisions. 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
If the Company acquires or disposes of real estate or its right-of-use assets from related parties or acquires or disposes of other assets other than real estate or its right-of-use assets with associated parties. The transaction amount is 20% of the company's paid-up capital, 10% of the total assets, or NT \$300 million or more, in addition to buying and selling domestic bonds, bonds subject to repurchase and reverse repurchase, conditions, and currency market funds issued by the domestic subscription or buyback securities investment trust enterprise, the Company shall submit the following information to the Board of Directors for approval and the supervisor able to sign a contract and make payment:
 - (I) The purpose, necessity and expected benefits of acquiring or disposing of assets.
 - (II) The reasons for selecting the related party as the trading counterpart.
 - (III) In order to obtain the real estate or the right-of-use assets from the related parties, the relevant information for evaluating the reasonableness of the intended transaction conditions is in accordance with the provisions of subsection 1 to 4 and 6 of Paragraph 3 in 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 calculation of the transaction amount mentioned in the preceding paragraph shall be carried out under the provisions of Subsection 6 of Paragraph 1 of Article 14 and shall be based on the date of the occurrence of the fact of the current transaction within one year and shall be calculated retroactively for one year. The part submitted to the Board of Directors for approval and the supervisor for approval under the provisions of these procedures shall not be counted again.

Concerning the types of transactions listed below, when to be conducted between the Company, its parent company, its subsidiaries, or between its subsidiaries in which it directly or indirectly holds 100 per cent of the issued shares or authorised capital, TUC's Board of Directors may according to Article 7, paragraph 1, subparagraph three delegate the Board Chairman to decide such matters when the transaction is within a certain quota and have the decisions subsequently submitted to and ratified by the next Board of Directors meeting:

1. Acquisition or disposal of equipment or right-of-use assets thereof held for business use.
2. II. Acquisition or disposal of real estate for business use or right-of-use assets thereto.

When submitting to the Board for discussion under Paragraph 2, due consideration shall be given to the opinions of the independent directors, and any objections or reservations of the independent directors shall be set out in the minutes of the Board of Directors.

III. Reasonableness assessment of transaction costs

(I) 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. Total loan value appraisal from a financial institution where the related party has previously created a mortgage on the property as security for a loan; provided, the actual cumulative amount loaned by the financial institution shall have exceeded 70% of the financial institution's appraised total value of the property and the period of the loan shall have exceeded 1 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 that acquires the real estate or right-of-use assets thereof from a related party and appraises the cost of the real estate or right-of-use assets thereof following the provisions of Paragraphs 3 (1) and (2) of this Article shall also engage a Certified Public Accountant for review and render specific opinions.

(IV) When the results of the Company's appraisal conducted under the provisions of Paragraphs 3 (1) and (2) of this Article concerning the acquisition of real estate or right-of-use assets thereof from a related party are uniformly lower than the transaction price, the matter shall be handled by the provisions of Paragraph 3 (5) of this Article. However, where the following circumstances exist, objective evidence has been submitted and specific opinions on reasonableness have been obtained from a professional 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. The above mentioned construction profit refers to the average operation gross profit rate of the construction department of the related party in the last three fiscal years or the rent gross

profit rate in the construction industry released by the Ministry of Finance, whichever is lower.

- (2) Completed transactions by unrelated parties within a year at other floors or neighboring area of the targeted property, where the size is similar, and transaction terms have been evaluated in accordance with standard property market sale or leasing practices, and proved to be similar with the targeted transaction.
2. Where the Company acquiring real property, or obtaining real property right-of-use assets through leasing, from a related party provides evidence that the terms of the transaction are similar to the terms of completed transactions involving neighboring or closely valued parcels of land of a similar size by unrelated parties within the preceding year. Completed transactions involving neighbouring or closely valued parcels of land in the preceding paragraph in principle refers to parcels on the same or an adjacent block and within a distance of no more than 500 meters or parcels close in publicly announced current value; transactions involving similarly sized parcels in principle refers to transactions completed by unrelated parties for parcels with a land area of no less than 50% of the property in the planned transaction; within the preceding year in the preceding paragraph refers to the year preceding the date of occurrence of the acquisition of the real estate or obtainment of the right-of-use assets thereof.
- (V) If the Company acquires the real estate or right-of-use assets thereof from a related party, the appraisal results conducted following Paragraphs 3 (1) and (2) of this Article are uniformly lower than the transaction price 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 recognised 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 set aside a special reserve following Article 41 (1) of the Securities and Exchange Act against the difference between the real estate transaction price and the appraised cost and may not be distributed or used for capital increase or issuance of bonus shares. Suppose the investors who evaluate the investment in the Company with the equity method are a public listed company. In that case, they shall also recognise special surplus reserve based on shares holding ratio following paragraph 1, Article 41 of Securities Exchange Law.
 2. The supervisor shall be handled following the provisions of Article 28 of the Company Law.
 3. The Company shall report to the shareholders' meeting on the handling of points 1 and 2 of paragraph 3(e) of this paragraph and disclose the transaction details in the annual report and the public explanatory statement.
- (VI) Where the Company acquires the real estate or right-of-use assets thereof from a related party under any of the following circumstances, the acquisition shall be conducted following the relevant appraisal and operating procedures stipulated in Paragraphs 1 and 2 of this Article. The appraisal provisions of Paragraphs 3 (1), (2) and (3) of this Article regarding the reasonableness of transaction costs shall not apply:
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 authorised capital.

(VII) Suppose the Company acquires real estate from a related party, and there is other evidence that the transaction is not following business practices. In that case, the Company shall also apply the provisions of paragraph (5) of Article 3.

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. The Company shall acquire or dispose of assets subject to the procedures or other legal requirements specified by the Board of Directors. If any director objects and there is a record or written statement, the Company shall send the director's objection information to the respective supervisors. The Board of Directors shall, when discussing a transaction to acquire or dispose of assets 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. In addition to 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. The accountant shall handle the transaction amount of the intangible assets or the right-of-use assets or the membership card, which is 20% of the paid-in capital of the Company or more than NT \$300 million following the provisions of the Audit Standards No. 20 issued by the Accounting Research and Development Foundation.

Article 10-1 The transaction amounts referred to in the preceding four Articles shall be calculated following Paragraph 1 (6) of Article 14. The preceding year as used herein, refers to the year before the date of occurrence of the current transaction. Items for which an appraisal report from a professional appraiser or a CPA's opinion has been obtained need not be counted toward the transaction amount.

Article 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 finalising 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 authorised 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. The Company shall acquire or dispose of assets subject to the procedures or other legal requirements specified by the Board of Directors. If any director objects and there is a record or written statement, the Company shall send the director's objection information to the respective supervisors. The Board of Directors shall, when discussing a transaction to acquire or dispose of assets 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 adequacy of the internal control of derivative commodity transactions and auditing the trading department's compliance with the operating procedures, analysing the transaction cycle, making an audit report, and delivering it to the inspector for inspection before the end of the following month after the completion of the audit project. In addition, the internal auditor shall immediately complete the reported audit and notify the inspector and the independent director if there is a risk of significant violations or significant losses to the company.
- 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 authorised 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 authorised 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) Internal auditors shall periodically understand the fairness of the internal control of derivative commodity transactions, monthly check the compliance of the trading department with the procedures for dealing with derivative commodity transactions and analyse the transaction cycle to form an audit report. If any significant violations are discovered, they shall notify the supervisor 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 authorise 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 authorised 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 authorises the relevant personnel to handle derivatives trading following its Procedures for Engaging in Derivatives Trading.
- (IV) The Company engaging in derivatives trading shall establish a logbook in which details of the types and amounts of derivatives trading engaged in, Board of Directors approval dates, and the matters required to be carefully evaluated under paragraphs 4 (2), 5 (1) and (2) of this Article shall be recorded in detail in the logbook.

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 organised 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 the Shareholders before the meeting of the Shareholders' Meeting on the merger, demerger or acquisition of the material agreed on the content and related matters, together with the expert opinion referred to in paragraph 1 (1) of this Article and the notice of the opening of the meeting of the Shareholders' Meeting, to be delivered to the Shareholders as a reference for whether or not to agree to the merger, demerger 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) Principles for determination and change of the share exchange ratio or the acquisition price: Companies that conduct a merger, demerger, acquisition, or transfer of shares, before convening the meeting of the Board of Directors of both parties to resolve the matter, shall engage a CPA, attorney, or securities underwriter to give an opinion on the reasonableness of the share exchange ratio, acquisition price, or distribution of cash or other property to shareholders, and submit it to the Shareholders' Meeting. In principle, the share exchange ratio or acquisition price may not be changed 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) Contents of the contract: In addition to the provisions of Article 317-1 of the Company Act and Article 22 of the Business Mergers and Acquisitions Act, the agreement for the merger, demerger, acquisition or transfer of shares of the Company shall be set forth the following matters.
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 handing 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 authorised 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) Where the Company participating in a merger, division, acquisition or transfer of shares has a non-public offering company, the Company shall agree with such company. It shall act following the date of the meeting of the Board of Directors under paragraph (2) (i) of this Article, the prior confidentiality undertaking under section (2), the change in the number of companies participating in the merger, division, acquisition or transfer of shares under 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) Where the transaction amount reaches up to 20% of the Company's paid-up capital, or NT\$300 million or more. Save for assets transactions, disposal of creditors' rights by

financial institutions or investment in Mainland China as stated in the preceding six paragraphs. however, this shall not apply to the following circumstances:

1. Trading of domestic government bonds.
2. For professional investors, the trading of marketable securities on stock exchanges or in the premises of securities dealers, the subscription of ordinary corporate bonds and general financial bonds not involving equity issued on the domestic primary market (excluding subordinated bonds), or the subscription or buyback of securities investment trust funds or futures trust funds, or the subscription of marketable securities under the requirements of the Taipei Exchange recommended by securities dealers who, due to the need of underwriting business or acting as advisers to emerging company
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 centralised 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 centralised 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 "Procedures for the Acquisition or Disposal of Assets" are approved by the Board of Directors and then sent to each supervisor and submitted to the shareholders' meeting for approval or amended. Where there is an objection by a Director, and there is a record or written statement, the Company shall also send the details of the objection by the Director to each supervisor. In addition, if the Company has appointed Independent Directors, when the "Procedures for Acquisition or Disposal of Assets" is tabled to the Board of Directors for deliberation, the opinions of each Independent Director shall be duly considered. If the independent directors make any objections or reservations, they shall be recorded in the minutes of the Board of directors meeting.

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 centre of the city. The financial centre 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 authorised 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
PricewaterhouseCoopers Taiwan	Feng Min-Juan	2021.01.01-2021.12.31	1,400	-	1,400	N/A
	Xu Yong-Jian					
Yong Qin Certified Public Accountants	Chang Yingjuan	-	-	17	17	N/A

Non-audit public service content:

1. Yongqin: NT\$6,000 for the election of vice-chairman and NT\$11,000 for the election of shareholder's bonus to issue new shares.

- (II) Replacement of accounting firm and substitute of the audit expense paid for the year less than the audit expense for the year before the replacement: None.

- (III) The audit fee was reduced by 15% or more in the previous year: No such cases.

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

The 2021 Certified Public Accountant/ CPA's Independence and Competency Assessment Form

Evaluation Unit: Board of Directors

Evaluation year: 2021

Evaluation Date:

Evaluation of Appointed Certified Public Accountant / CPA Firm and Accountants: PwC Taiwan & Associates/CPA Feng Min-Juan, CPA Xu Yong-Jian

Evaluation: The evaluation was made with reference to Article 47 of that certified Public Accountant / CPA Act and the R.O.C. Statement of Ethics No. 10, "Integrity, Fairness, 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 Certified Public Accountant / CPA has met the requirements of Statement of Ethics No. 10 on Independence and obtained a "Statement of Independence" from the Certified Public Accountant / CPA.	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
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(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. Replacement of CPA:

(I) About the former CPA:

Date of Replacement	Approved by the Board of Directors on March 24, 2021.		
Replacement Reasons and Explanations	Under the internal organisational adjustment of the Company Joint Ventures with PwC Taiwan, effective from the first quarter of 2011, the Certified Public Accountants /CPAs have been replaced with the Certified Public Accountants /CPAs Minjuan Feng and Shengzhong Xu from the Certified Public Accountants /CPAs Minjuan Feng and Xu Yongjian.		
Any details for the termination or rejection of the commissioner or CPA	Condition	Party	CPA
	Voluntarily terminates the commission		N/A
	Termination by the CPAs		N/A
Opinion and reasons for audit report issued during the two past fiscal years containing an observation other than unqualified ones	N/A		
Different opinions from the issuer	Yes	-	Accounting principles or practices
		-	Disclosure of financial report
		-	Scope or procedure of auditing
		-	Others
	N/A	V	
Description			
Additional Disclosures (under Subparagraphs 1-4 to 1-7, Paragraph 6, Article 10 of the Guidelines)	N/A		

(II) About the successor CPA:

Name of CPA Firm	PricewaterhouseCoopers Taiwan
Name of CPA	Certified Public Accountants / CPAs Minjuan Feng and Yongjian Xu
Date of Appointment	Approved by the Board of Directors on March 24, 2021.
Pre-appointment consultancy on the accounting treatment or accounting principles for specific transactions and on the possible issuance of financial statements	N/A
Succeeding CPA's written opinion of disagreement toward the former CPA	N/A

(III) The former CPA's response to Article 10, Subparagraph 6, Item 1 and Item 2-3 of the Principles: Not applicable.

VI. The chairman, general manager, or manager in charge of financial or accounting matters of the company has worked in the firm of the Certified Public Accountant / CPA or its Affiliates within 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

Job Title	Name	2021		The current year ended on April 18	
		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.	1,585,220	(967,000)	0	0
Chairman	Chen, Li-Min	25,903	0	0	0
Director	Li, Shi-Long	1,254	0	0	0
The director also works part-time as the general manager	Zhao, Xi-Zheng	0	0	0	0
The director also works part-time as the deputy general manager	Lin, Hong-Pei	0	0	0	0
Director	Li, Yao-Kui	66,649	0	101,000	0
The director also works part-time as the deputy general manager	Yang, Shi-Huai	88,687	0	(24,000)	0
Independent Director	Huang, Shu-Zhen	1,000	0	0	0
Independent Director	Zeng, Hong-Chi	0	0	0	0
Supervisor	Sun, Sheng	0	0	0	0
Supervisor	Liu, Ying-Jun	100,530	0	0	0
Finance & Accounting Manager	Luo, Jia-Ling	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. Information on the shareholdings of the top ten shareholders related to each other under the Statement of Financial Accounting Standards No. 6 or who are related to each other as spouses or second-degree relatives:

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NAME (NOTE 1)	SHARES HELD BY HIMSELF/HERSELF SHAREHOLDING		SHARES HELD BY HIS/HER SPOUSE AND MINOR CHILDREN (NOTE 2)		SHAREHOLDING BY NOMINEES		THE NAMES OR NAMES AND RELATIONSHIPS OF THE TOP TEN SHAREHOLDERS WHO HAVE RELATIONSHIP DEFINED IN STATEMENTS OF AUDITING STANDARDS NO. 6 OR WHO ARE RELATIVES WITHIN THE SCOPE OF THE SPOUSE OR THE SECOND-DEGREE RELATIVE OF KINSHIP. (NOTE 3)		REMARK
	Number of Shares	%	Number of Shares	%	Number of Shares	%	Designation (or Name)	Relationship	
Representative of Wei Sheng Investment Co., Ltd. : Yang, Yi-Lan	9,511,321	23.57%	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
Xiangli Investment (Stock) Co., Ltd: Li, Xin-Lin	2,814,705	6.98%	0	0.00%	0	0.00%	N/A	N/A	N/A
Mei-Si Yang	1,276,113	3.16%	154,290	0.38%	0	0.00%	Yang, Shi-Huai Zhan-Kui Yang	Siblings Siblings	N/A
Zhao-Xiang Yan	1,262,206	3.13%	0	0.00%	0	0.00%	N/A	N/A	N/A
Citibank Trustee UBS Europe SE Investment Account	11,007,000	2.50%	0	0.00%	0	0.00%	N/A	N/A	N/A
Yang, Shi-Huai	901,126	2.36%	0	0.00%	0	0.00%	Zhan-Kui Yang Mei-Si Yang	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; %

Investee business (Note)	Ownership by the Company		Investment by Directors/Managerial Officers and Companies Directly or Indirectly Controlled by the Company		Consolidated Investment	
	Number of Shares	Shareholding ratio	Number of Shares	Shareholding ratio	Number of Shares	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, NT\$

Year/ Month	Issue Price	Authorized Capital		Paid-in Capital		Remark		
		Number of Shares	Amount	Held at the end of the Period	Amount	Source of Capital	Capital Increase by Assets Other than Cash	Others
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.O1005926
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) Tai Cai Zheng (I) 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) Tai Cai Zheng (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) Tai Cai Zheng (1) No. 8617
2001.12	10	35,000,000	350,000,000	27,858,527	278,585,270	Surplus Transfer of 12,612,270	N/A	(90) Tai Cai Zheng (1) No. 168405
2004.11	-	80,000,000	800,000,000	27,858,527	278,585,270	N/A	N/A	Fu Jian Shang Zi No. O932386710
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			Remark
	Outstanding Shares (Note)	Unissued Shares	Total	
Common stock	40,355,944 (Over-the-counter)	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 issued shares (%)	1.78%
Reason for incomplete execution	Stock price stabilized during the buyback period

(II) Shareholder Structure

April 18, 2022

Shareholder Structure Item	Government Agencies	Financial Institutions	Other institutional shareholders	National institutions and foreigners(Note)	Domestic Natural Persons	Total
Number of shareholders	0	0	27	24	5,067	5,118
Shares Held	0	0	13,304,428	1,244,086	25,810,430	40,355,944
Shareholding ratio	0.00%	0.00%	32.96%	3.08%	63.96%	100.00%
Note: Mainland Chinese Company 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, organisations, 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 18, 2022

Range of Shares	Number of Shareholders	Shares Held	Shareholding ratio
1~999	1,381	248,099	0.62%
1,000~5,000	3,148	6,136,440	15.21%
5,001~10,000	346	2,506,559	6.21%
10,001~15,000	116	1,457,767	3.61%
15,001~20,000	33	577,084	1.43%
20,001~30,000	30	747,400	1.85%
30,001~40,000	22	791,756	1.96%
40,001~50,000	7	296,400	0.73%
50,001~100,000	18	1,162,596	2.88%
100,001~200,000	6	863,290	2.14%
200,001 to 00,000	0	0	0.00%
400,001~600,000	2	1,099,897	2.73%
600,001~800,000	1	603,180	1.50%
800,001~1,000,000	1	901,126	2.23%
Over 1,000,001	7	22,964,350	56.90%
Total	5,118	40,355,944	100.00%

Preferred Stock

April 18, 2022

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

Name of Major Shareholders	Shares	Shares Held	Shareholding ratio
Wei Sheng Investment Co., Ltd.		9,511,321	23.57%
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		1,007,000	2.50%
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: NT\$; %; shares

Item	Year			Current year as of March 31, 2021 (Note 8)	
	2010	2021			
Market Price Per Share (Note 1)	Highest	376	256	113.5	
	Lowest	49.5	91.5	94	
	Average	232	184.51	103.63	
Net Worth per Share (Note 2)	Before distribution	45.90	41.28	38.28	
	After distribution	29.92	36.28	33.28	
Earnings per Share	Weighted Average Shares	39,929,610	39,756,944	39,756,944	
	Earnings per share (Note 3)	18.49/15.41	9.66	2.00	
Dividends per Share	Cash Dividends		8	5	N/A
	Free allotment	Surplus allotment	2	0	N/A
		Stock dividends appropriated from capital surplus	0	0	N/A
	Accumulated undistributed dividends (Note 4)		331,307,866	198,784,720	198,784,720
Return on Investment	Price-to-earnings ratio (Note 5)		12.55	19.10	N/A
	Price-to-dividends ratio (Note 6)		29	36.90	N/A
	Cash dividend yield (Note 7)		0.03	0.03	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 Ratio = Average market price/earnings per share.

Note 6: Price/dividend ratio = Average market price/cash dividends per share.

Note 7: Cash dividend yield = Cash dividends 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

- 1. Company dividend policy:** Article 19 of the Company's Articles of Association: The Company's dividends are partially or fully distributed in cash dividends. The stock dividend shall not be higher than 90% of the dividend distributed in the current year.
- 2. The following table shows the distribution of the earnings in 2021:**

YUAN High-Tech Development Co., Ltd.

2021 Annual Earnings Distribution Table

Unit: NT\$ thousand

Item	Amount
Undistributed earnings at the end of the period	645,541,808
Add: The adjustment of retained earnings in 2021	1,383,833
Undistributed earning after adjustment.	646,925,641
Add: Net profit after tax for the current year	384,083,470
Less: Legal reserve	(38,546,730)
Distributable net profit	992,462,381
less: cash dividend distributed to shareholders (NT\$5 per share)	(198,784,720)
Undistributed earnings at the end of the period	793,677,661

Chairman: Chen,Li-Min

General Manager:Lin,Hung-Pei

Principal Accounting

Officer:Lo,Chia-Ling

(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	2022
Opening paid-in capital (NT\$)			403,559,440
Dividend allotment for the year	Cash dividends per share (NT\$)		5 (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		
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: The Board approved the appropriation of cash dividends from earnings for 2021 of Directors on March 21, 2011.

Note 2: The Company has not published its financial estimates for 2021, so this item is not applicable.

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) Valuation basis: The amount of directors' and supervisors' remuneration is based on the remaining distributable earnings of the year at a rate of 2% and 2%, while the actual amount of distribution is based on the number of cash dividends resolved to be distributed on March 21, 2022, and then the directors' and supervisors' remuneration is calculated at a rate of 2% and 2% of the actual distributed earnings.

(2) Processing: The difference, if any, will be adjusted in 2022.

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 recognised expenses for the current fiscal year. In that case, the amount, causes and treatment of such difference shall be disclosed:

On March 21, 2022, the Company proposed to distribute the remuneration of directors, the cash remuneration of employees and the amount of distribution of employee shares in the Board of Directors, as shown in the following table. Accordingly, the amount above will be handled following the relevant provisions after the adoption of the resolution of the shareholders' meeting on June 14, 2022.

Unit: NT\$

Item	Amount proposed by the Board of Directors on March 21, 2022
Remunerations of the Directors and Supervisors	10,091,195
Employee Compensation - Cash	10,091,195

Note: The difference between the proposed amount of compensation to employees, directors, and supervisors and the estimated amount of expenses recognised in 2021. The reasons for the differences and the circumstances under which they were handled:

(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 recognised 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:

(Calculated earnings per share = Weighted average number of outstanding shares in the year of profit distribution (2021) Net income/profit distribution (2021) Weighted average number of outstanding shares): 9.66

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:**

On March 24, 2021, the Company's Board of Directors proposed to distribute the remuneration of directors, the cash remuneration of employees, and the amount of distribution of employee shares, as shown in the table below.

Unit: NT\$ 1,000

Item	The amount recognized in the financial statements in 2020	Actual allotment situation
Director's Compensation - Cash	16,140	16,140
Employee Compensation - Cash	16,140	16,140

Notes: (1) Differences and reasons: None.

(2) Processing situation: Not applicable.

(VIII) Company's share repurchases: Please refer to page 99 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) Project content: None

(II) Implementation situation: None

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 2021
Video Products	99.77%
Others	0.23%
Total	100.00%

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

- (1) Audio/Video Streaming Box (Arm Embedded Interface)
- (2) 4K/Hardware Compression A/V Capture Card (PCI Express Interface)
- (3) 4K/Hardware Compression Media Capture Box (USB Interface)
- (4) Video Converter
- (5) AI-Related Technology

4. New products (services) to be developed

- (1) Develop and promote an 8K ultra-high resolution video and an audio streaming box
- (2) Develop and promote external ultra-high resolution video codes
- (3) Develop and promote ultra-high resolution video converters
- (4) Developed and launched an AV streaming box to support next-generation broadcast TV standard
- (5) Develop more competitive multi-functional and highly integrated audio and video interface cards
- (6) Research and development of video interface cards for the Internet of Things (IoT)
- (7) Develop more competitive multi-functional and highly integrated video converters
- (8) Develop more competitive multimedia digital audio and video players

(9) Develop a more competitive Home/Industry Media Server

(10) Enhancement of AI-related technology development

(II) Industry Overview

1. Development status of the industry

The market for multimedia, digital surveillance, Internet of Things (IoT), and AI-related applications is booming. Furthermore, due to mobile networks' maturity and network bandwidth expansion, the popularisation of portable devices, and the technological development of upstream suppliers, related products and devices will significantly impact the market and consumers as we enter 2021. As a result, personalised and ready-to-use services have become the most important driving force for future technological development and industrial progress.

The above products and services will be the niche that the company must strive to develop and seek in terms of technology development.

2. Upstream and downstream industry linkages

Upstream	Digital demodulation chip Chip with input and output	SoC Single-chip receiver	Video compression and Decompression chip	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 Board of Directors	Consumer Electronics 3C Distributor Director Audit Office Director	Surveillance Monitoring Market for Security	System Integration Manufacturer

3. Various development trends and competitive situation of products

【Development Trends】

- The introduction of ultra-high-resolution will result in a new generation of various head-end and end-user products

High-resolution audio and video products are all around us, from flat-screen TVs, and tablet PCs to smartphones that fit in our pockets, and smartwatches, all of which are equipped with high-resolution displays. As technology evolves, the next generation of ultra-high resolution specifications will soon be introduced into our lives. Many new end products and applications are expected to emerge in the coming year.

- The smartphone and tablet PC boom will increase demand for multimedia and digital TV modules

As the demand for smartphones and tablets increases, consumer electronics companies are investing a lot of resources in product development for tablet PCs and other smart devices. The growth of tablet PCs and other smart devices will gradually increase. With the trend of having one or more smartphones and tablets, the need to watch or share videos on these smart devices is increasing. For AV multimedia capture, streaming and digital TV-related products are the main battlefields in the future.

- The importance of remote work will continue to grow in response to the impact of CVOID-19

As the global impact of CVOID-19 grows in 2021, consumers are expected to seek products that can be used to work and communicate remotely; therefore, embedded products that can operate and stream independently, as well as boards and USB devices that can be used for streaming, will be opportunities for growth in the consumer market in the future.

- High-order AV over IP based on network transmission - AV over IP

With the emergence of streaming video and audio over the Internet, the easy-to-use, powerful interface that can be integrated with existing 10G/1G networks is also highly anticipated; it can be used to transmit distortion-free, lag-free 4K60 video and audio, and its compatibility with optical fibre is giving the advantage of remote transmission. Therefore, we expect this series of products and high-end audio and video transmission to shine in the professional market.

(III) Technology and R&D Overview

1. Technology and R&D Overview

YUAN HIGH-TECH (OTC: 5474) was founded in 1990 and is headquartered in Taiwan. It is engaged in designing, developing, and manufacturing high-quality audio and video multimedia related products and MPEG2/4 digital signal processors.

In 2021, the security control industry was moving into the era of high quality, digital home automation was further integrated with security control systems, and security control systems are also widely used in smart cities and the Internet of Things (IoT). The Company continues to observe the industry trends and technology trends. Through in-depth cooperation with upstream chip suppliers, we develop and research products based on various combinations of audio and video processing chips, and at the same time, strictly control the quality and stability of the products and reasonably control the production cost, striving for the best balance between cutting-edge hardware and software design and production; providing customers with various competitive audio and video solutions.

Based on our years of experience and expertise, the Company can vertically integrate various hardware modules and software components and utilise 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 maximise 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 developing image AI-related technology. It expects to combine the customer base and experience of the accumulated video and audio software technology over the years to help the existing Image Capture Card Customer Group, seamlessly join artificial intelligence technology, enhance product value, and enhance the scope of image AI services, including intelligent transportation, medical image recognition, face recognition, and passenger flow. Analytics, behavioural analysis and other projects, through in-depth exchanges and cooperation with industry end customers B2B, to make intelligent activation applications for the large amount of image data accumulated by customers, our solid technology from the development of AI algorithms, the construction of image databases, the design of special identification software, and the construction of inference models, none of which participate in discussions with customers to help Customers have realised the grounding of accurate AI technology. At present, our AI development has achieved suitable

practical applications in Taiwan, and we actively participate in various intelligent construction projects of the government. Through imaging technology expertise, we provide solid audio and video technology support to different customer groups. We expect to build YUAN HIGH-TECH into the best image AI technology development centre in Taiwan within the next three years.

2. Research and development expenses and successful technology or products invested in the current year as of March 31, 2021

Unit: NT\$ 1,000

Item \ Year	2021	As of March 31, 2022
Total Expenses	158,688	42,289
Operating Revenue	1,792,439	401,568
R&D expenses Revenue proportion (%)	8.85	10.53
Technologies or products successfully developed during the year	<ul style="list-style-type: none"> A. 12G SDI TO AVP: 12G-SDI / SDVOE Audio/Video Converter Box B. AVP TO 12G SDI: SDVOE / 12G-SDI Audio/Video Converter Box C. DVI-DL TO HDMI20: DVI / HDMI2.0 Audio/Video Converter Box D. HD2HD-S: HDMI Audio/Video Converter Box E. HDMI20 TO 12G SDI-S Genlock: HDMI2.0/12G-SDI Audio/Video Converter Box F. M2 400 N2 AIO: M.2 interface 2-way HDMI/SDI AV Capture Module G. M2 400 N2 HDMI: M.2 interface 2-way HD video HDMI Audio Capture Card Module H. M2 400 N4 TVI: M.2 interface 4-way TVI analog HD Video Capture Card Module I. M2 700 N1 AIO: M.2 interface 1-way HD video HDMI/SDI Audio Capture Module J. M2 700 N1 HDV: M.2 interface 1-way HD video HDMI/DVI-I Audio Capture Card Module K. PD570 PRO 4K HDR: USB3.0 HDMI 4K Video Capture Box L. PD575 HDMI: USB3.0 HDMI HD Video Capture Box M. SC6D0 N1 AIO LITE V2: HDMI/SDI HD Network Live Recording Encoder N. SC400 N4L TVI: PCIe 4-way TVI analog HD Capture Card O. SC410 N4 6G SDI: PCIe 4-way 6G-SDI 4K AV Capture Card P. SC410 N4 HDMI LITE: PCIe 4-way HDMI HD AV Capture Card Q. SC710 N1L AVP: PCIe 1-way SDVoE 4K AV Capture Card R. SC710 N1L AVP-F: PCIe 1-way SDVoE Optical Fiber 4K AV Capture Card S. SC720 N1L DP14: PCIe 1-way DP 4K AV Capture Card T. SC720 N4 12G SDI: PCIe 4-way 12G-SDI 4K AV Capture Card U. SC720 N4 HDMI20: PCIe 4-way HDMI.20 4K AV Capture Card 	

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

1. Short-term development plans

- In terms of products and technology, we will continue to invest in the research and development of products and services related to digital surveillance, audio-visual multimedia and audio-visual streaming, fully grasp the market trends and changes, provide customers with comprehensive ODM services, exchange market information with customers in terms of design and application in the market and business, and further strengthen the company's production efficiency while maintaining consistent excellent quality, provide customers with more complete sales services, and become a shared win-win strategic partner to achieve the goal of increasing the Company's revenue.

2. Long-term and Mid-term Business Development Plans

The Company has already made achievements in digital surveillance and audio-visual multimedia, and we will continue to strengthen our product hardware and software development and quality control in the medium and long term to achieve further success.

- Continuous research and development, continuous innovation, active development of new products
- We strengthen our hardware and software integration capabilities to become a win-win long-term strategic partner with our customers.
- To control cutting-edge industrial technologies, strengthen the reliability of production management and quality control, and increase the trust of customers.
- Cultivate professional talent, integrate powerful internal human resources for R&D, production and sales, and improve the competitiveness of the company.
- To cultivate professional and excellent talents and integrate strong internal human resources in R&D, production and sales to enhance the competitiveness of the company.

II. Market, Production, and Sales Overview

(I) Market Analysis

1. Major sales regions

Unit: NT\$ 1,000

Region \ Year	2021		2010	
	Amount	%	Amount	%
Asia	1,413,268	78.85%	2,249,804	83.16%
America	95,503	5.33%	78,149	2.89%
Europe	66,533	3.71%	108,967	4.03%
Taiwanese	213,109	11.89%	267,020	9.87%
Others	4,026	0.22%	1,402	0.05%
Total	1,792,439	100	2,705,342	100%

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 recognised 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

- Increasing Demand for Streaming Media and Digital Content

With the development of internet technology and the popularisation of smart devices, consumers can easily access internet resources anytime and anywhere through wired, wireless and telecommunication networks using various devices such as iPad, PC, SmartPhone, etc. Given the development trend of the Internet, audio-visual multimedia and personal single-player or online

interactive games are the motive to stimulate consumption and where the profit lies. Digital content and streaming multimedia transmission may be the most important technological breakthrough in the half-century of TV invention. Therefore, the provision of digital content and streaming media over wired, wireless or telecommunication networks, including the transmission of multimedia data such as audio, video, 3D animation, etc., has become one of the most important trends.

- Stable growth of digital surveillance products

With the diversification of market demands and the continuous development of technology, digital surveillance and security with high resolution have become a significant development trend. However, due to the inherent limitations of the network equipment and architecture, problems such as delayed network transmission, high loss of codec system, and high bandwidth consumption of the network continue to plague consumers and builders. To meet the demand for high-definition, latency-free high-end digital surveillance applications, HD-SDI technology, which integrates Internet of Things (IoT) related technologies and video security needs, continues to attract industry attention and flourish. Digital surveillance products based on the HD-SDI standard will continue to lead the security control industry to another level of development with their advantages of real-time, lossless and easy installation. After years of development, analogue cameras in the video surveillance market can bring manufacturers lower profits due to the maturity of technology and high product differentiation difficulty. As a result, many manufacturers are looking for a new development direction. Analogue surveillance cameras can not provide high-resolution clear and sharp images, the field of view is not as new high-resolution surveillance cameras, plus HD-SDI equipment in the installation as existing analogue surveillance equipment generally plug-and-play, do not need professional network knowledge like IP cameras, which can be easily installed and laid, accelerating the upgrade of the product.

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 labour 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

- With the significant increase in global awareness of social security and government policies and construction investment, the demand and standard for digital surveillance systems are increasing, driving the overall surveillance industry to grow.
- Due to the significant progress of digital, networked, intelligent, wireless, mobile and high-resolution technologies in recent years, digital technology and wired or wireless broadband networks to build high-definition video surveillance systems have gradually become a trend in video surveillance applications.
- As a professional ODM manufacturer, we have accumulated many years of technical experience. Therefore, in the face of diversified market demands and the trend and development of cutting-edge technologies, we can grasp the mainstream of the market and superior technologies with development potential as entry points.
- As the demand for networked homes and smartphones and tablet PCs grows, it will drive smart networked homes and multimedia applications such as TV modules.

■ Unfavorable Factors

- In terms of the networking industry, the main targets are IP cameras and NVRs, which are the stars of tomorrow in the security control industry. Since the production and design of network surveillance cameras and network video recorders are the expertise of Netcom companies, and the gross profit of security control products is much higher than that of Netcom products, many Netcom companies have entered into the field of network surveillance and made it another focus of the corporate revenues.
- In terms of the competitiveness of the company's products, especially in the late mainland China industry through the advantages of manufacturing costs and certification and safety regulations of the ambiguous space to continue to kill the price competition, if it degenerates into a vicious circle, it will likely cause the phenomenon of the lousy currency driving out the sound currency, and significantly compress the company in the product of reasonable profit margin.

■ Response

In addition to continuing to strengthen interaction and cooperation with significant chip suppliers, the Company will enhance the extension and development of vertical markets, for example, by integrating multiple technologies to drive business opportunities, using external resources to strengthen technological advantages to breakthrough development bottlenecks, cooperating with original manufacturers and agents to promote and capture the market territory, replicating successful business models, and forming close strategic partnerships, which can effectively increase sales competitiveness and help improve turnover rates and profitability.

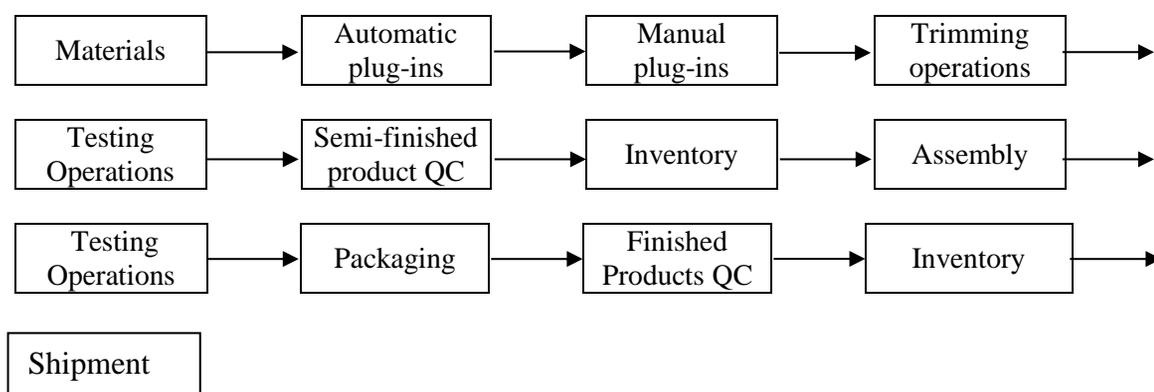
In response to the increased price competition brought about by the downward price trend, the Company is also actively strengthening its manufacturing background to enhance its production capacity and reduce production costs entirely.

(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\$1,000; %

Item	2010				2021				2022 as of 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 (%)	Relationship with the Issuer
1	A	167,149	11.15	N/A	A	126,557	13.76	N/A	A	44,613	20.38	N/A
2	B	157,071	10.48	-	B	104,486	11.36	N/A	B	21,159	9.66	N/A
	Other	1,238,078	78.37	N/A	Other	688,762	74.88	N/A	Other	153,169	69.96	N/A
	Net purchase	1,562,298	100.00		Net purchase	919,805	100.00		Net purchase	218,941	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\$1,000; %

Item	2010				2021				2022 as of 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 (%)	Relationship with the Issuer
1	A	1,820,017	67.27	N/A	A	912,712	50.92	N/A	A	220,574	54.93	N/A
2	B	-	-	-	B	185,169	10.33	-	B	-	-	N/A
	Other	885,325	32.73	N/A	Other	694,558	38.75	N/A	Other	180,994	45.07	N/A
	Net Sales	2,705,342	100.00		Net sales	1,792,439	100.00		Net sales	401,568	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; NT\$ 1,000

Year Production amount Main Products	2020			2021		
	Production Capacity	Production Volume	Production value	Production Capacity	Production Volume	Production value
Computer multimedia peripheral video converters and interface cards, etc.	-	1,613,197	1,595,383	-	1,483,282	990,952
Other PC-related products	-	806,268	1,063	-	736,568	3,652
Total	-	2,419,465	1,596,446	-	2,219,850	994,604

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; NT\$ 1,000

Sales	Year		2020				2021			
	Volume		Domestic Sales		Export		Domestic		Export	
Main Products	Volume	Value	Quantity	Value	Quantity	Value	Quantity	Value		
Computer multimedia peripheral video converters and interface cards, etc.	135,220	301,459	1,477,977	2,401,954	111,274	235,955	1,372,008	1,552,387		
Other PC-related products	806,268	1,929	-	-	314,477	2,128	422,091	1,969		
Total	943,888	303,388	1,477,977	2,401,954	425,751	238,083	1,794,099	1,554,356		

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

1. The average turnover of the last two years for personnel costs

Unit: NT\$ 1,000

	2021	2020
Revenue	1,792,439	2,705,342
Personnel costs	192,284	200,500
Personnel costs/turnover	10.73%	7.41%

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

Unit: NT\$ 1,000

	2021	2020
Revenue	1,792,439	2,705,342
Number of Employees	141	134
Turnover / Number of Employees	12,712	20,189

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

Unit: Person

Year		2020	2021	As of April 30, 2022 (Note)
Number of Employees	Management Staff	44	51	49
	R&D personnel	90	90	91
	Total	134	141	140
Average age		38.1	38.6	38.4
Average length of service (year)		5.1	7.8	7.6
Education Distribution	Doctorate/PhD	0	0	0
	Master/MPhil	47	50	50
Number of shareholders	University	79	84	83
	High school	8	7	7
	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): To ensure the smoothness and legality of the production process, the Company will continue to look for processing plants that meet the requirements of the EU Environmental Directive to avoid interruptions in the process.
- (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) emphasise 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:

The Company was approved by the Department of Social Affairs of the Taipei City Government to establish the "Employee Welfare Committee" in 1998 formally. Through the Company's employee welfare fund, the Company has implemented several welfare measures, such as employee trips, dinners and year-end parties, as well as providing corporate health care services and contracting with legally registered child care institutions to take care of employees' children, which have achieved significant results in promoting close and harmonious labour 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. (Please refer to page 61 of this year's 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, the Company's employees have retired under the approved retirement plan.
- (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 labour 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 labour relations are harmonious. The management system is based on the Labor Standards Law; therefore, the Company has not suffered any loss due to labour 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 as of the current year March 31, 2022 (Note 1)	2021	2010	2019	2018	2017
Current Assets		1,013,008	874,271	1,150,371	1,395,431	1,214,403	1,085,310
Investment Property		22,276	22,309	22,442	22,089	22,458	23,339
Intangible Assets		4,961	3,083	5,452	5,809	3,644	2,751
Other Assets		1,137,538	1,143,013	1,150,965	51,534	25,101	17,935
Total Assets		2,177,783	2,042,676	2,329,230	1,474,863	1,265,605	1,129,335
Current liabilities	Before Distribution	606,466	351,775	761,314	332,685	262,135	278,073
	After distribution	805,251	550,560	1,026,361	484,469	390,308	389,381
Non-current Liabilities		49,267	49,743	47,180	47,431	41,124	34,238
Total Liabilities	Before Distribution	655,733	401,518	808,494	380,116	303,259	312,311
	After distribution	854,518	600,303	1,139,802	531,900	431,432	423,619
Equities Attributable to Owners of Parent Company		1,522,050	1,641,158	1,520,736	1,094,747	962,346	817,024
Share Capital		403,559	403,559	337,298	337,298	337,298	337,298
Capital surplus		793	793	793	793	793	793
Retained Earnings	Before Distribution	1,155,994	1,275,102	1,220,941	756,656	624,255	478,933
	After distribution	957,209	1,076,317	889,633	604,872	496,082	367,625
Other Equity		0	0	0	0	0	0
Treasury stock		(38,296)	(38,296)	(38,296)	0	0	0
Non-controlling Interests		0	0	0	0	0	0
Total Equity	Before Distribution	1,522,050	1,641,158	1,520,736	1,094,747	962,346	817,024
	After distribution	1,323,265	1,442,373	1,189,428	942,963	834,173	705,716

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	Current year as of March 31, 2022 Financial information (Note 1)	2021	2010	2019	2018	2017
Operating Revenue	401,568	1,792,439	2,705,342	1,294,164	1,147,378	901,439
Gross profit	166,301	797,835	1,108,896	585,918	549,645	436,526
Operating profit (loss)	88,612	484,392	789,031	327,829	303,845	229,298
Non-operating revenue and expenses	10,997	(14)	(14,326)	4,715	19,420	(20,473)
Income before Tax	99,609	484,378	774,705	332,544	323,265	208,825
Net income from continuing operations	79,677	384,084	615,420	260,307	255,638	165,700
Loss from discontinued operations	0	0	0	0	0	0
Net income (loss) for the period	79,677	384,084	615,420	260,307	255,638	165,700
Other comprehensive income (loss) for the period (Net value after tax)	0	1,384	649	267	992	(825)
Total Comprehensive Income of Current Period	79,677	385,468	616,069	260,574	256,630	164,875
Net income attributable to shareholders of the parent company	79,677	385,468	616,069	260,574	256,630	164,875
Net Income Attributable to Non-controlling Interests	0	0	0	0	0	0
Total comprehensive income attributable to owners of the parent	79,677	385,468	616,069	260,574	256,630	164,875
Comprehensive Income Attributable to Non-controlling Interests	0	0	0	0	0	0
Earnings per Share	2.00	9.66	15.41	7.72	7.58	4.91

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
2017	PricewaterhouseCoopers Taiwan	Minjuan Feng, Shengzhong Xu	Standard unqualified opinion
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

II. Financial Analyses for the Past Five Fiscal Years

(I) By International Financial Reporting Standards

Item		Year	Current year as of March 31, 2022	2021	2010	2019	2018	2017
Financial structure (%)	Ratio of liabilities to assets		30.11	19.66	34.71	25.77	23.96	27.65
	Ratio of long-term capital to property, plant, and equipment		139.41	150.21	139.09	13,429.18	13,924.84	26,613.16
Solvency (%)	Current Ratio		167.03	248.53	151.10	419.45	463.27	390.30
	Quick Ratio		100.12	135.56	106.34	367.46	401.11	343.24
	Times interest earned ratio		1,246.11	779.74	1,176.58	417.2	0	0
Operating ability	Turnover of Accounts Receivable (times) (Note 1)		15.60	63.13	270.28	60.32	49.65	78.75
	Average days for cash receipts		23.39	5.78	1.35	6.05	7.35	4.63
	Inventory turnover rate (times) (Note 2)		0.56	2.52	5.71	3.95	3.81	3.34
	Payables Turnover Ratio (Times)		1.38	3.67	5.70	5.66	5.22	3.63
	Average days for sale of goods		656.01	144.97	63.95	92.40	95.80	109.30
	Property, plant and equipment turnover rate (times)		0.37	3.26	4.91	171.83	229.91	262.66
	Total Assets Turnover Ratio (Times)		0.19	1.02	1.42	0.94	0.96	0.82
Profitability	Return on assets (%)		3.78	17.59	32.38	19.04	21.35	15.10
	Return on equity (%)		5.04	24.29	47.06	25.31	28.73	20.97
	Percentage of paid-in capital (%)	21.96	21.96	120.03	233.93	97.19	90.08	67.98
		24.68	24.68	120.03	229.68	98.59	95.84	61.91
	Net income ratio (%)		19.84	21.43	22.75	20.11	22.28	18.38
	Earnings per share (NT\$)		2.00	9.66	18.49	7.72	7.58	4.91
Cash flows	Cash flow ratio (%)		19.47	26.02	111.53	106.81	84.96	58.21
	Cash flow adequacy ratio (%)		86.42	88.86	97.19	160.57	142.31	154.45
	Cash re-investment ratio (%)		-5.23	-10.46	45.84	20.65	11.32	6.09
Financial Leverage	Degree of Operating Leverage (DOL)		3.40	2.87	2.80	2.97	2.75	2.81
	Degree of financial leverage (DFL)		1.00	1.00	1.00	1.00	1.00	1.00

Note 1: The Company's turnover of accounts receivable rate was 63.13 in 2021 and 270.28 in 2020, a change of -76.64%, mainly due to the inter-year payment terms for the accounts receivable sold at the end of 2021. Still, the accounts receivable were fully collected at the beginning of 2022.

Note 2: The Company's inventory turnover rate was 2.52 in 2011 and 5.71 in 2020, a change of -55.87%, mainly due to the need to prepare more raw materials for production and shipment, which resulted in a higher amount of incoming goods and an increase in the ending inventory amount, resulting in a decrease in the inventory turnover rate with no significant abnormalities.

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

1. Financial structure
 - (1) Debt-to-asset ratio = total liabilities/total assets.
 - (2) Long-term capital to property, plant and equipment = (total equity + non-current liability) / 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 ratio = net income before income tax and interest expense/current interest expense.
3. Operation performance
 - (1) Receivable (including accounts receivable and business-related notes receivable) turnover ratio = net operating revenue/average balance of receivable of the period (including accounts receivable and business-related notes receivable).
 - (2) Average days of collection = 365/receivables turnover ratio.
 - (3) Inventory turnover ratio = cost of goods sold/average amount of inventory.
 - (4) Payable (including accounts payable and business-related notes payable) turnover ratio = cost of goods sold/average balance of payable of the period (including accounts payable and business-related notes payable).
 - (5) Average days of sales = 365/inventory turnover ratio.
 - (6) Property, plant and equipment turnover = Net sales/average net property, plant and equipment.
 - (7) Total Asset Turnover = Net Sales / Average Total Assets.
4. Profitability
 - (1) Return on assets = [Profit and loss after tax + interest expense × (1 - tax rate)] / Average total assets.
 - (2) Return on equity = Profit or loss after tax / average total equity.
 - (3) Net profit margin = net income/net sales.
 - (4) Earnings per share = (Profit or loss attributable to owners of the parent company - preferred stock dividends) / weighted average number of shares outstanding. (Note 4)
5. Cash flows
 - (1) Cash flow ratio = net cash flow from operating activities/current liabilities.
 - (2) Net cash flow adequacy ratio = Net cash flow from operating activities for the most recent five years/(capital expenditures + inventory increase + cash dividend) for the most recent five years.
 - (3) Cash reinvestment ratio = (net cash flow from operating activities - cash dividends) / (gross property, plant and equipment + long-term investments + other non-current assets + working capital). (Note 5)
6. Leverage:
 - (1) Degree of operating leverage (DOL) = (Net operating revenue - operating change costs and expenses)/operating profit (Note 6).
 - (2) Financial leverage = operating income/(operating income - interest expenses).

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 represent 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. The Audit Committee's Review Report for the Financial Statements of the Most Recent Fiscal Year

YUAN High-Tech Development Co., Ltd.

Supervisor's Review Report

The Board of Directors presents the Company's Business Report, Financial Statements and Proposal on Earnings Distribution for 2021. Among them, the Company's Financial Statements were audited by Certified Public Accountant Feng, Min-Juan and Certified Public Accountant Xu, Yong-Jian of PricewaterhouseCoopers, and the audit report was issued. The business mentioned above reports, financial statements and proposal for distribution of earnings have been examined by our supervisors and found to conform with Article 29 of the Company Law.

Sincerely,

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

Supervisor: Sheng Sun

Supervisor: Liu, Ying-Jun

March 21, 2022

IV. Financial statements of the most recent year

Independent Auditors' Review Report

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

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

Opinions

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

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

Basis for Opinions

We conducted our audits in accordance with the Regulations Governing the Auditing and Attestation of Financial Statements by Certified Public Accountants and Generally Accepted Auditing Standards (GAAS) of the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China (the “Code”), and we have fulfilled other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the Company's Financial Statements for the year ended December 31, 2021. These matters were addressed in the context of our audit of the Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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

Cut-off time for operating income recognition

Description

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

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

Audit procedure to address the matter

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

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

The assessment of allowance for inventory valuation losses

Description

Please refer to Note IV(X) for accounting policies of inventory valuation, Note V(II) for uncertainty in accounting estimates and assumptions for inventory valuation, and Note VI(IV) for accounting items in inventories. As of December 31, 2021, the Company's inventories and allowance for inventory valuation losses amounted to NT\$417,810 thousand and NT\$41,979 thousand, respectively.

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

Audit procedure to address the matter

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

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

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

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

pertaining to the Financial Statements.

In preparation of the Financial Statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or cease operations, or has no realistic alternative but to do so.

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatements, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error. Misstatements are considered material if misstated individual or aggregate amounts could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements.

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

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

are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

5. Evaluate the overall expression, structure and contents of the Financial Statements (including relevant Notes), and whether the Financial Statements fairly present relevant transactions and items.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence of the Republic of China, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

PwC Taiwan

Feng, Min-Chuan

CPA

Hsu, Yung-Chien

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

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

Securities and Exchange Commission of the Ministry of
Finance

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

March 21, 2022

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

Unit: NT\$ thousand

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

(Continued on the next page)

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

Unit: NT\$ thousand

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

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

Chairman: Chen, Li-Min

Manager : Lin, Hung-Pei

Accounting Manager: Lo, Chia-Ling

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

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

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

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

Chairman: Chen, Li-Min

Manager : Lin, Hung-Pei

Accounting Manager: Lo, Chia-Ling

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

Unit: NT\$ thousand

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

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

Chairman: Chen, Li-Min

Manager : Lin, Hung-Pei

Accounting Manager: Lo, Chia-Ling

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

Unit: NT\$ thousand

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

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

Chairman: Chen, Li-Min

Manager : Lin, Hung-Pei

Accounting Manager: Lo, Chia-Ling

YUAN High-Tech Development Co., Ltd.
Notes to the Financial Report
For the Years Ended December 31, 2021 and 2020

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

The financial report was authorized for issuance by the Board of Directors on March 21, 2022.

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 by the Financial Supervisory Commission ("FSC")

The following table lists the newly issued, amended and revised IFRSs and interpretations as endorsed by the FSC in 2021:

<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 4 - Extension of the Temporary Exemption from Applying IFRS 9	January 1, 2021
The Phase 2 Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4, and IFRS 16 - Interest Rate Benchmark Reform	January 1, 2021
Amendments to IFRS 16 - COVID-19 – Related Rent Concessions After June 30, 2021	April 1, 2021 (Note)

Note: The FSC allows the application as early on January 1, 2021.

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 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.

(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>The effective date published by International Accounting Standards Board (IASB)</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
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	January 1, 2023

Non-current

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.

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

The financial report has been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and the International Financial Reporting Standards, International Accounting Standards, and interpretations from International Financial Reporting Interpretations Committee and Standing Interpretations Committee (collectively as “IFRSs”) endorsed by the Financial Supervisory Commission of the Republic of China.

(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 related variable selling expenses.

(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 remeasurement 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 and supervisors

Employees compensation and remuneration to directors and supervisors 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 increment 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 shareholders are recorded in the Company's Financial Statements when the shareholders' meeting or the Board of Directors resolves to approve the dividend distribution. Cash dividends are recognized as liabilities. Stock dividends are recognized as stock dividends to be distributed when the shareholders' meeting resolves

on the distribution and are reclassified to common stock on the effective date of new shares issuance.

(XXV) Revenue recognition

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 performance obligations that may affect the customer's acceptance of the products. The delivery of products shall be deemed to have occurred only when the products are shipped to the designated location, the risk of obsolescence and loss has been transferred to the customer and the customer has accepted the products pursuant to the sales contract or there is objective evidence that all acceptance criteria have been met.
- (2) The sales revenue of computer multimedia peripheral video converters, interface cards and other related products shall be recognized according to the quantity of goods purchased by the customer and the price of item agreed upon. The terms of collection of sales transactions are agreed upon in accordance with the general commercial transaction model and the market practice, therefore, it is concluded that there is no material financial component to the contract.
- (3) Sales allowances granted to customers are generally calculated on a 12-month cumulative sales basis. The Company estimates sales allowances using the expected value approach based on historical experience. Revenue recognized is limited to the portion of the sales that is highly likely not to be materially reversed in the future and shall be updated on each balance sheet date. Estimated sales allowance payable to customer in relation to sales as at the balance sheet date shall be recognized as a refund liability. Payment terms for sales transactions are usually 30 to 60 days due from the date of shipment. The Company will not adjust the transaction price to reflect the time value of currency if the time interval between the transfer of the promised goods to the customer and the payment by

the customer has not exceeded one year.

(4) The Company provides standard warranty for the products sold, shall be obligated to refund for product defects, and shall recognize liability provisions at the time of sales.

(5) Accounts receivable shall be recognized when the goods are delivered to the customer, since the Company has an unconditional right to the contract price from that point on and can collect consideration from the customer only after the lapse of time.

2. Acquisition costs of customer contracts

The incremental costs incurred by the Company in obtaining the customer contracts are expected to be recoverable. However, as the contract period is less than one year, such costs shall be recognized as expenses when incurred.

(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 considered the economic impact of COVID-19 on critical accounting estimates and will continue evaluating the impact on its financial position and financial performance as a result of the pandemic. 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, 2021, the carrying amount of the Company's inventory is NT\$375,831.

VI. Description of Material Accounting Items

(I) Cash and cash equivalents

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Cash on hand and working capital	\$ 753	\$ 788
Check deposits and current deposits	202,570	520,299
Time deposits	<u>74,900</u>	<u>134,900</u>
	<u>\$ 278,223</u>	<u>\$ 655,987</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, 2021</u>	<u>December 31, 2020</u>
Notes receivable	\$ 9,620	\$ 2,874
Less: allowance for loss	<u>-</u>	<u>-</u>
	<u>\$ 9,620</u>	<u>\$ 2,874</u>
Accounts receivable	\$ 35,069	\$ 9,229

Less: allowance for loss	(<u>3,200</u>)	(<u>700</u>)
	\$	<u>31,869</u>	\$	<u>8,529</u>

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

	<u>December 31, 2021</u>		<u>December 31, 2020</u>	
	<u>Accounts receivable</u>	<u>Notes receivable</u>	<u>Accounts receivable</u>	<u>Notes receivable</u>
Not overdue	\$ 34,382	\$ 9,620	\$ 8,595	\$ 2,874
Within 30 days	2	-	23	-
31-90 days	7	-	-	-
91-180 days	-	-	-	-
More than 181 days	<u>678</u>	=	<u>611</u>	=
	<u>\$ 35,069</u>	<u>\$ 9,620</u>	<u>\$ 9,229</u>	<u>\$ 2,874</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, 2021 and 2020 were generated by contracts with customer, and the balance of accounts receivable under contracts with customer as of January 1, 2020 was NT\$7,918.
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, 2021 and 2020 is NT\$9,620 and NT\$2,874, and the maximum exposure amount representing most the credit risk of the Company's accounts receivable as of December 31, 2021 and 2020 is NT\$31,869 and NT\$8,529, 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., EnTie Commercial 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:

	Amount of accounts receivable factoring	<u>Derecognition amount</u>	Unused credit facilities
December 31, 2021	\$ <u>152,356</u>	\$ <u>152,356</u>	\$ <u>355,913</u>
December 31, 2020	<u>128,922</u>	<u>128,922</u>	<u>305,216</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, 2021</u>		
	<u>Costs</u>	<u>Loss allowance for falling 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>

	<u>December 31, 2020</u>		
	<u>Costs</u>	<u>Loss allowance for falling price</u>	<u>Carrying amount</u>
Raw material	\$ 332,161	(\$ 27,171)	\$ 304,990
Work in process	29,388	(1,263)	18,125
Finished products	<u>10,698</u>	<u>(242)</u>	<u>10,456</u>
Total	<u>\$ 372,247</u>	<u>(\$ 38,676)</u>	<u>\$ 333,571</u>

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

	<u>2021</u>	<u>2020</u>
Cost of inventory sold	\$ 991,301	\$ 1,579,408
Loss from falling price	<u>3,303</u>	<u>17,038</u>
	<u>\$ 994,604</u>	<u>\$ 1,596,446</u>

(V) Property, plant and equipment

	<u>2021</u>						
	<u>Land</u>	<u>Land</u> <u>improvements</u>	<u>Machinery</u> <u>equipment</u>	<u>Transportation</u> <u>equipment</u>	<u>Office</u> <u>equipment</u>	<u>Lease</u> <u>improvement</u>	<u>Total</u>
January 1							
Costs	\$ 1,078,743	\$ -	\$ 6,471	\$ 3,960	\$ 11,340	\$ 1,765	\$ 1,102,279
Accumulated depreciation	-	-	(1,954)	(2,489)	(2,688)	(1,765)	(8,896)
	<u>\$ 1,078,743</u>	<u>\$ -</u>	<u>\$ 4,517</u>	<u>\$ 1,471</u>	<u>\$ 8,652</u>	<u>\$ -</u>	<u>\$ 1,093,383</u>
January 1	\$ 1,078,743	\$ -	\$ 4,517	\$ 1,471	\$ 8,652	\$ -	\$ 1,093,383
Additions	-	114	1,773	1,746	1,166	-	4,799
Disposal cost	-	-	(1,660)	(345)	(1,765)	(3,770)	(3,770)
Accumulated depreciation disposed of	-	-	1,660	-	345	1,765	3,770
Depreciation expenses	-	(3)	(2,294)	(735)	(2,598)	-	(5,630)
December 31	<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>
December 31							
Costs	\$ 1,078,743	\$ 114	\$ 6,584	\$ 5,706	\$ 12,161	\$ -	\$ 1,103,308
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>
	<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>

2020

	<u>Land</u>	<u>Machinery equipment</u>	<u>Transportation equipment</u>	<u>Office equipment</u>	<u>Lease improvement</u>	<u>Total</u>
January 1						
Costs	\$ -	\$ 3,522	\$ 3,960	\$ 6,287	\$ 1,765	\$ 15,534
Accumulated depreciation	<u>-</u>	<u>(1,866)</u>	<u>(1,783)</u>	<u>(2,850)</u>	<u>(883)</u>	<u>(7,382)</u>
	<u>\$ -</u>	<u>\$ 1,656</u>	<u>\$ 2,177</u>	<u>\$ 3,437</u>	<u>\$ 882</u>	<u>\$ 8,152</u>
January 1	\$ -	\$ 1,656	\$ 2,177	\$ 3,437	\$ 882	\$ 8,152
Additions	1,078,743	3,723	-	7,173	-	1,089,639
Disposal cost	-	(774)	-	(2,120)	-	(2,894)
Accumulated depreciation disposed of	-	774	-	2,119	-	2,893
Depreciation expenses	<u>-</u>	<u>(862)</u>	<u>(706)</u>	<u>(1,957)</u>	<u>(882)</u>	<u>(4,407)</u>
December 31	<u>\$ 1,078,743</u>	<u>\$ 4,517</u>	<u>\$ 1,471</u>	<u>\$ 8,652</u>	<u>\$ -</u>	<u>\$ 1,093,383</u>
December 31						
Costs	\$ 1,078,743	\$ 6,471	\$ 3,960	\$ 11,340	\$ 1,765	\$ 1,102,279
Accumulated depreciation	<u>-</u>	<u>(1,954)</u>	<u>(2,489)</u>	<u>(2,688)</u>	<u>(1,765)</u>	<u>(8,896)</u>
	<u>\$ 1,078,743</u>	<u>\$ 4,517</u>	<u>\$ 1,471</u>	<u>\$ 8,652</u>	<u>\$ -</u>	<u>\$ 1,093,383</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 and office 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, 2021</u>	<u>December 31, 2020</u>
	<u>Carrying amount</u>	<u>Carrying amount</u>
Buildings	<u>\$ 17,086</u>	<u>\$ 26,038</u>

	<u>2021</u>	<u>2020</u>
	<u>Depreciation expenses</u>	<u>Depreciation expenses</u>
Buildings	<u>\$ 20,779</u>	<u>\$ 10,568</u>

4. The increase of the Company's right-of-use assets for the years ended December 31, 2021 and 2020 is NT\$11,827 and NT\$14,910, respectively.
5. Information on the profit and loss relating to the lease contract is as follows:

	<u>2021</u>	<u>2020</u>
<u>Items affecting current profit and loss</u>		
Interest expense on lease liabilities	\$ 417	\$ 656
Expenses attributable to short-term lease contract	271	252
Profit and loss on lease modification	-	6

6. The total lease cash outflow of the Company for the years ended December 31, 2021 and 2020 is NT\$16,320 and NT\$18,554, respectively.

(VII) Lease transactions - lessor

1. The underlying assets rented out by the Company include land and buildings, with a general lease term of 1 year. 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, 2021 and 2020, 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, 2021</u>	<u>December 31, 2020</u>
2021	-	1,487
2022	<u>753</u>	<u>753</u>
	<u>\$ 753</u>	<u>\$ 2,240</u>

(VIII) Investment properties

	<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	<u>-</u>	<u>(22,616)</u>	<u>(22,616)</u>
	<u>\$ 21,520</u>	<u>\$ 922</u>	<u>\$ 22,442</u>
January 1	\$ 21,520	\$ 922	\$ 22,442
Depreciation expenses	<u>-</u>	<u>(133)</u>	<u>(133)</u>
December 31	<u>\$ 21,520</u>	<u>\$ 789</u>	<u>\$ 22,309</u>
December 31			
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>

	<u>2020</u>		
	<u>Land</u>	<u>Buildings and structures</u>	<u>Total</u>
January 1			
Costs	\$ 21,520	\$ 23,079	\$ 44,599
Accumulated depreciation	<u>-</u>	<u>(22,510)</u>	<u>(22,510)</u>
	<u>\$ 21,520</u>	<u>\$ 569</u>	<u>\$ 22,089</u>
January 1	\$ 21,520	\$ 569	\$ 22,089
Additions	-	459	459
Depreciation expenses	<u>-</u>	<u>(106)</u>	<u>(106)</u>
December 31	<u>\$ 21,520</u>	<u>\$ 922</u>	<u>\$ 22,442</u>
December 31			
Costs	\$ 21,520	\$ 23,538	\$ 45,058
Accumulated depreciation	<u>-</u>	<u>(22,616)</u>	<u>(22,616)</u>
	<u>\$ 21,520</u>	<u>\$ 922</u>	<u>\$ 22,442</u>

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

	<u>2021</u>	<u>2020</u>
Rental income from investment properties (Note)	<u>\$ 1,489</u>	<u>\$ 1,478</u>
Direct operating expenses incurred in investment properties with rental income in the current period	<u>\$ 336</u>	<u>\$ 317</u>

Note: Accounted for "Other income".

2. The fair value of the investment properties held by the Company as of December 31, 2021 and 2020 is NT\$50,102 and NT\$57,696, 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.

3. Please refer to Note VIII for details of the investment properties provided as guarantee.

(IX) Other non-current assets

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Refundable deposits	<u>\$ 3,963</u>	<u>\$ 5,569</u>

(X) Other payables

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Wages payable	\$ 75,977	\$ 84,755
Remuneration payable to directors and supervisors	10,091	16,140
Remuneration payable to employees	10,091	16,140
Commission payable	814	2,607
Other expense payables	<u>2,277</u>	<u>4,240</u>
	<u>\$ 99,250</u>	<u>\$ 123,882</u>

(XI) 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) Amounts recognized on the balance sheets are as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Present value of defined benefit obligation	(\$ 39,750)	(\$ 43,090)
Fair value of plan assets	<u>38,975</u>	<u>38,314</u>
Net defined benefit liabilities	<u>(\$ 775)</u>	<u>(\$ 4,776)</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>
2021			
Balance as of January 1	(\$ 43,090)	\$ 38,314	(\$ 4,776)
Service costs for the current period	(715)	-	(715)
Interest (expenses) income	<u>(129)</u>	<u>115</u>	<u>(14)</u>
	<u>(43,934)</u>	<u>38,429</u>	<u>(5,505)</u>
Remeasurements:			
Effect of changes in financial assumptions	1,174	-	1,174
Experience adjustments	<u>-</u>	<u>556</u>	<u>556</u>
	<u>1,174</u>	<u>556</u>	<u>1,730</u>
Pension fund contribution	-	3,000	3,000
Pension paid	<u>3,010</u>	<u>(3,010)</u>	<u>-</u>
Balance as of December 31	<u>(\$ 39,750)</u>	<u>\$ 38,975</u>	<u>(\$ 775)</u>

	<u>Present value of defined benefit obligation</u>	<u>Fair value of plan assets</u>	<u>Net defined benefit liabilities</u>
2020			
Balance as of January 1	(\$ 41,772)	\$ 33,959	(\$ 7,813)
Service costs for the current period	(719)	-	(719)
Interest (expenses) income	<u>(292)</u>	<u>237</u>	<u>(55)</u>
	<u>(42,783)</u>	<u>34,196</u>	<u>(8,587)</u>
Remeasurements:			

Effect of changes (in financial assumptions)	(307)	-	(307)
Experience adjustments	-		1,118
	(307)	1,118	811
Pension fund contribution	-	3,000	3,000
Balance as of December 31	(\$ 43,090)	\$ 38,314	(\$ 4,776)

(4) Bank of Taiwan was commissioned to manage the fund of the Company's defined benefit pension plan in accordance with the fund's annual investment and utilization plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund" (Article 6: The scope of utilization for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate secularization products, etc.). The utilization is supervised by the Labor Funds Supervisory Committee. With regard to the utilization of the fund, its minimum return in the annual distribution shall not be lower than the earnings attainable from two-year time deposits with interest rates offered by local banks. If the return is lower than aforementioned rates, government shall make payment for the deficit after being approved by the government authority. The Company has no right to participate in managing and operating that fund and hence the Company is unable to disclose the classification of the fair value of plan assets in accordance with paragraph 142 in IAS 19. For the fair value of the total assets of the fund as of December 31, 2021 and 2020, please refer to the Annual Labor Retirement Fund Utilization Report announced by the government.

(5) The major actuarial assumptions relating to pension are summarized as follows:

	<u>2021</u>	<u>2020</u>
Discount rate	<u>0.60%</u>	<u>0.30%</u>
Future salary growth rate	<u>2.50%</u>	<u>2.50%</u>

The assumptions for future mortality are based on the estimates of

the 6th Standard Ordinary Experience Mortality Table for the life insurance industry in Taiwan.

The analysis of the impact on the present value of defined benefit obligations arising from the changes in major actuarial assumptions is provided below:

	<u>Discount rate</u>		<u>Future salary growth 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, 2021				
Effect on the present value of defined benefit obligations	<u>(\$ 488)</u>	<u>\$ 502</u>	<u>\$ 393</u>	<u>(\$ 385)</u>
December 31, 2020				
Effect on the present value of defined benefit obligations	<u>(\$ 602)</u>	<u>\$ 619</u>	<u>\$ 497</u>	<u>(\$ 487)</u>

The above sensitivity analysis considers the change in one assumption at a time, leaving other assumptions unchanged. In practical terms, many assumptions are interrelated and changing one individual assumption may trigger the changes in other assumptions. The method used to conduct the sensitivity analysis is consistent with the calculation of the net pension liabilities recognized in the balance sheets.

The method and assumptions used to conduct the sensitivity analysis are the same as those in the previous year.

(6) The Company's projected contribution to retirement plan for 2022 is NT\$3,000.

(7) As of December 31, 2021, the weighted average duration of the retirement plan is 6 years. Maturity analysis of pension payments

Within 1 year	\$ 14,565
2 years to 5 years	12,177
Over 6 years	<u>7,625</u>
	<u>\$ 34,367</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, 2021 and 2020 are NT\$6,329 and NT\$5,673 respectively.

(XII) Liability provision

	<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>6,846</u>
Balance as of December 31, 2021	<u>\$ 64,419</u>	<u>\$ 1,852</u>	<u>\$ 66,271</u>

	<u>Repair and warranty</u>	<u>Litigation compensation</u>	<u>Total</u>
Balance as of January 1, 2020	\$ 45,443	\$ 1,852	\$ 47,295
Increase in provision for liabilities during the current period	<u>12,130</u>	=	<u>12,130</u>
Balance as of December 31, 2020	<u>\$ 57,573</u>	<u>\$ 1,852</u>	<u>\$ 59,425</u>

The analysis of liability provision is as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Current	<u>\$ 23,110</u>	<u>\$ 20,851</u>
Non-current	<u>\$ 43,161</u>	<u>\$ 38,574</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.

(XIII) 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, 2021, the paid-in capital is NT\$403,559. The payments of all shares issued by the Company have been received.

2. Reconciliation of the number of outstanding shares of common stock between the beginning of the period and the end of the period is as follows: (Unit: in thousands of shares)

	<u>2021</u>	<u>2020</u>
January 1	33,131	33,730
Stock dividends	6,626	-
Repurchase of treasury shares	-	<u>(599)</u>
December 31	<u>39,757</u>	<u>33,131</u>

3. Treasury shares

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

<u>December 31, 2021</u>			
<u>Name of the holding company</u>	<u>Reasons for recovery</u>	<u>Number of shares</u>	<u>Carrying amount</u>
	Shares transferred to		
The Company	employees	599,000	\$ 38,296
<u>December 31, 2020</u>			
<u>Name of the holding company</u>	<u>Reasons for recovery</u>	<u>Number of shares</u>	<u>Carrying amount</u>
	Shares transferred to		
The Company	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.

(XIV) 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.

(XV) 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.
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. On July 20, 2021 and June 8, 2020, the Company's shareholders' meetings resolved to approve the distribution of 2020 and 2019 earnings as follows:

	<u>2020</u>		<u>2019</u>
	<u>Amount</u>	<u>Dividends Per Share</u>	<u>Amount</u>
		<u>(NT\$)</u>	<u>Dividends Per</u>
			<u>Share (NT\$)</u>
Legal capital reserve	\$ 61,606		\$ 26,031
Cash dividends	265,046	\$ 8	151,784
Stock dividends	<u>66,261</u>	2	=
	<u>\$ 392,913</u>		<u>\$ 177,815</u>

6. On March 21, 2022, the Board of Directors proposed the following distribution of 2021 earnings:

	<u>2021</u>
	<u>Amount Dividends Per Share (NT\$)</u>
Legal capital reserve	\$ -
Cash dividends	- \$ -
Stock dividends	= -
	<u>\$ -</u>

As of March 21, 2022, the above-mentioned proposal for distribution of 2021 earnings has not been resolved by the shareholders' meeting.

(XVI) Operating income

	<u>2021</u>	<u>2020</u>
Income from contracts with customers	<u>\$ 1,792,439</u>	<u>\$ 2,705,342</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>2021</u>	<u>2020</u>
Sales income		
Computer multimedia peripheral video		
Converters and interface cards, etc.	\$ 1,788,342	\$ 2,703,413

Others	<u>4,097</u>	<u>1,929</u>
Total	<u>\$ 1,792,439</u>	<u>\$ 2,705,342</u>

2. Contract liabilities

	<u>December 31, 2021</u>	<u>December 31, 2020</u>	<u>January 1, 2020</u>
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Contract liabilities:

Contract liabilities -

advances on sales	<u>\$ 43,153</u>	<u>\$ 29,474</u>	<u>\$ 20,792</u>
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3. Contract liabilities at the beginning of period recognized as income in the current period

	<u>2021</u>	<u>2020</u>
The beginning balance of contract liabilities is recognized as income in the current period		
Advances on sales	<u>\$ 15,911</u>	<u>\$ 15,836</u>

(XVII) Interest income

	<u>2021</u>	<u>2020</u>
Interest on bank deposits	<u>\$ 624</u>	<u>\$ 3,036</u>

(XVIII) Other income

	<u>2021</u>	<u>2020</u>
Rental income	\$ 1,489	\$ 1,478
Other income - others	<u>7,839</u>	<u>8,335</u>
	<u>\$ 9,328</u>	<u>\$ 9,813</u>

(XIX) Other gains and losses

	<u>2021</u>	<u>2020</u>
Loss on disposal of property, plant, and equipment	\$ -	(\$ 1)
Profit from lease modification	-	6
Foreign exchange loss	(9,173)	(26,381)
Other losses	<u>(171)</u>	<u>(140)</u>
	<u>(\$ 9,344)</u>	<u>(\$ 26,516)</u>

(XX) Additional information on the nature of expense

	<u>2021</u>	<u>2020</u>
Employee benefit expenses	\$ 229,753	\$ 244,515
Depreciation expenses of right-of-use assets	20,779	10,568
Depreciation expenses of real property, plant and equipment	5,630	4,407
Depreciation expenses of investment properties - buildings and structures	133	106

Amortization expense of intangible assets

<u>4,729</u>	<u>4,262</u>
<u>\$ 261,024</u>	<u>\$ 263,858</u>

(XXI) Employee benefit expenses

	<u>2021</u>	<u>2020</u>
Salary expenses	\$ 202,375	\$ 216,640
Labor and health insurance expenses	12,738	11,153
Pension expenses	7,058	6,447
Other employment costs	<u>7,582</u>	<u>10,275</u>
	<u>\$ 229,753</u>	<u>\$ 244,515</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 and supervisors.

2. For the years ended December 31, 2021 and 2020, the Company estimated the employee compensation as NT\$10,091 and NT\$16,140 respectively, estimated the remuneration to directors and supervisors as NT\$10,091 and NT\$16,140 respectively, and presented the said amounts in the salaries expense account.

The amounts are estimated at 2% based on the profits for the year ended December 31, 2021. The estimated amount are consistent with the actual distributed amount resolved by the Board of Directors and it is paid in cash.

The compensation for employees and remuneration to directors and supervisors resolved by the Board of Directors for 2020 are consistent with the amounts recognized in the financial report of 2020.

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

(XXII) Income tax

- 1. Income tax expenses
 - (1) Components of income tax expense

Current tax:	<u>2021</u>	<u>2020</u>
--------------	-------------	-------------

Income tax incurred in current period	\$	100,575	\$	164,596
Additional income tax on unappropriated earnings		11,158		4,138
Overvaluation of income tax in previous years	(<u>7,656</u>)	(<u>725</u>)
Total income tax in the period		<u>104,077</u>		<u>168,009</u>
Deferred income tax:				
Initial generation and reversal of temporary differences	(<u>3,783</u>)	(<u>8,724</u>)
Total deferred income tax	(<u>3,783</u>)	(<u>8,724</u>)
Income tax expenses	\$	<u>100,294</u>	\$	<u>159,285</u>

(2) The income tax amount relating to other comprehensive income:

	<u>2021</u>	<u>2020</u>
Remeasurement of defined benefit plan	<u>(\$ 346)</u>	<u>(\$ 162)</u>
2. Reconciliation between income tax expense and accounting profit		
	<u>2021</u>	<u>2020</u>
Income tax at the statutory tax rate	\$ 96,875	\$ 154,941
Effects from items excluded by tax regulation	(83)	931
Overvaluation of income tax in previous years	(7,656)	(725)
Additional income tax on unappropriated earnings	<u>11,158</u>	<u>4,138</u>
Income tax expenses	<u>\$ 100,294</u>	<u>\$ 159,285</u>

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

	<u>January 1</u>	<u>Recognized in profit or loss</u>	<u>2021 Recognized in other comprehensive income</u>	<u>Recognized in equity</u>	<u>December 31</u>
Temporary differences:					
- Deferred income tax assets:					
Bad debt expense	\$ -	\$ 550	\$ -		\$ 550
Loss on inventory write-down	7,734	661	-	-	8,395
Pension expense that is not actually contributed	955	(454)	(346)	-	155
Unrealized exchange losses	5,299	1,697	-	-	6,996
Unrealized repair expense	11,516	1,369	-	-	12,885
Bonus for unused leave	<u>471</u>	<u>(40)</u>	<u>-</u>	<u>-</u>	<u>431</u>
Total	<u>\$ 25,975</u>	<u>\$ 3,783</u>	<u>(\$ 346)</u>	<u>\$ -</u>	<u>\$ 29,412</u>

4. The Company's profit-seeking enterprise income tax has been approved by the tax collection authority to the year 2019.

(XXIII) Earnings per share

2021

	<u>After-tax amount</u>	<u>Adjusted weighted average number of ordinary shares outstanding (shares in thousands)</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	
Effect of potentially dilutive common shares			
Employee compensation	=	<u>109</u>	
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>

2020

	<u>After-tax amount</u>	<u>Adjusted weighted average number of ordinary shares outstanding (shares in thousands)</u>	<u>Earnings per share (NT\$)</u>
<u>Basic earnings per share</u>			
Net profit attributable to common	<u>\$ 615,420</u>	<u>39,930</u>	<u>\$ 15.41</u>

shareholders in the current period			
<u>Diluted earnings per share</u>			
Net profit attributable to common shareholders in the current period	615,420	39,930	
Effect of potentially dilutive common shares			
Employee compensation	=	<u>116</u>	
Impact of net current profit attributable to common shareholders plus potential common stocks	<u>\$ 615,420</u>	<u>40,046</u>	<u>\$ 15.37</u>

(XXIV) Changes in liabilities generated from financing activities

	<u>2021</u>	<u>2020</u>
	<u>Lease liabilities</u>	<u>Lease liabilities</u>
January 1	\$ 19,326	\$ 22,062
Changes in cash flow from financing	(15,632)	(17,646)
Other non-cash changes	<u>11,139</u>	<u>14,910</u>
December 31	<u>\$ 14,833</u>	<u>\$ 19,326</u>

VII. Related Party Transactions

(XXV) Parent company and ultimate controller: None.

(XXVI) Information of remuneration to the main management

	<u>2021</u>	<u>2020</u>
Short-term employee benefits	\$ 44,254	\$ 41,347
Post-employment benefits	<u>3,000</u>	<u>3,000</u>
Total	<u>\$ 47,254</u>	<u>\$ 44,347</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,</u> <u>2021</u>	<u>December 31,</u> <u>2020</u>	
Investment properties - land	\$ 21,520	\$ 21,520	Guarantee of borrowing limit
Investment properties - buildings and structures	<u>789</u>	<u>922</u>	Guarantee of borrowing limit
	<u>\$ 22,309</u>	<u>\$ 22,442</u>	

IX. Material Contingent Liabilities and Unrecognized Contractual Commitments

None.

X. Losses due to Major Disasters

None.

XI. Material Subsequent Events

Please refer to Note VI(XV) for the details of the proposal for distribution of 2021 earnings submitted by the Board of Directors on March 21, 2022.

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 2021 remains the same as that in 2020, with a commitment to maintain a debt ratio below 40%-45%. The debt-to-capital ratio of the Company as of December 31, 2021 and 2020 is 20% and 35%, respectively.

(II) Financial instruments

1. Categories of financial instruments

As of December 31, 2021 and 2020, 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\$478,887 and NT\$813,281 respectively, the carrying amounts of financial liabilities (including notes payable, accounts payable and other payables) classified as measured at amortized cost are NT\$227,176 and NT\$537,521 respectively, and the carrying amounts of lease liabilities are NT\$14,833 and NT\$19,326 on December 31, 2021 and 2020, 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, 2021</u>		
(Foreign currency: functional currency)	<u>Foreign currency (NT\$ thousand)</u>	<u>Exchange rate</u>	Carrying amount (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>

(Foreign currency: functional currency)	<u>December 31, 2020</u>		Carrying amount (NT\$)
	<u>Foreign currency (NT\$ thousand)</u>	<u>Exchange rate</u>	
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 13,331	28.48\$	379,667
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	\$ 5,610	28.48\$	159,773

- B. The aggregate amount of total conversion losses (realized and unrealized) recognized by the Company for the years ended December 31, 2021 and 2020 for the monetary items, which have been materially affected by exchange rate fluctuations, is NT\$9,173 and NT\$26,381, 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>2021</u>		
	<u>Range of changes</u>	<u>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	\$ -

(Foreign currency: functional currency)	<u>2020</u>		
	<u>Range of changes</u>	<u>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%	\$ 3,037	\$ -
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	1%	\$ 1,278	\$ -

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 and the contractual cash flow classified as measured amortized cost.
- 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:
- D. 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.
- E. 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.
- F. 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.
- G. 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, 2021 and 2020 are as follows:

	<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</u>	<u>More than 181 days</u>	<u>Total</u>
	<u>overdue</u>	<u>overdue</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
	<u>Not overdue</u>	<u>1 - 90 days overdue</u>	
<u>December 31, 2020</u>			
Expected loss rate	0.78%	0.78%	
Total book value	\$ 11,469	\$ 23	
Allowance for loss	89	-	
	<u>91 - 180 days</u>	<u>More than 181 days</u>	<u>Total</u>
	<u>overdue</u>	<u>overdue</u>	
<u>December 31, 2020</u>			
Expected loss rate	0.78%	100.00%	
Total book value	\$ -	\$ 611	\$ 12,103
Allowance for loss	-	611	700

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

	<u>2021</u>	<u>2020</u>
	<u>Accounts receivable</u>	<u>Accounts receivable</u>
January 1	\$ 700	\$ 700
Provision of impairment loss	<u>2,500</u>	<u>-</u>
December 31	<u>\$ 3,200</u>	<u>\$ 700</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\$277,470 and NT\$655,199 as of December 31, 2021 and 2020, 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, 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	\$ -	\$ -

December 31, 2020	<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	\$ 16,223	\$ 3,565	\$ -	\$ -

(III) Information on fair value

1. Please refer to Note VI(VIII) for the fair value information of investment property at cost.
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, approximate to 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 2021.

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 information

The Company is mainly engaged in the manufacturing, processing and trading of computer multimedia peripheral interface cards, such as TV cards and digital signal processor, etc., which are classified into a single product line, and hence it is not required to disclose product information.

(IV) Geographic information

Geographic information for 2021 and 2020 is provided below:

<u>Region</u>	<u>2021</u>		<u>2020</u>	
	<u>Revenue</u>	<u>Non-current assets</u>	<u>Revenue</u>	<u>Non-current assets</u>
Asia	\$ 1,413,268	\$ -	\$ 2,249,804	\$ -
America	95,503	-	78,149	-
Europe	66,533	-	108,967	-
Taiwan	213,109	1,138,993	267,020	1,152,884
Others	<u>4,026</u>	<u>-</u>	<u>1,402</u>	<u>-</u>
	<u>\$ 1,792,439</u>	<u>\$ 1,138,993</u>	<u>\$ 2,705,342</u>	<u>\$ 1,152,884</u>

(V) Major customers' information

Information of major customers for 2021 and 2020 is provided below:

<u>Customer name</u>	<u>2021</u>	<u>2020</u>
Company A	\$ 912,712	\$ 1,820,017
Company B	185,169	153,031
Company C	<u>88,326</u>	<u>155,171</u>
	<u>\$ 1,186,207</u>	<u>\$ 2,128,219</u>

(Blank below)

YUAN High-Tech Development Co., Ltd.
Information on substantial shareholders
December 31, 2021

Schedule 1

<u>Name of substantial shareholders</u>	<u>Shares</u>	<u>Ratio</u>
Wei Sheng Investment Co., Ltd.	9,511,321	23.56%
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%

YUAN High-Tech Development Co., Ltd.
Statement of Cash and Cash Equivalents
December 31, 2021

Statement 1		Unit: NT\$ thousand
Item	Summary	Amount
Cash on hand		\$ 713
Petty cash		40
Check deposits		184
Current deposits	US\$5,477, exchange rate: 27.68	202,386
Time deposits		74,900
		<u>\$ 278,223</u>

YUAN High-Tech Development Co., Ltd.
Statement of Accounts Receivable
December 31, 2021

Statement 2

Unit: NT\$ thousand

Customer name	Amount	Remark
Customer A	\$ 34,025	
Others		The amount of each single customer does not exceed 5% 1,044 of the total outstanding of accounts receivable
Sub-total	35,069	
Less: Allowance for doubtful accounts	(3,200)	
	<u>\$ 31,869</u>	

YUAN High-Tech Development Co., Ltd.
Statement of Inventories
December 31, 2021

Statement 3

Unit: NT\$ thousand

<u>Item</u>	<u>Amount</u>		<u>Summary</u>
	<u>Costs</u>	<u>Net Realizable Value</u>	
Raw materials	\$ 380,625	\$ 383,455	Net realizable value of raw material is determined at replacement cost. Work in process and finished goods are measured at their net realizable value.
Work in process (Semi-finished goods)	33,884	34,189	
Finished products	<u> </u>	<u>8,027</u>	
Total	417,810	<u>\$ 425,671</u>	
Less: Allowance for inventory valuation loss	<u>(41,979)</u>		
	<u>\$ 375,831</u>		

YUAN High-Tech Development Co., Ltd.
Statement of Notes Payable
December 31, 2021

Statement 4

Unit: NT\$ thousand

Item	Amount	Remark
Supplier		
A	\$ 30,867	
Supplier		
B	6,998	
Others	15,731	The amount of each single supplier does not exceed 5% of the total outstanding of notes payable
	<u>\$ 53,596</u>	

YUAN High-Tech Development Co., Ltd.
Statement of Accounts Payable
December 31, 2021

Statement 5

Unit: NT\$ thousand

Item	Amount	Remark
Supplier		
A	\$ 15,751	
Supplier		
B	11,300	
Supplier		
C	10,652	
Supplier		
D	10,504	
Supplier		
E	3,918	
Supplier		
F	3,809	
Others		The amount of each single supplier does not exceed 5% of the total outstanding 18,396of accounts payable
	<u>\$ 74,330</u>	

YUAN High-Tech Development Co., Ltd.
Statement of Sales Income
From January 1, 2021 to December 31, 2021

Statement 6

Unit: NT\$ thousand

Item	Quantity	Amount
Computer multimedia peripheral video converters and interface cards	1,483,282 pieces	\$ 1,788,342
Other computer related products	736,568 pieces	4,097
Net sales income		<u>\$ 1,792,439</u>

YUAN High-Tech Development Co., Ltd.
Statement of Cost of Goods Sold
From January 1, 2021 to December 31, 2021

Statement 7

Unit: NT\$ thousand

Item	Amount
Raw materials at beginning of period	\$ 332,161
Add: Raw material purchase	849,267
Less: raw materials at end of period	(380,625)
Used by departments	(1,445)
Others	(5,951)
Raw materials consumed	793,407
Manufacturing expense - Processing fee	118,956
Manufacturing overheads	912,363
Add: work-in-process at beginning of period	29,388
Purchase	70,450
Others	134
Less: work-in-process at end of period	(33,884)
Used by departments	(1,124)
Cost of finished products	977,327
Add: finished products at beginning of period	10,698
Purchase	87
Less: finished products at end of period	(3,301)
Used by departments	(356)
Cost of manufacturing and sales	984,455
Loss on inventory write-down	3,303
Other operating costs	6,846
Operating costs	<u>\$ 994,604</u>

YUAN High-Tech Development Co., Ltd.
Statement of Selling and Marketing Expenses
From January 1, 2021 to December 31, 2021

Statement 8

Unit: NT\$ thousand

Item	Amount	Remark
Salary expenses	\$ 22,334	
Freight	2,093	
Others	15,429	The amount of individual item does not exceed 5% of the account balance
	<u>\$ 39,856</u>	

YUAN High-Tech Development Co., Ltd.
Statement of General and Administrative Expenses
From January 1, 2021 to December 31, 2021

Statement 9

Unit: NT\$ thousand

Item	Amount	Remark
Salary expenses	\$ 55,669	
Depreciation	24,634	
Labor expense	7,102	
Others	24,994	The amount of individual item does not exceed 5% of the account balance
	<u>\$ 112,399</u>	

YUAN High-Tech Development Co., Ltd.
Statement of Research and Development Expenses
From January 1, 2021 to December 31, 2021

Statement 10

Unit: NT\$ thousand

Item	Amount	Remark
Salary expenses (including pension and overtime pay)	\$ 131,429	
Insurance expenses	10,234	
Others	17,025	The amount of individual item does not exceed 5% of the account balance
	<u>\$ 158,688</u>	

YUAN High-Tech Development Co., Ltd.

Summary of employee benefits, depreciation, depletion and amortization expenses by function for the current period (continued)

From January 1, 2021 to December 31, 2021

Statement 11

Unit: NT\$ thousand

	2021			2020		
	Operation Costs	Operation Expenses	Total	Operation Costs	Operation Expenses	Total
Employee benefit expenses						
Salary expenses	\$ -	\$ 192,284	\$ 192,284	\$ -	\$ 200,500	\$ 200,500
Labor and health insurance expenses	-	12,738	12,738	-	11,153	11,153
Pension expenses	-	7,058	7,058	-	6,447	6,447
Remuneration Paid to Directors	-	10,091	10,091	-	16,140	16,140
Other employee benefit expenses	-	7,582	7,582	-	10,275	10,275
Depreciation expenses	-	26,542	26,542	-	15,081	15,081
Amortization expenses	-	4,729	4,729	-	4,262	4,262

Note:

1. The average number of employees for the current year and the previous year was 141 and 134, respectively. Among them, there were 3 and 4 directors, respectively, who did not concurrently serve as employees.
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\$1,592 ("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\$1,757 ((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))
 - (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\$1,542 (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 -10% ((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) Supervisor's remuneration for the current year and the previous year was NT\$2,703 and NT\$4,215, respectively.

YUAN High-Tech Development Co., Ltd.

Summary of employee benefits, depreciation, depletion and amortization expenses by function for the current period (continued)

From January 1, 2021 to December 31, 2021

Statement 11

Unit: NT\$ thousand

(5) The Company's remuneration policy:

The Company's remuneration policies, standards, combinations and procedures for determining remuneration are mainly implemented in accordance with the Company's HR regulations and the organization rules of the Remuneration Committee. The remuneration of directors and supervisors and the remuneration of employees are mainly allocated in accordance with the provisions of the Articles of Incorporation. After resolved by the Remuneration Committee, the allocation proposal is submitted to the Board of Directors for approval and then reported to the shareholders' meeting.

The remuneration of directors and managers is determined by referencing industry benchmark and taking into account the reasonableness of the correlation among individual performance, the Company's operating results and future risks. In addition to reviewing the industry standards and understanding the competition of the company's talents in the industry, the Company's overall operating performance and profitability, the budget planning of each unit, performance review and future operational risk assessment are all important factors when considering the remuneration distributed to employees.

- V. Consolidated financial statements of parent and subsidiary companies for the most recent year audited by a Certified Public Accountant /CPA: None**
- VI. If the Company and its affiliates had financial difficulties in the most recent year as of the printing date of the annual report, the impact on the financial position of the Company should be stated: None**

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	2021	2020	Difference	
			Amount	%
Current assets (Note 1)	874,271	1,150,371	-276,100	-24.00
Property, Plant, and Equipment	1,092,552	1,093,383	-831	0.08
Intangible assets (Note 2)	3,083	5,452	-2,369	-43.45
Other Assets	72,770	80,024	-7,254	-9.06
Total Assets	2,042,676	2,329,230	-286,554	-12.30
Current liabilities (Note 3)	351,775	761,314	-409,539	-53.79
Other Liabilities	49,743	47,180	2,563	5.43
Total liabilities (Note 4)	401,518	808,494	-406,976	-50.34
Capital Stock	403,559	337,298	66,261	19.64
Capital surplus	793	793	0	-
Retained earnings	1,275,102	1,220,941	54,161	4.44
Total Shareholders' Equity	1,641,158	1,520,736	120,422	7.92

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: purchased the land of Nei-Hu in 2020

Note 2: Increased security software in 2020

Note 3: Increased in purchase material payables in 2020

Note 4: Increased in purchase material payables in 2020

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	2021	2010	Difference	Variance ratio (%)
Total operating revenues (Note 1)	1,810,042	2,708,771	-898,729	-33.22
Sales returns and discounts (Note 2)	(17,603)	(3,429)	-14,174	-413.36
Net operating revenue (Note 3)	1,792,439	2,705,342	-912,903	-33.74
Operating cost (Note 4)	(994,604)	(1,596,446)	604,842	37.89
Gross Profit (Note 5)	797,835	1,108,896	-311,061	-28.05
Operating Expenses	(313,443)	(319,865)	6,422	2.01
Other income and expense	0	0	0	0
Operating income (loss) (Note 6)	484,392	789,031	-304,639	-38.61
Non-operating income and gains (Note 7)	9,952	12,849	-2,897	-22.55
Non-operating expenses and losses (Note 8)	(9,966)	(27,175)	17,209	63.33
Net income (loss) before income tax (Note 9)	484,378	774,705	-290,327	-37.48
Income tax expense (Note 10)	(100,294)	(159,285)	58,991	37.03
Net income (loss) after tax (Note 11)	384,084	615,420	-231,336	-37.59

Analysis of changes in the percentage of increase or decrease of more than 20%:

Note 1.3.5.6.9.10.11: The reason is the increase in revenue in 2020, which resulted in a high rate of increase in revenue and profit.

Note 2: Increase in return discounts

Note 4: Operating costs increased due to the increase in sales in 2020.

Note 7, 8: 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 at Beginning of Year	Net Cash Flows from Operating Activities	Net cash flows from investing activities and financing activities	Cash Surplus (Inadequacy)	Remedial Measures for Cash Inadequacy	
				Investment Plan	Finance Management Plan
655,987	(91,533)	(286,231)	278,223	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 shortage remediation and liquidity analysis: Not applicable

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 activities ②	Estimated annual cash outflow ③	Estimated cash surplus (shortfall) amount ① + ② - ③	Remedy for cash inadequacy	
				Investment Plan	Finance Management Plan
278,223	416,300	(198,785)	495,738	N/A	N/A

IV. Effect of recent significant capital expenditures on financial operations: None.

V. The most recent year's transfer of investment policy, 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	The year 2021 (NT\$ in thousand)
Interest Expenses	622
Exchange (loss) gain	(9,173)

(1) Impact of interest rate changes and future measures

The total amount of interest expense for 2021 was 622. The interest expense was mainly generated from short-term borrowings, so the change in interest rate 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 favourable 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 minimise 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 organisational 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. The impact of recent technological changes and industry changes on the Company's financial operations and the corresponding 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 recent years: The Company has no plans to conduct mergers and acquisitions in recent years.

8. Expected benefits and possible risks of plant expansion in the recent year: The Company has no plans to expand its plant in the recent year.

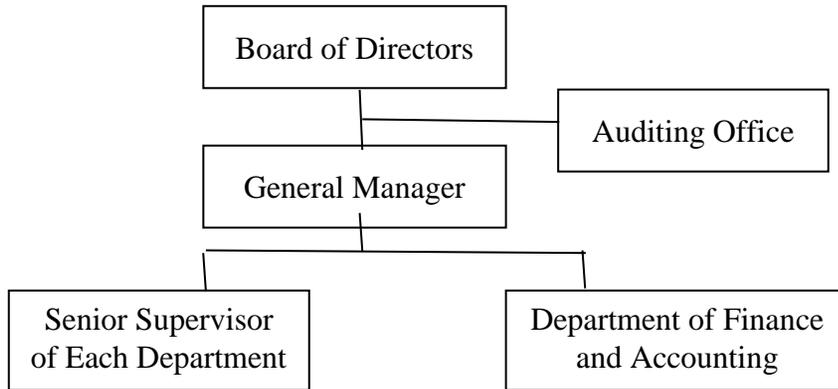
9. **Risk of concentration of imports or sales in the most recent year:** The Company has no risk of excessive concentration of imports or sales.
10. **Effect and risk of significant transfer or replacement of shareholding of directors, supervisors or substantial shareholders holding more than 10% of the shares of the Company:** None.
11. **Impact and risk of change of management 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 significant 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. Affiliates Information :

The Company has no affiliates.

II. For the most recent year and as of the printing date of the annual report, private placement of marketable 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. For the most recent year and as of the date of publication of the annual report, the Company's shares were held or disposed of by its subsidiaries :

The Company has no subsidiaries.

IV. Other necessary supplementary notes :

Nil.

V. For the most recent year and up to the printing date of the annual report, if any of the events specified in Article 36, Paragraph 2, Item 2 of the Securities and Exchange Act occurred that had a significant impact on shareholders' equity or the price of securities:

See page 203 of the annual report for details of the lawsuit.