

STOCK CODE: 8043

# Honey Hope Honesty Enterprise Co., Ltd.

## 2024 Annual Shareholders' Meeting

### Meeting Agenda

Time: 9:00 a.m. on Monday, June 12, 2024

Place: No. 1, Wuquan Rd., Wugu Dist., New Taipei City 248016, Taiwan, R.O.C.  
(New Taipei City Exhibition Hall)

Type of meeting: physical meeting

#### **Disclaimer**

*This is a translation of the agenda for the 2024 Annual Shareholders' meeting ("The Agenda") of Honey Hope Honesty Enterprise Co., Ltd. ("The Company"). This translation is intended for reference only and no other purpose. The Company hereby disclaims any and all liabilities whatsoever for the translation. The Chinese text of the agenda shall govern any and all matters related to the interpretation of the subject matter stated herein.*

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## **I. Meeting Procedure**

Honey Hope Honesty Enterprise Co., Ltd.

Procedure for the 2024 Annual Shareholders' Meeting

1. Call Meeting to Order
2. Chairman's Address
3. Report Items
4. Adoption Items
5. Discussion Items
6. Election Items
7. Extraordinary Motions
8. Meeting Adjourned

## II. Meeting Agenda

Honey Hope Honesty Enterprise Co., Ltd.  
2024 Annual Shareholders' Meeting Agenda

Time: 9:00 a.m. on Monday, June 12, 2024

Place: No. 1, Wuquan Rd., Wugu Dist., New Taipei City 248016,  
Taiwan, R.O.C. (New Taipei City Exhibition Hall)

1. Call Meeting to Order
2. Chairman's Address
3. Report Items
  - (1) To report the business of 2023.
  - (2) Audit Committee's Review Report on the 2023 financial statements.
  - (3) To report distribution of 2023 earnings in cash dividends.
4. Adoption Items
  - (1) To adopt the 2023 business report and financial statements.
  - (2) To adopt the 2023 earnings distribution proposal.
5. Discussion Items
  - (1) To approve amendments of the Articles of Incorporation.
  - (2) To approve amendments of the Procedures for Acquisition or Disposal of Assets.
6. Election Items
  - (1) To elect one independent director to fill the vacancy.
7. Extraordinary Motions
8. Meeting Adjourned

### **III. Report Items**

#### **1. To report the business of 2023.**

**Explanation:** 2023 Business Report of the Company is attached herein as Attachment 1, please refer to pages 7~8.

#### **2. Audit Committee's Review Report on the 2023 financial statements.**

**Explanation:** Audit Committee's Review Report is attached herein as Attachment 2, please refer to page 9.

#### **3. To report distribution of 2023 earnings in cash dividends.**

**Explanation:**

- (1) Pursuant to Article 20 of the Company's Articles of Incorporation, the Board of Directors is authorized to make a resolution to distribute bonuses, capital reserve and legal reserve in whole or in part in cash, and report it to the shareholders' meeting.
- (2) The Board of Directors allocates NT\$15,824,234 as the shareholder's cash dividends. Cash dividend is NT\$0.2 per share. The cash dividends paid to each shareholder will be calculated to whole NT dollar and round it to the nearest dollar. It is proposed that any difference will be booked as other income or expense of the Company.
- (3) It is proposed that the Board of Directors is authorized to determine the ex-dividend date and other relevant issues.

#### **IV. Adoption Items**

##### **1. To adopt the 2023 business report and financial statements.**

**(Proposed by the Board of Directors)**

**Explanation:**

- (1) The 2023 Financial Statements, including Consolidated and Parent Company Only Financial Statements, have been audited and attested by the independent auditors, Yeh, Tsui-Maio and Huang, Shih-Chun of PwC Taiwan. The foresaid Financial Statements and Business Report have been approved by the Board of Directors and examined by the Audit Committee.
- (2) The 2023 Business Report, Independent Auditors' Report and Financial Statements are attached herein as Attachment 1 (please refer to pages 7~8), 3 and 4 (please refer to pages 10-37).

**Resolution:**

##### **2. To adopt the 2023 earnings distribution proposal.**

**(Proposed by the Board of Directors)**

**Explanation:**

- (1) The 2023 earnings distribution proposal was approved by the Board of Directors.
- (2) 2023 net loss after tax of the Company is NT\$19,059,742. The 2023 earnings distribution Table is proposed in accordance with Articles of Incorporation and attached herein as Attachment 5 (please refer to page 38).

**Resolution:**

## **V. Discussion Items**

### **1. To approve amendments of the Articles of Incorporation.**

**(Proposed by the Board of Directors)**

**Explanation:**

- (1) It is proposed to amend parts of the articles of the Articles of Incorporation for the Company Act's requirements and the practical situation and needs of the Company.
- (2) The comparison table is attached herein as Attachment 6, please refer to pages 39~41.

**Resolution:**

### **2. To approve amendments of the Procedures for Acquisition or Disposal of Assets.**

**(Proposed by the Board of Directors)**

**Explanation:**

- (3) It is proposed to amend parts of the articles of the Procedures for Acquisition or Disposal of Assets for the competent authority's requirements and the practical situation and needs of the Company.
- (4) The comparison table is attached herein as Attachment 7, please refer to pages 42~60.

**Resolution:**

## VI. Election Items

### 1. To elect one independent director to fill the vacancy.

(Proposed by the Board of Directors)

#### Explanation:

- (1) The former independent director, Wang, Ho-Chin, resigned for personal reasons on July 11, 2023. It is proposed to elect one independent director.
- (2) The election shall adopt the candidate nomination system in accordance with the Article 13 of the Company's Articles of Incorporation. Upon reviewing the qualifications of the independent director by the board of directors, the qualified nominees have been included in the slate of candidates. The slate of the candidate and the information to be specified is attached below.

No	Candidate Category	Gender	Candidate Name	Academic Background	Work Experience	Current Positions	Share-holding (Shares)	Whether or not he/she has served as an independent director for three consecutive terms
1	Independent Director	Female	Hsiao, Shu-Chen	Department of Accounting and Statistics, Ming Chuan Junior Women's Commercial College	Sales Assistant Manager, Capital Securities Corporation	None	0	No

- (3) The term of office for the newly elected independent director shall be effective immediately after the election, and shall serve same term with current Board (2024/6/12~2026/6/11).

#### Election results:

## VII. Extraordinary Motions

## VIII. Meeting Adjourned



## Business Report

Dear Shareholders:

Thank you all for being here with us. On behalf of the Company, I would like to express my sincere gratitude for your support over the past year! Looking back in 2023, as the world economy continued to face multiple challenges, including inflation, simmering geopolitical tensions, and slow economic recovery in China, terminal demand for consumer electronics was sluggish, which had a direct negative impact on the Company's overall sales. The consolidated revenue of 2023 was NT\$4,885,670 thousand dollars, a decrease of 16.44% from NT\$5,847,130 thousand dollars in 2022, and the consolidated income before income tax of 2023 was NT\$16,955 thousand dollars, a decrease of 108.56% from NT\$198,089 thousand dollars in 2022. In terms of receipts and expenditures, the non-operating income and expenses is about NT\$36,340 thousand dollars in 2023.

The Company did not make public its forecast for 2023, so there is no need to disclose the operating budget performance. However, the overall actual operating conditions and performance are generally in line with the Company's internal operating plan.

The summary of the business plan for 2024, the Company's future development strategy, and the effect of external competition, the legal environment, and the overall business environment are explained as follows:

### I. The summary of the business plan for 2024

#### (I) Business policy

1. Adjust the product mix to expand the market. (Sales of microphones, sensor, E-BIKE controller module, motor design, and GaN power controller module)
2. Plan out to exploit the automotive mechanical industry and AI market actively. (Plan sales for mechanical industry customers)
3. Expand new product lines proactively, and strengthen the relationships with key partners.
4. Expand the layout of the Mainland China and overseas markets, and strengthen the overseas operating model and logistics management.
5. Strengthen technical support skills and endeavor to develop terminal products.
6. Strengthen real-time information management and service system.
7. Strengthen the Company's management mechanisms in order to achieve the goal of efficiency in management and control.

#### (II) The sales volume forecast and the basis thereof

As the inventory destocking in supply chain is near end, the demand for consumer applications expect to stabilize, and the emerging application demand, such as electric vehicles and AI serve, rise, the sales volume of multilayer ceramic capacitors will be expected to stabilize, and in a flat trend in 2024.

#### (III) The important production and sales policies

The Company expands its market share with the advantages of existing product lines and high-capacity products, and applies E-Bike controller modules and motors to the pedal assist bike and industrial machinery to expand the penetration of the industrial market and break into the pedal assist bike markets in European and American. The Company will continue to construct and offer more convenient warehousing and logistics system to deliver great customer service to meet customers' needs, and expand its new agency product lines through years of contacts and popularity accumulated in the industry, as well as the

advantages of marketing and technical services.

II. The Company's future development strategy

- (I) Control, review and analyze costs and expenses in time and effectively.
- (II) Strengthen the efficiency of the Company's remote management and improve quality customer service.
- (III) Continue to deepen the penetration of existing markets in South China and Central China, exploit the Southeast Asian market, and the market for mid-drive motors used in pedal assist bikes in European and American to expand the market share.
- (IV) Expand new product lines about critical parts, such as E-Bike controller modules, microphones, Image Signal Processor (ISP) etc. to improve product integrity.
- (V) Integrate the resources of subsidiaries and reinvestment companies, and make overall planning to improve the operational efficiency of the organization.

III. The effect of external competition, the legal environment, and the overall business environment

Due to increasing competition in external environment and price competition from Mainland China and Korean products, the Company controls costs actively, strives to adjust the product mix, develops new niche markets, and expands the market share to maintain and improve the Company's profit.

Emphasizing green environmental protection is the trend relevant for future industrial development. Countries worldwide have successively proposed the targets on net-zero emissions, resulting in downstream suppliers being asked to adjust manufacturing processes. The Company is mainly engaged in the distribution and resale of passive components of Taiyo Yuden, such as Multi-Layer Ceramic Capacitors and inductors. Taiyo Yuden has taken the "Green" into consideration, and adjusted manufacturing processes to comply with the relevant environmental laws and regulations. When expanding new agency product lines, the Company takes the "Green" into consideration, and prudently assess whether a product is compliant with environmental laws and regulations.

The Company, again, sincerely appreciates your long-term support. The Company's management team and employees will continue to optimize the product lines and services, strengthen the cooperative relationships with key partners to create long-term value for shareholders.

The Company wishes you:

Good Health and Prosperity!

Chairman : Lin, Hsun-Min

Managerial Officer : Hsu, Hung-Chih

Chief Accountant : Tsai, Su-Chin

Honey Hope Honesty Enterprise Co., Ltd.

Audit Committee's Review Report

The Board of Directors has prepared the Company's 2023 Business Report, Consolidated Financial Statements, Parent Company Only Financial Statements, and earnings distribution proposal. The foresaid Consolidated Financial Statements and Parent Company Only Financial Statements have been audited and the unqualified audit report has been issued by the independent auditors, Yeh, Tsui-Maio and Huang, Shih-Chun of PwC Taiwan. The Business Report, Consolidated Financial Statements, Parent Company Only Financial Statements and earnings distribution proposal have been reviewed by the Audit Committee and were deemed to be acceptable. Therefore, the Audit Committee hereby issues this report in accordance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act.

Submitted to

The Company's 2024 Regular Shareholders' Meeting

Honey Hope Honesty Enterprise Co., Ltd.

Audit Committee Convenor: Shih, Chun-Mei

March 8, 2024

INDEPENDENT AUDITORS' REPORT TRANSLATED FROM CHINESE

PWCR23000599

To the Board of Directors and Shareholders of Honey Hope Honesty Enterprise Co., Ltd.

***Opinion***

We have audited the accompanying consolidated balance sheets of Honey Hope Honesty Enterprise Co., Ltd. and subsidiaries (the “Group”) as at December 31, 2023 and 2022, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of material accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2023 and 2022, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations that came into effect as endorsed by the Financial Supervisory Commission.

***Basis for opinion***

We conducted our audits in accordance with the Regulations Governing Financial Statement Audit and Attestation Engagements of Certified Public Accountants and Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the *Auditors' responsibilities for the audit of the consolidated*

*financial statements* section of our report. We are independent of the Group in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. 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 our audit of the Group's 2023 consolidated financial statements. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

Key audit matters for the Group's 2023 consolidated financial statements are stated as follows:

#### **Assessment of allowance for bad debts from accounts receivable**

##### **Description**

Refer to Note 4(8) for the accounting policies related to accounts receivable, Note 5(2) for the accounting estimates and assumption uncertainty of assessment of allowance for bad debts from accounts receivable, Note 6(3) for the details of accounts receivable and Note 12(2) for the disclosure of information relating to credit risk.

The Group manages the collections of accounts receivable and overdue accounts from customers and bears relevant credit risk. The management assesses the credit quality and collection of customers periodically to adjust the credit policy on customers on a timely

basis. In addition, the impairment assessment of accounts receivable applies the modified approach to estimate the expected credit loss based on IFRS 9. The management calculates the expected loss rate according to various factors which might affect the customers' payment ability such as the past due period on the balance sheet date and in the past, the financial position and the economic position as well as using the forecastability.

Given that the amounts of the Group's accounts receivable are significant to the consolidated financial statements and the determination of the loss provision ratio involves the management's judgement, we consider the estimates of loss allowance for accounts receivable a key audit matter.

#### **How our audit addressed the matter**

We performed the following audit procedures on the above key audit matter:

1. Obtained an understanding on the credit quality of the Group's customers and assessed the policies and procedures on the provision of loss allowance for accounts receivable.
2. Assessed the loss allowance for the amounts of accounts receivable whose impairment were individually assessed.
3. Conducted test for the movements in ageing of accounts receivable and examined supporting documents related to the invoice dates of accounts receivable to ascertain the classifications of ageing periods.
4. Acquired and reviewed the historical default possibility and past due circumstances of the accounts in the past years provided by the management and considered the forecastability to assess the provision amount of loss allowance.

#### **Cut-off of sales revenue**

##### **Description**

Refer to Note 4(24) for the accounting policies on revenue recognition and Note 6(13) for the details of revenue.

The Group has two primary types of sales, specifically, sales of goods directly shipped and sales of goods from distribution warehouses. For sales of goods from distribution warehouses, revenue is recognised when goods are picked up at the distribution warehouses by customers (the transfer of risk and rewards) based on the report of customers' actual pick up and other related information provided by the warehouse custodians. Given that the process of revenue recognition from distribution warehouse sales usually contains many manual adjustments, we consider the timing of revenue recognition from distribution warehouse sales a key audit matter.

**How our audit addressed the matter**

We performed the following audit procedures on the above key audit matter:

1. Obtained an understanding on the procedures of regular reconciliation between the Group, customer and warehouse custodians, acquired related forms to verify whether they comply with the procedures and checked the report of pick up to ascertain the accuracy of adjusting timing of revenue recognition.
2. Performed cut-off tests for sales transactions during a certain period before and after balance sheet date, including checking the supporting documents.
3. Sent confirmation letters or observed physical inventory count for certain critical inventories of the distribution warehouses and checked the records of inventories. In addition, inspected the reason for the discrepancies between the replied confirmations and accounting records, if any, and tested the reconciling items made by the Group to ascertain the significant discrepancies have been adjusted and recorded appropriately.

***Responsibilities of management and those charged with governance for the consolidated financial statements***

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations that came into effect as endorsed by the Financial Supervisory Commission, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group'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 Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including the audit committee, are responsible for overseeing the Group's financial reporting process.

***Auditors' responsibilities for the audit of the consolidated financial statements***

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, 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



Standards on Auditing of the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the Standards on Auditing of the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our 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 Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
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 Group'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 consolidated 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 Group to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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, 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 those matters that were of most significance in the audit of the consolidated financial statements

of the current period and are therefore the key audit matters. 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.

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Huang, Shih-Chun

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Wu, Yu-Lung

For and on behalf of PricewaterhouseCoopers, Taiwan

March 8, 2024

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The accompanying consolidated financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying consolidated financial statements and independent auditors' report are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

As the financial statements are the responsibility of the management, PricewaterhouseCoopers cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

**HONEY HOPE HONESTY ENTERPRISE CO., LTD. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
**DECEMBER 31, 2023 AND 2022**  
**(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)**

Assets		Notes	December 31, 2023		December 31, 2022	
			AMOUNT	%	AMOUNT	%
Current assets						
1100	Cash and cash equivalents	6(1)	\$ 486,416	13	\$ 378,828	9
1110	Financial assets at fair value through profit or loss - current	6(2)	38,511	1	36,362	1
1136	Current financial assets at amortised cost	6(1)	395,385	10	132,040	3
1150	Notes receivable, net	6(3)	656	-	489	-
1170	Accounts receivable, net	6(3) and 8	1,666,701	43	2,208,142	49
1200	Other receivables		19,491	1	14,706	-
1220	Current tax assets	6(18)	15,706	-	4,351	-
130X	Inventories	6(4) and 8	605,528	16	1,218,195	27
1410	Prepayments		53,097	1	55,052	1
11XX	Current Assets		3,281,491	85	4,048,165	90
Non-current assets						
1510	Financial assets at fair value through profit or loss - non-current	6(2)	23,200	1	-	-
1600	Property, plant and equipment	6(5) and 8	115,819	3	115,778	3
1755	Right-of-use assets	6(6)	9,544	-	5,558	-
1780	Intangible assets		4,328	-	3,485	-
1840	Deferred income tax assets	6(18)	21,071	1	17,682	1
1920	Guarantee deposits paid	7(2) and 8	385,760	10	285,837	6
1990	Other non-current assets, others		501	-	995	-
15XX	Non-current assets		560,223	15	429,335	10
1XXX	Total assets		\$ 3,841,714	100	\$ 4,477,500	100

(Continued)

**HONEY HOPE HONESTY ENTERPRISE CO., LTD. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
**DECEMBER 31, 2023 AND 2022**  
**(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)**

Liabilities and Equity			December 31, 2023		December 31, 2022					
			Notes	AMOUNT	%	AMOUNT	%			
Current liabilities										
2130	Current contract liabilities	6(11)	\$	42,561	1	\$	43,155	1		
2150	Notes payable			4,019	-		4,833	-		
2170	Accounts payable			222,185	6		84,970	2		
2180	Accounts payable - related parties	7(2)		787,801	21		1,397,161	31		
2200	Other payables			63,842	2		76,462	2		
2230	Current income tax liabilities	6(18)		-	-		36,569	1		
2280	Current lease liabilities			7,121	-		3,393	-		
2300	Other current liabilities			15,392	-		10,411	-		
21XX	Current Liabilities			1,142,921	30		1,656,954	37		
Non-current liabilities										
2570	Deferred income tax liabilities	6(18)		161,136	4		165,643	4		
2580	Non-current lease liabilities			2,566	-		2,243	-		
2600	Other non-current liabilities	6(7)		15,113	-		15,236	-		
25XX	Non-current liabilities			178,815	4		183,122	4		
2XXX	Total Liabilities			1,321,736	34		1,840,076	41		
Equity										
Share capital		6(8)								
3110	Share capital - common stock			799,072	21		799,072	18		
Capital surplus		6(9)								
3200	Capital surplus			303,910	8		303,910	6		
Retained earnings		6(10)								
3310	Legal reserve			369,966	10		354,738	8		
3320	Special reserve			45,043	1		72,041	2		
3350	Unappropriated retained earnings			1,082,888	28		1,175,476	26		
Other equity interest										
3400	Other equity interest		(	58,131)	(	1)	(	45,043)	(	1)
3500	Treasury stocks	6(8)	(	22,770)	(	1)	(	22,770)	-	
31XX	Equity attributable to owners of parent			2,519,978	66		2,637,424	59		
3XXX	Total equity			2,519,978	66		2,637,424	59		
Significant contingent liabilities and unrecognised contract commitments		9								
Significant events after the balance sheet date		11								
3X2X	Total liabilities and equity		\$	3,841,714	100	\$	4,477,500	100		

The accompanying notes are an integral part of these consolidated financial statements.

**HONEY HOPE HONESTY ENTERPRISE CO., LTD. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**YEARS ENDED DECEMBER 31, 2023 AND 2022**

(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS, EXCEPT EARNINGS (LOSS) PER SHARE AMOUNTS)

			Year ended December 31			
			2023		2022	
Items	Notes		AMOUNT	%	AMOUNT	%
4000	Sales revenue	6(11)	\$ 4,885,670	100	\$ 5,847,130	100
5000	Operating costs	6(4)(16) and 7(2)	( 4,749,917)	( 97)	( 5,594,117)	( 96)
5950	Net operating margin		<u>135,753</u>	<u>3</u>	<u>253,013</u>	<u>4</u>
	Operating expenses	6(16)				
6100	Selling expenses		( 124,381)	( 3)	( 133,694)	( 2)
6200	General and administrative expenses		( 72,587)	( 1)	( 82,004)	( 1)
6450	Impairment loss (impairment gain and reversal of impairment loss) determined in accordance with IFRS 9	12(2)	<u>7,920</u>	<u>-</u>	<u>4,331</u>	<u>-</u>
6000	Total operating expenses		( 189,048)	( 4)	( 211,367)	( 3)
6900	Operating (loss) profit		<u>( 53,295)</u>	<u>( 1)</u>	<u>41,646</u>	<u>1</u>
	Non-operating income and expenses					
7100	Interest income	6(12) and 7(2)	15,854	-	7,772	-
7010	Other income	6(13)	21,564	-	40,273	1
7020	Other gains and losses	6(14)	( 200)	-	109,001	2
7050	Finance costs	6(15)	( 878)	-	( 603)	-
7000	Total non-operating income and expenses		<u>36,340</u>	<u>-</u>	<u>156,443</u>	<u>3</u>
7900	<b>(Loss) profit before income tax</b>		( 16,955)	( 1)	198,089	4
7950	Income tax expense	6(18)	( 2,105)	-	( 47,214)	( 1)
8200	<b>(Loss) profit for the year</b>		<u><u>(\$ 19,060)</u></u>	<u><u>( 1)</u></u>	<u><u>\$ 150,875</u></u>	<u><u>3</u></u>
	<b>Other comprehensive income</b>					
8311	Other comprehensive income, before tax, actuarial gains (losses) on defined benefit plans	6(8)	\$ 205	-	\$ 1,759	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(18)	<u>( 41)</u>	<u>-</u>	<u>( 352)</u>	<u>-</u>
	<b>Components of other comprehensive income that will be reclassified to profit or loss</b>					
8361	Financial statements translation differences of foreign operations		<u>( 13,088)</u>	<u>-</u>	<u>26,998</u>	<u>-</u>
8360	Components of other comprehensive (loss) income that will be reclassified to profit or loss		<u>( 13,088)</u>	<u>-</u>	<u>26,998</u>	<u>-</u>
8300	<b>Other comprehensive (loss) income for the year</b>		<u><u>(\$ 12,924)</u></u>	<u><u>-</u></u>	<u><u>\$ 28,405</u></u>	<u><u>-</u></u>
8500	<b>Total comprehensive (loss) income for the year</b>		<u><u>(\$ 31,984)</u></u>	<u><u>( 1)</u></u>	<u><u>\$ 179,280</u></u>	<u><u>3</u></u>
8610	Profit (loss) attributable to owners of parent		<u><u>(\$ 19,060)</u></u>	<u><u>( 1)</u></u>	<u><u>\$ 150,875</u></u>	<u><u>3</u></u>
8710	Comprehensive income (loss), attributable to owners of parent		<u><u>(\$ 31,984)</u></u>	<u><u>( 1)</u></u>	<u><u>\$ 179,280</u></u>	<u><u>3</u></u>
	Basic earnings per share					
9750	Total basic earnings (loss) per share	6(20)	<u><u>(\$ 0.24)</u></u>		<u><u>\$ 1.91</u></u>	
	Diluted earnings per share					
9850	Total diluted earnings (loss) per share	6(20)	<u><u>(\$ 0.24)</u></u>		<u><u>\$ 1.89</u></u>	

The accompanying notes are an integral part of these consolidated financial statements.

HONEY HOPE HONESTY ENTERPRISE CO., LTD. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
YEARS ENDED DECEMBER 31, 2023 AND 2022  
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	Notes	Equity attributable to owners of the parent								
		Capital surplus		Retained earnings				Financial statements translation differences of foreign operations	Treasury shares	Total equity
		Share capital - common stock	Capital surplus, additional paid-in capital	Employee stock warrants	Legal reserve	Special reserve	Unappropriated retained earnings			
<u>Year ended December 31, 2022</u>										
Balance at January 1, 2022		\$ 799,072	\$ 282,828	\$ 21,082	\$ 340,630	\$ 61,717	\$ 1,126,757	(\$ 72,041)	(\$ 22,770)	\$ 2,537,275
Profit for the year		-	-	-	-	-	150,875	-	-	150,875
Other comprehensive income for the year		-	-	-	-	-	1,407	26,998	-	28,405
Total comprehensive income	6(10)	-	-	-	-	-	152,282	26,998	-	179,280
Distribution of 2021 earnings		-	-	-	-	-	-	-	-	-
Provision for legal reserve		-	-	-	14,108	-	( 14,108)	-	-	-
Provision for special reserve		-	-	-	-	10,324	( 10,324)	-	-	-
Cash dividends		-	-	-	-	-	( 79,131)	-	-	( 79,131)
Balance at December 31, 2022		\$ 799,072	\$ 282,828	\$ 21,082	\$ 354,738	\$ 72,041	\$ 1,175,476	(\$ 45,043)	(\$ 22,770)	\$ 2,637,424
<u>Year ended December 31, 2023</u>										
Balance at January 1, 2023		\$ 799,072	\$ 282,828	\$ 21,082	\$ 354,738	\$ 72,041	\$ 1,175,476	(\$ 45,043)	(\$ 22,770)	\$ 2,637,424
Loss for the year		-	-	-	-	-	( 19,060)	-	-	( 19,060)
Other comprehensive income (loss) for the year		-	-	-	-	-	164	( 13,088)	-	( 12,924)
Total comprehensive loss		-	-	-	-	-	( 18,896)	( 13,088)	-	( 31,984)
Distribution of 2022 earnings	6(10)	-	-	-	-	-	-	-	-	-
Provision for legal reserve		-	-	-	15,228	-	( 15,228)	-	-	-
Provision for special reserve		-	-	-	-	( 26,998)	26,998	-	-	-
Cash dividends		-	-	-	-	-	( 85,462)	-	-	( 85,462)
Balance at December 31, 2023		\$ 799,072	\$ 282,828	\$ 21,082	\$ 369,966	\$ 45,043	\$ 1,082,888	(\$ 58,131)	(\$ 22,770)	\$ 2,519,978

The accompanying notes are an integral part of these consolidated financial statements.

HONEY HOPE HONESTY ENTERPRISE CO., LTD. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
YEARS ENDED DECEMBER 31, 2023 AND 2022  
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	Notes	Year ended December 31	
		2023	2022
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
(Loss) profit before tax		(\$ 16,955 )	\$ 198,089
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation of property, plant and equipment and right-of-use assets	6(16)	11,964	13,229
Amortisation expense of intangible assets and other non-current assets	6(16)	6,321	9,746
Expected credit impairment loss (gain)	12(2)	( 7,920 )	( 4,331 )
Net loss (gain) on financial assets at fair value through profit or loss	6(14)	15,845	11,609
Interest expense	6(16)	878	603
Interest income	6(12)	( 15,854 )	( 7,772 )
Dividend income	6(14)	( 19,876 )	( 1,420 )
Changes in operating assets and liabilities			
Changes in operating assets			
Financial assets at fair value through profit or loss		( 17,994 )	25,835
Notes receivable, net		( 167 )	346
Accounts receivable, net		549,425	653,689
Other receivables		( 4,649 )	77,149
Inventories		613,098	( 326,363 )
Prepayments		1,955	248,390
Changes in operating liabilities			
Current contract liabilities		( 594 )	( 311,016 )
Notes payable		( 814 )	1,329
Accounts payable		137,215	( 37,866 )
Accounts payable - related parties		( 609,360 )	( 367,311 )
Other payables		( 14,085 )	9,512
Other current liabilities		4,981	( 7,818 )
Other non-current liabilities		82	18
Cash inflow generated from operations		633,496	185,647
Interest received		15,707	7,312
Dividend received		19,876	1,420
Interest paid		( 878 )	( 613 )
Income tax paid		( 57,966 )	( 19,561 )
Net cash flows from operating activities		610,235	174,205

(Continued)



HONEY HOPE HONESTY ENTERPRISE CO., LTD. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
YEARS ENDED DECEMBER 31, 2023 AND 2022  
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	Notes	Year ended December 31 2023	2022
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
(Increase) decrease in current financial assets at amortised cost		(\$ 263,345 )	\$ 19,680
Increase in financial assets at fair value through other comprehensive income-non-current		( 23,200 )	-
Acquisition of property, plant and equipment		( 5,774 )	( 4,243 )
Acquisition of intangible assets		( 5,687 )	( 4,857 )
Increase in guarantee deposits paid		( 100,086 )	( 107,640 )
Decrease in guarantee deposits paid		147	6
Increase in other non-current assets-other		( 40 )	( 1,180 )
Net cash flows used in investing activities		( 397,985 )	( 98,234 )
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Proceeds from short-term borrowings	6(21)	536,259	1,239,954
Repayment for short-term borrowings	6(21)	( 536,259 )	( 1,378,354 )
Repayments of principal portion of lease liabilities	6(21)	( 5,694 )	( 7,156 )
Payments of cash dividends	6(21)	( 85,462 )	( 79,131 )
Net cash flows used in financing activities		( 91,156 )	( 224,687 )
Effect of exchange rate changes on cash and cash equivalents		( 13,506 )	26,662
Net increase (decrease) in cash and cash equivalents		107,588	( 122,054 )
Cash and cash equivalents at beginning of year		378,828	500,882
Cash and cash equivalents at end of year		\$ 486,416	\$ 378,828

The accompanying notes are an integral part of these consolidated financial statements.

INDEPENDENT AUDITORS' REPORT TRANSLATED FROM CHINESE

To the Board of Directors and Shareholders of Honey Hope Honesty Enterprise Co., Ltd.

***Opinion***

We have audited the accompanying parent company only balance sheets of Honey Hope Honesty Enterprise Co., Ltd. (the “Company”) as at December 31, 2023 and 2022, and the related parent company only statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the parent company only financial statements, including a summary of material accounting policies.

In our opinion, the accompanying parent company only financial statements present fairly, in all material respects, the parent company only financial position of the Company as at December 31, 2023 and 2022, and its parent company only financial performance and its parent company only cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

***Basis for opinion***

We conducted our audits in accordance with the Regulations Governing Financial Statement Audit and Attestation Engagements of Certified Public Accountants and Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the *Auditors' responsibilities for the audit of the parent company only financial statements* section of our report. We are independent of the Company in accordance with the Norm of Professional Ethics for Certified Public Accountant of the

Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. 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 our audit of the Company's 2023 parent company only financial statements. These matters were addressed in the context of our audit of the parent company only financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

Key audit matters for the Company's 2023 parent company only financial statements are stated as follows:

### **Assessment of allowance for bad debts from accounts receivable**

#### **Description**

Refer to Note 4(7) for the accounting policies related to accounts receivable, Note 5(2) for the accounting estimates and assumption uncertainty of assessment of allowance for bad debts from accounts receivable, Note 6(3) for the details of accounts receivable and Note 12(2) for the disclosure of information relating to credit risk.

The Company manages the collections of accounts receivable and overdue accounts from customers and bears relevant credit risk. The management assesses the credit quality and collection of customers periodically to adjust the credit policy on customers timely. In addition, the impairment assessment of accounts receivable applies the modified approach

to estimate the expected credit loss based on IFRS 9. The management calculates the expected loss rate according to various factors which might affect the customers' payment ability such as the past due period on the balance sheet date and in the past, the financial position and the economic position as well as using the forecastability.

Given that the amounts of the Company's accounts receivable are significant to the parent company only financial statements and the determination of the loss provision ratio involves the management's judgement, we consider the estimates of loss allowance for accounts receivable a key audit matter.

#### **How our audit addressed the matter**

We performed the following audit procedures on the above key audit matter:

1. Obtained an understanding on the credit quality of the Company's customers and assessed the policies and procedures on the provision of loss allowance for accounts receivable.
2. Assessed the loss allowance for the amounts of accounts receivable whose impairment were individually assessed.
3. Conducted test for the movements in ageing of accounts receivable and examined supporting documents related to the invoice dates of accounts receivable to ascertain the classifications of ageing periods.
4. Acquired and reviewed the historical default possibility and past due circumstances of the accounts in the past years provided by the management and considered the forecastability to assess the provision amount of loss allowance.

#### **Cut-off of sales revenue**

##### **Description**

Refer to Note 4(24) for the accounting policies on revenue recognition and Note 6(12) for

the details of revenue.

The Company has two primary types of sales, specifically, sales of goods directly shipped and sales of goods from distribution warehouses. For sales of goods from distribution warehouses, revenue is recognised when goods are picked up at the distribution warehouses by customers (the transfer of risk and rewards) based on the report of customers' actual pick up and other related information provided by the warehouse custodians. Given that the process of revenue recognition from distribution warehouse sales usually contains many manual adjustments, we consider the timing of revenue recognition from distribution warehouse sales a key audit matter.

**How our audit addressed the matter**

We performed the following audit procedures on the above key audit matter:

1. Obtained an understanding on the procedures of regular reconciliation between the Company, customer and warehouse custodians, acquired related forms to verify whether they comply with the procedures and checked the report of pick up to ascertain the accuracy of adjusting timing of revenue recognition.
2. Performed cut-off tests for sales transactions during a certain period before and after balance sheet date, including checking the supporting documents.
3. Sent confirmation letters or observed physical inventory count for certain critical inventories of the distribution warehouses and checked the records of inventories. In addition, inspected the reason for the discrepancies between the replied confirmations and accounting records, if any, and tested the reconciling items made by the Company to ascertain the significant discrepancies have been adjusted and recorded appropriately.

***Responsibilities of management and those charged with governance for the parent company only financial statements***

Management is responsible for the preparation and fair presentation of the parent company only financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and for such internal control as management determines is necessary to enable the preparation of parent company only financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the parent company only 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 to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including the audit committee, are responsible for overseeing the Company's financial reporting process.

***Auditors' responsibilities for the audit of the parent company only financial statements***

Our objectives are to obtain reasonable assurance about whether the parent company only financial statements as a whole are free from material misstatement, 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 Standards on Auditing of the Republic of China will always detect a material

misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these parent company only financial statements.

As part of an audit in accordance with the Standards on Auditing of the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the parent company only financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our 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. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
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 parent company only 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 presentation, structure and content of the parent company only financial statements, including the disclosures, and whether the parent company only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the parent company only financial statements. We are responsible for the direction, supervision and performance of the company audit. We remain solely responsible for our audit opinion.

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, 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 those



matters that were of most significance in the audit of the parent company only financial statements of the current period and are therefore the key audit matters. 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.

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Yeh, Tsui-Miao

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Huang, Shih-Chun

For and on behalf of PricewaterhouseCoopers, Taiwan

March 8, 2024

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The accompanying parent company only financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying parent company only financial statements and independent auditors' report are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

As the financial statements are the responsibility of the management, PricewaterhouseCoopers cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

HONEY HOPE HONESTY ENTERPRISE CO., LTD.  
PARENT COMPANY ONLY BALANCE SHEETS  
DECEMBER 31, 2023 AND 2022  
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

Assets			December 31, 2023		December 31, 2022			
			AMOUNT	%	AMOUNT	%		
Current assets								
1100	Cash and cash equivalents	6(1)	\$	239,291	6	\$	287,735	6
1110	Financial assets at fair value through profit or loss - current	6(2)		38,511	1		36,362	
1136	Current financial assets at amortised cost	6(1)		384,568	10		110,000	3
1150	Notes receivable, net	6(3)		656	-		489	-
1170	Accounts receivable, net	6(3) and 8		830,044	22		408,366	9
1180	Accounts receivable - related parties	6(3) and 7(2)		252,845	7		1,076,695	24
1200	Other receivables			18,925	1		14,061	-
1220	Current tax assets	6(19)		15,706	-		-	-
130X	Inventories	6(4) and 8		600,012	16		1,191,794	27
1410	Prepayments			51,202	1		52,943	1
11XX	Current Assets			2,431,760	64		3,178,445	71
Non-current assets								
1510	Non-current financial assets at fair value through profit or loss	6(2)		23,200	1		-	-
1550	Investments accounted for using equity method	6(5)		845,583	22		864,917	20
1600	Property, plant and equipment	6(6) and 8		111,747	3		110,745	3
1755	Right-of-use assets	6(7)		7,367	-		758	-
1780	Intangible assets			3,493	-		2,723	-
1840	Deferred income tax assets	6(19)		21,071	-		17,682	-
1920	Guarantee deposits paid	7(2) and 8		378,824	10		278,824	6
1990	Other non-current assets, others			259	-		612	-
15XX	Non-current assets			1,391,544	36		1,276,261	29
1XXX	Total assets		\$	3,823,304	100	\$	4,454,706	100

(Continued)

**HONEY HOPE HONESTY ENTERPRISE CO., LTD.**  
**PARENT COMPANY ONLY BALANCE SHEETS**  
**DECEMBER 31, 2023 AND 2022**  
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

Liabilities and Equity			December 31, 2023		December 31, 2022	
			Notes	AMOUNT	%	AMOUNT
Current liabilities						
2100	Short-term borrowings	6(9)	\$ -	-	\$ -	-
2130	Current contract liabilities	6(12)	42,514	1	43,155	1
2150	Notes payable		4,019	-	4,833	-
2170	Accounts payable		221,831	6	84,970	2
2180	Accounts payable - related parties	7(2)	785,702	21	1,394,231	31
2200	Other payables		50,177	1	61,477	2
2230	Current income tax liabilities	6(19)	-	-	36,569	1
2280	Current lease liabilities		4,884	-	764	-
2300	Other current liabilities		15,384	-	10,404	-
21XX	Current Liabilities		1,124,511	29	1,636,403	37
Non-current liabilities						
2570	Deferred income tax liabilities	6(19)	161,136	4	165,643	4
2580	Non-current lease liabilities		2,566	-	-	-
2600	Other non-current liabilities	6(8)	15,113	1	15,236	-
25XX	Non-current liabilities		178,815	5	180,879	4
2XXX	Total Liabilities		1,303,326	34	1,817,282	41
Equity						
	Share capital	6(9)				
3110	Share capital - common stock		799,072	21	799,072	18
	Capital surplus	6(10)				
3200	Capital surplus		303,910	8	303,910	6
	Retained earnings	6(11)				
3310	Legal reserve		369,966	10	354,738	8
3320	Special reserve		45,043	1	72,041	2
3350	Unappropriated retained earnings		1,082,888	28	1,175,476	26
	Other equity interest					
3400	Other equity interest		( 58,131 )	( 1 )	( 45,043 )	( 1 )
3500	Treasury shares	6(9)	( 22,770 )	( 1 )	( 22,770 )	-
3XXX	Total equity		2,519,978	66	2,637,424	59
	Significant contingent liabilities and unrecognised contract commitments	9				
	Significant events after the balance sheet date	11				
3X2X	Total liabilities and equity		\$ 3,823,304	100	\$ 4,454,706	100

The accompanying notes are an integral part of these parent company only financial statements.

**HONEY HOPE HONESTY ENTERPRISE CO., LTD.**  
**PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME**  
**YEARS ENDED DECEMBER 31, 2023 AND 2022**

(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS, EXCEPT EARNINGS (LOSS) PER SHARE AMOUNTS)

	Items	Notes	Year ended December 31			
			2023		2022	
			AMOUNT	%	AMOUNT	%
4000	Sales revenue	6(12) and 7(2)	\$ 4,829,529	100	\$ 5,760,603	100
5000	Operating costs	6(4) and 7(2)	( 4,707,574)	( 98)	( 5,522,830)	( 96)
5900	Net operating margin		121,955	2	237,773	4
5910	Unrealized profit from sales	6(5)	( 1,305)	-	( 4,652)	-
5920	Realized profit on from sales	6(5)	4,652	-	2,530	-
5950	Net operating margin		125,302	2	235,651	4
	Operating expenses	6(17)				
6100	Selling expenses		( 110,617)	( 2)	( 119,878)	( 2)
6200	General and administrative expenses		( 50,657)	( 1)	( 58,676)	( 1)
6450	Impairment loss (impairment gain and reversal of impairment loss) determined in accordance with IFRS 9	12(2)	( 2,153)	-	( 306)	-
6000	Total operating expenses		( 163,427)	( 3)	( 178,860)	( 3)
6900	Operating (loss) profit		( 38,125)	( 1)	56,791	1
	Non-operating income and expenses					
7100	Interest income	6(13) and 7(2)	15,049	-	7,187	-
7010	Other income	6(14)	20,685	-	39,371	1
7020	Other gains and losses	6(15)	( 8,347)	-	87,246	2
7050	Finance costs	6(16)	( 789)	-	( 454)	-
7070	Share of (loss) profit of associates and joint ventures accounted for using equity method, net	6(5)	( 9,593)	-	4,804	-
7000	Total non-operating income and expenses		17,005	-	138,154	3
7900	<b>Profit (loss) before income tax</b>		( 21,120)	( 1)	194,945	4
7950	Income tax (expense) benefit	6(19)	2,060	-	( 44,070)	( 1)
8200	<b>Profit (loss) for the year</b>		<u>( \$ 19,060)</u>	<u>( 1)</u>	<u>\$ 150,875</u>	<u>3</u>
	<b>Other comprehensive income</b>					
	<b>Components of other comprehensive income that will not be reclassified to profit or loss</b>					
8311	Other comprehensive income, before tax, actuarial gains (losses) on defined benefit plans	6(8)	\$ 205	-	\$ 1,759	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(19)	( 41)	-	( 352)	-
8310	Components of other comprehensive income that will not be reclassified to profit or loss		164	-	1,407	-
	<b>Components of other comprehensive income that will be reclassified to profit or loss</b>					
8361	Financial statements translation differences of foreign operations		( 13,088)	-	26,998	-
8360	Components of other comprehensive (loss) income that will be reclassified to profit or loss		( 13,088)	-	26,998	-
8300	<b>Other comprehensive (loss) income for the year</b>		<u>( \$ 12,924)</u>	<u>-</u>	<u>\$ 28,405</u>	<u>-</u>
8500	<b>Total comprehensive (loss) income for the year</b>		<u>( \$ 31,984)</u>	<u>( 1)</u>	<u>\$ 179,280</u>	<u>3</u>
	Basic earnings per share					
9750	Total basic earnings (loss) per share	6(20)	<u>( \$ 0.24)</u>		<u>\$ 1.91</u>	
	Diluted earnings per share					
9850	Total diluted earnings (loss) per share	6(20)	<u>( \$ 0.24)</u>		<u>\$ 1.89</u>	

The accompanying notes are an integral part of these parent company only financial statements.

HONEY HOPE HONESTY ENTERPRISE CO., LTD.  
PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY  
YEARS ENDED DECEMBER 31, 2023 AND 2022  
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	Notes	Capital surplus			Retained earnings			Unappropriated retained earnings	Financial statements translation differences of foreign operations	Treasury stocks	Total equity
		Share capital - common stock	Additional paid-in capital	Employee stock warrants	Legal reserve	Special reserve					
<u>Year ended December 31, 2022</u>											
Balance, January 1, 2022		\$ 799,072	\$ 282,828	\$ 21,082	\$ 340,630	\$ 61,717		\$ 1,126,757	(\$ 72,041 )	(\$ 22,770 )	\$ 2,537,275
Profit for the year		-	-	-	-	-		150,875	-	-	150,875
Other comprehensive income for the year		-	-	-	-	-		1,407	26,998	-	28,405
Total comprehensive income		-	-	-	-	-		152,282	26,998	-	179,280
Appropriation of 2021 earnings	6(11)										
Legal reserve		-	-	-	14,108	-		( 14,108 )	-	-	-
Special reserve		-	-	-	-	10,324		( 10,324 )	-	-	-
Cash dividends		-	-	-	-	-		( 79,131 )	-	-	( 79,131 )
Balance at December 31, 2022		\$ 799,072	\$ 282,828	\$ 21,082	\$ 354,738	\$ 72,041		\$ 1,175,476	(\$ 45,043 )	(\$ 22,770 )	\$ 2,637,424
<u>Year ended December 31, 2023</u>											
Balance, January 1, 2023		\$ 799,072	\$ 282,828	\$ 21,082	\$ 354,738	\$ 72,041		\$ 1,175,476	(\$ 45,043 )	(\$ 22,770 )	\$ 2,637,424
Loss for the year		-	-	-	-	-		( 19,060 )	-	-	( 19,060 )
Other comprehensive income (loss) for the year		-	-	-	-	-		164	( 13,088 )	-	( 12,924 )
Total comprehensive loss		-	-	-	-	-		( 18,896 )	( 13,088 )	-	( 31,984 )
Appropriation of 2022 earnings	6(11)										
Legal reserve		-	-	-	15,228	-		( 15,228 )	-	-	-
Special reserve		-	-	-	-	( 26,998 )		26,998	-	-	-
Cash dividends		-	-	-	-	-		( 85,462 )	-	-	( 85,462 )
Balance at December 31, 2023		\$ 799,072	\$ 282,828	\$ 21,082	\$ 369,966	\$ 45,043		\$ 1,082,888	(\$ 58,131 )	(\$ 22,770 )	\$ 2,519,978

The accompanying notes are an integral part of these parent company only financial statements.

HONEY HOPE HONESTY ENTERPRISE CO., LTD.  
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS  
YEARS ENDED DECEMBER 31, 2023 AND 2022  
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

		Year ended December 31	
	Notes	2023	2022
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
(Loss) profit before tax		( \$ 21,120 )	\$ 194,945
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation (including depreciation on right-of-use assets)	6(17)	8,370	9,437
Amortisation expense of intangible assets and other non-current assets	6(17)	5,103	8,513
Expected credit impairment loss (gain)	12(2)	2,153	306
Net loss (gain) on financial assets at fair value through profit or loss	6(15)	15,845	11,609
Interest expense	6(16)	789	454
Interest income	6(13)	( 15,049 )	( 7,187 )
Dividend income	6(14)	( 19,876 )	( 1,420 )
Share of profit (loss) of subsidiaries accounted for using equity method	6(5)	9,593	( 4,804 )
Unrealized profit from sales	6(5)	1,305	4,652
Realized profit from sales	6(5)	( 4,652 )	( 2,530 )
Changes in operating assets and liabilities			
Changes in operating assets			
Financial assets at fair value through profit or loss		( 17,994 )	25,835
Notes receivable, net		( 167 )	346
Accounts receivable, net		( 423,831 )	242,651
Accounts receivable-related parties		823,850	422,908
Other receivables		( 4,649 )	77,149
Inventories		591,782	( 324,869 )
Prepayments		1,741	250,250
Changes in operating liabilities			
Current contract liabilities		( 641 )	( 311,008 )
Notes payable		( 814 )	1,504
Accounts payable		136,861	( 37,866 )
Accounts payable-related parties		( 608,529 )	( 358,119 )
Other payables		( 12,764 )	9,759
Other current liabilities		4,980	( 7,801 )
Other non-current liabilities		82	18
Cash inflow generated from operations		472,368	204,732
Interest received		14,834	7,192
Dividend received		19,876	1,420
Interest paid		( 789 )	( 464 )
Income tax (paid) received		( 58,152 )	( 11,590 )
Net cash flows from operating activities		448,137	201,290

(Continued)

HONEY HOPE HONESTY ENTERPRISE CO., LTD.  
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS  
YEARS ENDED DECEMBER 31, 2023 AND 2022  
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	Notes	Year ended December 31	
		2023	2022
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Decrease (increase) in current financial assets at amortised cost		( \$ 274,568 )	\$ 20,000
Increase in financial assets at fair value through other comprehensive income-non current		( 23,200 )	-
Acquisition of property, plant and equipment	6(21)	( 5,747 )	( 4,045 )
Increase in guarantee deposits paid		( 100,000 )	( 107,640 )
Decrease in guarantee deposits paid		-	6
Acquisition of intangible assets	6(21)	( 4,528 )	( 3,845 )
Increase in other non-current assets-other		( 40 )	( 774 )
Net cash flows used in investing activities		( 408,083 )	( 96,298 )
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Proceeds from short-term borrowings	6(22)	536,258	1,239,954
Repayment for short-term borrowings	6(22)	( 536,258 )	( 1,378,354 )
Repayments of principal portion of lease liabilities	6(22)	( 3,036 )	( 4,679 )
Payments of cash dividends	6(22)	( 85,462 )	( 79,131 )
Net cash flows used in financing activities		( 88,498 )	( 222,210 )
Net decrease in cash and cash equivalents		( 48,444 )	( 117,218 )
Cash and cash equivalents at beginning of year		287,735	404,953
Cash and cash equivalents at end of year		<u>\$ 239,291</u>	<u>\$ 287,735</u>

The accompanying notes are an integral part of these parent company only financial statements.

Honey Hope Honesty Enterprise Co., Ltd.  
Earnings Distribution Table  
For the Year Ended December 31, 2023

Unit: NT\$

Undistributed earnings at the beginning of the period	1,101,786,020
Add: 2023 adjustments of the undistributed earnings	163,878
After adjusted undistributed earnings	1,101,949,898
Add: net profit (loss) after tax for 2023	( 19,059,742 )
Less: legal reserve appropriated	0
Add: reversal of special reserve	( 13,088,171 )
Earnings available for distribution	1,069,801,985
Distributable items:	
Less: cash dividends (NT\$0.2 per shar)	( 15,826,234 )
Undistributed earnings at the end of the period	1,053,975,751

Chairman : Lin, Hsun-Min

Managerial Officer : Hsu, Hung-Chih

Chief Accountant : Tsai, Su-Chin



Honey Hope Honesty Enterprise Co., Ltd.  
Comparison Table of Amendments to the Articles of Incorporation

Amended Article	Current Article	Explanation
<p>Article 5</p> <p>The total amount of the Corporation capital stock is NT\$ 1.2 billion divided into 120 million shares at a par value of NT\$10 per share.</p> <p>For the shares not yet issued, the Board of Directors is authorized to issue shares in installments. NT\$ 70 million of the aforesaid total capital stock, divided into 7 million shares each at a par value of NT\$10, is reserved for issuing employee stock warrants. The board of directors is authorized to issue such shares in installments.</p>	<p>Article 5</p> <p>The total amount of the Corporation capital stock is NT\$ 1.2 billion divided into 120 million shares at a par value of NT\$10 per share.</p> <p>For the shares not yet issued, the Board of Directors is authorized to issue shares in installments. NT\$ 70 million of the aforesaid total capital stock, divided into 7 million shares each at a par value of \$10, is reserved for issuing employee stock warrants. The board of directors is authorized to issue such shares in installments.</p>	Amended wordings.
<p>Article 9</p> <p>Shareholders' meetings of the Corporation are classified into (1) regular meetings and (2) special meetings. The regular meeting shall be held at least once every year and be convened within six months after close of each fiscal year. The special meetings shall be convened, whenever deemed necessary in accordance with the law.</p> <p><u>The shareholders' meeting of the Corporation can be held by means of visual communication network or other methods promulgated by the central competent authority.</u></p>	<p>Article 9</p> <p>Shareholders' meetings of the Corporation are classified into (1) regular meetings and (2) special meetings. The regular meeting shall be held once every year and be convened within six months after close of each fiscal year. The special meetings shall be convened, whenever deemed necessary in accordance with the law.</p>	Amended in accordance with the "Company Act".
<p>Article 12-1</p> <p>For a shareholders' meeting convened by the Board of Directors, the Chairman of the meeting shall be appointed in accordance with the provisions of Paragraph 3, Article 208 of the Company Act; where as for a shareholders' meeting convened by any other person having the convening right, he/she shall act as the Chairperson of that meeting provided, however, that if there are two or more persons having the convening right, the Chairperson of the meeting shall be elected from among themselves.</p>	<p>Article 12-1</p> <p>For a shareholders meeting convened by the Board of Directors, the meeting shall be chaired by the Chairman of the board. When the Chairman of the board is <u>absent</u>, the Chairman shall appoint one of the directors to act as chair. Where the Chairman does not make such a designation, the directors shall select from among themselves one person to serve as chair; where as for a shareholders' meeting convened by any other person having the convening right, he/she shall act as the Chairman of that meeting provided, however, that if there are two or more persons having the convening right, the Chairman of the meeting shall be elected from among themselves.</p>	Amended in accordance with the Company's practical operation needs.
<p>Article 16</p> <p>Directors of the Corporation may be entitled to remuneration for their duties</p>	<p>Article 16</p> <p>Directors of the Corporation may be entitled to remuneration for their duties</p>	Delete the description

Amended Article	Current Article	Explanation
<p>regardless of profit or loss. The Board of Directors is authorized to determine the remuneration based on the level of their participation in the Corporation's operations and the value of their contribution. If the Corporation has a surplus, it shall distribute the remuneration according to Article 20.</p>	<p>regardless of profit or loss. The Board of Directors is authorized to determine the remuneration within the standards for maximum salaries established in the Corporation's Remuneration Policy based on the level of their participation in the Corporation's operations and the value of their contribution. If the Corporation has a surplus, it shall distribute the remuneration according to Article 20.</p>	<p>of the Company's remuneration policy.</p>
<p>Article 20</p> <p>Where the Corporation has net profit after tax at the end of the fiscal year, after paying all relevant taxes and making up losses of previous years, the Corporation shall set aside ten percent of net profit as legal reserve and a special reserve shall be set aside or reversed in accordance with Article 41 of the Securities and Exchange Act. Where such legal reserve amounts to the total paid-in capital, this provision shall not apply. If there is still remaining net profit, the remaining net profit plus the beginning unappropriated earnings are the cumulative distributable surplus of shareholders, and shall be distributed to shareholders according to the distribution plan proposed by the Board of Directors and submitted to the shareholders' meeting for approval.</p> <p>The distributable bonuses, capital reserve and legal reserve in whole or in part may be paid in cash after a resolution has been adopted by a majority vote at a meeting of the board of directors attended by two-thirds of the total number of directors, and in addition thereto a report of such distribution shall be submitted to the shareholders' meeting, and the provisions of the preceding paragraph requiring the resolution of the shareholders' meeting shall not apply.</p> <p>To reward and motivate employees and the management team, if the Company has profit (which means income before tax excluding the compensation distributable for employees and the Directors), the Corporation shall allocate 5% to 15% of the profit as the employee bonus and not exceed no more than 2% of the profit as director remuneration. However, the company's accumulated losses shall have been covered.</p>	<p>Article 20</p> <p>Where the Corporation has net profit after tax at the end of the fiscal year, after paying all relevant taxes and making up losses of previous years, the Corporation shall set aside ten percent of net profit as legal reserve and a special reserve shall be set aside or reversed in accordance with Article 41 of the Securities and Exchange Act. Where such legal reserve amounts to the total paid-in capital, this provision shall not apply. If there is still remaining net profit, the remaining net profit plus the beginning unappropriated earnings are the cumulative distributable surplus of shareholders, and shall be distributed to shareholders according to the distribution plan proposed by the Board of Directors and submitted to the shareholders' meeting for approval.</p> <p>The distributable bonuses, capital reserve and legal reserve in whole or in part may be paid in cash after a resolution has been adopted by a majority vote at a meeting of the board of directors attended by two-thirds of the total number of directors, and in addition thereto a report of such distribution shall be submitted to the shareholders' meeting, and the provisions of the preceding paragraph requiring the resolution of the shareholders' meeting shall not apply.</p> <p>To reward and motivate employees and the management team, if the Company has profit (which means income before tax excluding the compensation distributable for employees and the Directors), the Corporation shall allocate 5% to 15% of the profit as the employee bonus and not exceed no more than 2% of the profit as director remuneration. However, the company's accumulated losses shall have been covered.</p>	<p>Amended wordings.</p>
<p>Article 22</p> <p>The Articles of Incorporation was established on May 15, 1989.</p> <p>The 1st amendment was made on June 19, 1990.</p>	<p>Article 22</p> <p>The Articles of Incorporation was established on May 15, 1989.</p> <p>The 1st amendment was made on June 19, 1990.</p>	<p>Added the date of amendment.</p>

Amended Article	Current Article	Explanation
<p>The 2nd amendment was made on August 2, 1996.</p> <p>The 3rd amendment was made on July 1, 1998.</p> <p>The 4th amendment was made on October 18, 1998.</p> <p>The 5th amendment was made on October 21, 2000.</p> <p>The 6th amendment was made on July 30, 2001.</p> <p>The 7th amendment was made on April 3, 2002.</p> <p>The 8th amendment was made on September 12, 2002.</p> <p>The 9th amendment was made on June 9, 2003. (The first time)</p> <p>The 10th amendment was made on June 9, 2003. (The second time)</p> <p>The 11th amendment was made on June 9, 2004.</p> <p>The 12th amendment was made on June 16, 2005.</p> <p>The 13th amendment was made on June 15, 2006.</p> <p>The 14th amendment was made on June 13, 2007.</p> <p>The 15th amendment was made on June 13, 2008.</p> <p>The 16th amendment was made on June 10, 2009.</p> <p>The 17th amendment was made on June 15, 2010.</p> <p>The 18th amendment was made on June 27, 2012.</p> <p>The 19th amendment was made on June 13, 2016.</p> <p>The 20th amendment was made on June 13, 2017.</p> <p>The 21th amendment was made on June 10, 2019.</p> <p>The 22th amendment was made on June 18, 2020.</p> <p><u>The 23th amendment was made on June 12, 2024.</u></p>	<p>The 2nd amendment was made on August 2, 1996.</p> <p>The 3rd amendment was made on July 1, 1998.</p> <p>The 4th amendment was made on October 18, 1998.</p> <p>The 5th amendment was made on October 21, 2000.</p> <p>The 6th amendment was made on July 30, 2001.</p> <p>The 7th amendment was made on April 3, 2002.</p> <p>The 8th amendment was made on September 12, 2002.</p> <p>The 9th amendment was made on June 9, 2003. (The first time)</p> <p>The 10th amendment was made on June 9, 2003. (The second time)</p> <p>The 11th amendment was made on June 9, 2004.</p> <p>The 12th amendment was made on June 16, 2005.</p> <p>The 13th amendment was made on June 15, 2006.</p> <p>The 14th amendment was made on June 13, 2007.</p> <p>The 15th amendment was made on June 13, 2008.</p> <p>The 16th amendment was made on June 10, 2009.</p> <p>The 17th amendment was made on June 15, 2010.</p> <p>The 18th amendment was made on June 27, 2012.</p> <p>The 19th amendment was made on June 13, 2016.</p> <p>The 20th amendment was made on June 13, 2017.</p> <p>The 21th amendment was made on June 10, 2019.</p> <p>The 22th amendment was made on June 18, 2020.</p>	

## Honey Hope Honesty Enterprise Co., Ltd.

## Comparison Table of Amendments to the Procedures for Acquisition or Disposal of Assets

Amended Article	Current Article	Explanation
<p><b>Article 2 Legal basis</b></p> <p>The Procedures are adopted in accordance with the provisions of Article 36-1 of the Securities and Exchange Act and the relevant regulations of the Financial Supervisory Commission ("FSC").</p>	<p><b>Article 2 Legal basis</b></p> <p>The Procedures are adopted in accordance with the provisions of Article 36-1 of the Securities and Exchange Act and the relevant regulations of the Financial Supervisory Commission, <u>Executive Yuan</u> ("FSC").</p>	Amended the wording.
<p><b>Article 4 Terms used in the Procedures are defined as follows:</b></p> <p>I. Derivatives: Forward contracts, options contracts, futures contracts, leverage contracts, or swap contracts, whose value is derived from a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable; or hybrid contracts combining the above contracts; or hybrid contracts or structured products containing embedded derivatives. The term "forward contracts" does not include insurance contracts, performance contracts, after-sales service contracts, long-term leasing contracts, or long-term purchase (sales) contracts.</p> <p>II. Assets acquired or disposed through mergers, demergers, acquisitions, or transfer of shares in accordance with law: Refers to assets acquired or disposed through mergers, demergers, or acquisitions conducted under the Business Mergers and Acquisitions Act, Financial Holding Company Act, Financial Institution Merger Act and other acts, or to transfer of shares from another company through issuance of new shares of its own as the consideration therefor (hereinafter "transfer of shares") under Article 156-3 of the Company Act.</p> <p>III. Related party or subsidiary: As defined in the Regulations Governing the Preparation of Financial Reports by Securities Issuers.</p> <p>IV. Professional appraiser: Refers to a real property appraiser or other person duly authorized by law to engage in the value appraisal of real property or equipment.</p> <p>V. Date of occurrence: Refers to the date of contract signing, date of payment, date of consignment trade, date of transfer, dates of boards of directors resolutions, or other date that can confirm the counterpart and monetary amount of the transaction, whichever date is earlier; provided, for investment for which approval of the competent authority is required, the earlier of the above date or the date of receipt of approval by the</p>	<p><b>Article 4 Terms used in the Procedures are defined as follows:</b></p> <p>I. Derivatives: Forward contracts, options contracts, futures contracts, leverage contracts, or swap contracts, whose value is derived from a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable; or hybrid contracts combining the above contracts; or hybrid contracts or structured products containing embedded derivatives. The term "forward contracts" does not include insurance contracts, performance contracts, after-sales service contracts, long-term leasing contracts, or long-term purchase (sales) contracts.</p> <p>II. Assets acquired or disposed through mergers, demergers, acquisitions, or transfer of shares in accordance with law: Refers to assets acquired or disposed through mergers, demergers, or acquisitions conducted under the Business Mergers and Acquisitions Act, Financial Holding Company Act, Financial Institution Merger Act and other acts, or to transfer of shares from another company through issuance of new shares of its own as the consideration therefor (hereinafter "transfer of shares") under Article 156-3 of the Company Act.</p> <p>III. Related party or subsidiary: As defined in the Regulations Governing the Preparation of Financial Reports by Securities Issuers.</p> <p>IV. Professional appraiser: Refers to a real property appraiser or other person duly authorized by law to engage in the value appraisal of real property or equipment.</p> <p>V. Date of occurrence: Refers to the date of contract signing, date of payment, date of consignment trade, date of transfer, dates of boards of directors resolutions, or other date that can confirm the counterpart and monetary amount of the transaction, whichever date is earlier; provided, for investment for which approval of the competent authority is required, the earlier of the above date or the date of receipt of approval by the</p>	Delete the Paragraph X (because the same provision is already contained in other Articles.)

Amended Article	Current Article	Explanation
<p>competent authority shall apply.</p> <p>VI. Mainland China area investment: Refers to investments in the mainland China area approved by the Ministry of Economic Affairs Investment Commission or conducted in accordance with the provisions of the Regulations Governing Permission for Investment or Technical Cooperation in the Mainland Area.</p> <p>VII. Investment professional: Refers to financial holding companies, banks, insurance companies, bill finance companies, trust enterprises, securities firms operating proprietary trading or underwriting business, futures commission merchants operating proprietary trading business, securities investment trust enterprises, securities investment consulting enterprises, and fund management companies, that are lawfully incorporated and are regulated by the competent financial authorities of the jurisdiction where they are located.</p> <p>VIII. Securities exchange: "Domestic securities exchange" refers to the Taiwan Stock Exchange Corporation; "foreign securities exchange" refers to any organized securities exchange market that is regulated by the competent securities authorities of the jurisdiction where it is located.</p> <p>IX. Over-the-counter venue ("OTC venue", "OTC"): "Domestic OTC venue" refers to a venue for OTC trading provided by a securities firm in accordance with the Regulations Governing Securities Trading on the Taipei Exchange; "foreign OTC venue" refers to a venue at a financial institution that is regulated by the foreign competent authority and that is permitted to conduct securities business.</p> <p>X. "Latest financial statements": Refers to the financial statements of the company audited or examined by certified public accountant ("CPA") which has been published in accordance with applicable regulation before the subject acquisition or disposal of assets.</p> <p>Article 5 Limits of amounts for the Company and <u>each subsidiary</u> in acquisition of non-operating related real property and right-of-use assets thereof or securities:</p> <p>I. The total amount for the Company in acquisition of non-operating related real property and right-of-use assets thereof shall not exceed 40% of the Company's paid-in capital. The total amount for <u>each subsidiary</u> in</p>	<p>competent authority shall apply.</p> <p>VI. Mainland China area investment: Refers to investments in the mainland China area approved by the Ministry of Economic Affairs Investment Commission or conducted in accordance with the provisions of the Regulations Governing Permission for Investment or Technical Cooperation in the Mainland Area.</p> <p>VII. Investment professional: Refers to financial holding companies, banks, insurance companies, bill finance companies, trust enterprises, securities firms operating proprietary trading or underwriting business, futures commission merchants operating proprietary trading business, securities investment trust enterprises, securities investment consulting enterprises, and fund management companies, that are lawfully incorporated and are regulated by the competent financial authorities of the jurisdiction where they are located.</p> <p>VIII. Securities exchange: "Domestic securities exchange" refers to the Taiwan Stock Exchange Corporation; "foreign securities exchange" refers to any organized securities exchange market that is regulated by the competent securities authorities of the jurisdiction where it is located.</p> <p>IX. Over-the-counter venue ("OTC venue", "OTC"): "Domestic OTC venue" refers to a venue for OTC trading provided by a securities firm in accordance with the Regulations Governing Securities Trading on the Taipei Exchange; "foreign OTC venue" refers to a venue at a financial institution that is regulated by the foreign competent authority and that is permitted to conduct securities business.</p> <p>X. "Within the preceding year" as used refers to the year preceding the date of the acquisition or disposal of assets. Items duly announced in accordance with these Regulations need not be counted toward the transaction amount.</p> <p>XI. "Latest financial statements": Refers to the financial statements of the company audited or examined by certified public accountant ("CPA") which has been published in accordance with applicable regulation before the subject acquisition or disposal of assets.</p> <p>Article 5 Limits of amounts for the Company and <u>the subsidiaries</u> in acquisition of non-operating related real property and right-of-use assets thereof or securities:</p> <p>I. The total amount for the Company in acquisition of non-operating related real property and right-of-use assets thereof shall not exceed 40% of the Company's paid-in capital. The total amount for <u>the Company's subsidiaries</u></p>	<p>Amended the wording.</p>

Amended Article	Current Article	Explanation
<p>acquisition of non-operating related real property and right-of-use assets thereof shall not exceed 20% of the Company's paid-in capital.</p> <p>II. The total amount of securities investment for the Company and <u>each subsidiary</u> shall not exceed 100% of the respective net worth in the most recent financial statement. Where a subsidiary is an investment holding company, the total amount of securities investment shall not exceed 150% of its net worth in the most recent financial statement.</p> <p>III. The amount of investment in each respective security for the Company and <u>each subsidiary</u> should not exceed 30% of the respective net worth in the most recent financial statement. Where a subsidiary is an investment holding company, the amount of investment in each respective security shall not exceed 100% of its net worth in the most recent financial statement.</p> <p>Article 6 Professional appraisers and their officers, certified public accounts, attorneys, and securities underwriters that provide the Company with appraisal reports, certified public accountant's opinions, attorney's opinions, or underwriter's opinions shall meet the following requirements:</p> <p>I. May not have previously received a final and unappealable sentence to imprisonment for 1 year or longer for a violation of the Act, the Company Act, the Banking Act of The Republic of China, the Insurance Act, the Financial Holding Company Act, or the Business Entity Accounting Act, or for fraud, breach of trust, embezzlement, forgery of documents, or occupational crime. However, this provision does not apply if 3 years have already passed since completion of service of the sentence, since expiration of the period of a suspended sentence, or since a pardon was received.</p> <p>II. May not be a related party or de facto related party of any party to the transaction.</p> <p>III. If the company is required to obtain appraisal reports from two or more professional appraisers, the different professional appraisers or appraisal officers may not be related parties or de facto related parties of each other. When issuing an appraisal report or opinion, the personnel referred to in the preceding paragraph shall comply with the self-regulatory rules of the industry associations to which they belong and with the following provisions:</p> <p>I. Prior to accepting a case, they shall prudently assess their own professional capabilities, practical experience, and independence.</p> <p>II. When conducting a case, they shall appropriately plan and execute adequate working procedures, in order to produce 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</p>	<p>in acquisition of non-operating related real property and right-of-use assets thereof shall not exceed 20% of the Company's paid-in capital.</p> <p>II. The total amount of securities investment for the Company and <u>the subsidiaries</u> shall not exceed 100% of the respective net worth in the most recent financial statement. Where a subsidiary is an investment holding company, the total amount of securities investment shall not exceed 150% of its net worth in the most recent financial statement.</p> <p>III. The amount of investment in each respective security for the Company and <u>the subsidiaries</u> should not exceed 30% of the respective net worth in the most recent financial statement. Where a subsidiary is an investment holding company, the amount of investment in each respective security shall not exceed 100% of its net worth in the most recent financial statement.</p> <p>Article 6 Professional appraisers and their officers, certified public accounts, attorneys, and securities underwriters that provide the Company with appraisal reports, certified public accountant's opinions, attorney's opinions, or underwriter's opinions shall meet the following requirements:</p> <p>I. May not have previously received a final and unappealable sentence to imprisonment for 1 year or longer for a violation of the Act, the Company Act, the Banking Act of The Republic of China, the Insurance Act, the Financial Holding Company Act, or the Business Entity Accounting Act, or for fraud, breach of trust, embezzlement, forgery of documents, or occupational crime. However, this provision does not apply if 3 years have already passed since completion of service of the sentence, since expiration of the period of a suspended sentence, or since a pardon was received.</p> <p>II. May not be a related party or de facto related party of any party to the transaction.</p> <p>III. If the company is required to obtain appraisal reports from two or more professional appraisers, the different professional appraisers or appraisal officers may not be related parties or de facto related parties of each other. When issuing an appraisal report or opinion, the personnel referred to in the preceding paragraph shall comply with the self-regulatory rules of the industry associations to which they belong and with the following provisions:</p> <p>I. Prior to accepting a case, they shall prudently assess their own professional capabilities, practical experience, and independence.</p> <p>II. When conducting a case, they shall appropriately plan and execute adequate working procedures, in order to produce 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</p>	<p>The paragraph 3 is moved to Article 10.</p>

Amended Article	Current Article	Explanation
<p>accurately specified in the case working papers.</p> <p>III. They shall undertake an item-by-item evaluation of the appropriateness and reasonableness of the sources of data used, the parameters, and the information, as the basis for issuance of the appraisal report or the opinion.</p> <p>IV. They shall issue a statement attesting to the professional competence and independence of the personnel who prepared the report or opinion, and that they have evaluated and found that the information used is appropriate and reasonable, and that they have complied with applicable laws and regulations.</p>	<p>accurately specified in the case working papers.</p> <p>III. They shall undertake an item-by-item evaluation of the appropriateness and reasonableness of the sources of data used, the parameters, and the information, as the basis for issuance of the appraisal report or the opinion.</p> <p>IV. They shall issue a statement attesting to the professional competence and independence of the personnel who prepared the report or opinion, and that they have evaluated and found that the information used is appropriate and reasonable, and that they have complied with applicable laws and regulations.</p> <p><u>Where the Company acquires or disposes of assets through court auction procedures, the evidentiary documentation issued by the court may be substituted for the appraisal report or CPA opinion.</u></p>	
<p>Article 7 Procedures for acquisition or disposal of securities</p> <p>I. Evaluation and operating procedures</p> <p>Acquisition or disposal of securities shall be handled according to the investment cycle of the internal control system.</p> <p>II. Terms and conditions of the transaction and level of authorization</p> <p>(I) Where the securities are traded in securities exchanges or OTC markets, the terms shall be determined by the responsible department base on the market condition. Where the securities are not traded in securities exchanges or OTC markets, the financial statements of the issuing company for the most recent period, certified or reviewed by a certified public accountant, shall be obtained prior to the date of occurrence of the event, and used as the reference of its transaction price in consideration of its net value per share, profitability and future potential.</p> <p>(II) Authorization limit and level : The transaction amount of less than NT\$ 30 million (inclusive) shall be approved by the President ; the transaction amount of more than NT\$30 million but less than NT\$80 million (inclusive) shall be approved by the Chairman and reported to the Audit Committee and Board of Directors at the most recent meeting afterwards ; the transaction amount of exceeding NT\$80 million shall be approved by the Audit Committee and submitted to the Board of Directors for resolutions.</p> <p>III. Executive unit</p> <p><u>Where the securities are traded in securities exchanges or OTC markets, finance department is responsible for implementation after the investment in securities is approved based on the level of authorization in the preceding</u></p>	<p>Article 7 Procedures for acquisition or disposal of securities investment</p> <p>I. Evaluation and operating procedures</p> <p>Acquisition or disposal of securities shall be handled according to the investment cycle of the internal control system.</p> <p>II. Terms and conditions of the transaction and level of authorization</p> <p>(I) Where the securities are traded in securities exchanges or OTC markets, the terms shall be determined by the responsible department base on the market condition. Where the securities are not traded in securities exchanges or OTC markets, the financial statements of the issuing company for the most recent period, certified or reviewed by a certified public accountant, shall be obtained prior to the date of occurrence of the event, and used as the reference of its transaction price in consideration of its net value per share, profitability and future potential.</p> <p>(II) Authorization limit and level : The transaction amount of less than NT\$ 20 million (inclusive) shall be approved by the President ; the transaction amount of more than NT\$20 million but less than NT\$50 million (inclusive) shall be approved by the Chairman and reported to the Board of Directors at the most recent meeting afterwards ; the transaction amount of exceeding NT\$50 million shall be submitted to the Board of Directors for resolutions.</p> <p>III. Executive unit</p> <p><u>Where the Company invests in securities, appropriate approval shall be obtained in accordance with the level of authorization in the preceding paragraph and finance department shall execute accordingly.</u></p>	<p>Amended the wording in the Paragraph I and III.</p> <p>Considering the establishment of the Audit Committee and the practical needs of the Company, amended the paragraph II, and subparagraph II, and paragraph III.</p> <p>Considering the provisions in Article 6 that external experts shall comply with the self-regulatory rules of the industry associations to which they belong, hence, Paragraph IV is hereby amended.</p>

Amended Article	Current Article	Explanation
<p>paragraph. <u>Where the securities are not traded in securities exchanges or OTC markets, applicant department is responsible for implementation after the investment in securities is approved based on the level of authorization in the preceding paragraph.</u></p> <p>IV. Professional opinions</p> <p>If the dollar amount of the transaction is 20 percent of the Company's paid-in capital or NT\$300 million or more, the Company shall additionally engage a certified public accountant prior to the date of occurrence of the event to provide an opinion regarding the reasonableness of the transaction price. This requirement does not apply, however, to publicly quoted prices of securities that have an active market, or where regulations of FSC.</p>	<p>IV. Professional opinions</p> <p>If the dollar amount of the transaction is 20 percent of the Company's paid-in capital or NT\$300 million or more, the Company shall additionally engage a certified public accountant prior to the date of occurrence of the event to provide an opinion regarding the reasonableness of the transaction price. <u>Where CPA's opinion is based on the professional opinions, it shall be prepared in accordance with the provisions of Statement of Auditing Standards No. 20 published by the ROC Accounting Research and Development Foundation.</u> This requirement does not apply, however, to publicly quoted prices of securities that have an active market, or where otherwise provided by regulations of FSC.</p>	
<p>Article 8 Procedures for acquisition or disposal of real property, equipment, or right-of-use assets thereof</p> <p>I. Evaluation and operating procedures</p> <p>Acquisition or disposal of real property, equipment, or right-of-use assets thereof shall be handled according to the Property, plant, and equipment cycle of the internal control system.</p> <p>II. Terms and conditions of the transaction and level of authorization</p> <p>(I) The transaction conditions and price of acquisition or disposal of real property or right-of-use assets thereof shall be determined with reference to the publicly announced value, appraised price, and actual transaction price of neighboring real property. The transaction price of acquisition or disposal of equipment or right-of-use assets thereof shall be made by price inquiry, price comparison, price negotiation or public tender. After evaluation, an analysis report shall be made.</p> <p>(II) Authorization limit and level : The transaction amount of less than NT\$2 million (inclusive) shall be approved by the President; the transaction amount of more than NT\$2 million but less than NT\$20 million (inclusive) shall be approved by the Chairman; the transaction amount of exceeding NT\$20 million shall be approved by the Audit Committee and submitted to the Board of Directors for resolutions.</p> <p>III. Executive unit</p>	<p>Article 8 Procedures for acquisition or disposal of real property, equipment, or right-of-use assets thereof</p> <p>I. Evaluation and operating procedures</p> <p>Acquisition or disposal of real property, equipment, or right-of-use assets thereof shall be handled according to the Property, plant, and equipment cycle of the internal control system.</p> <p>II. Terms and conditions of the transaction and level of authorization</p> <p>(I) The transaction conditions and price of acquisition or disposal of real property or right-of-use assets thereof shall be determined with reference to the publicly announced value, appraised price, and actual transaction price of neighboring real property. The transaction price of acquisition or disposal of equipment or right-of-use assets thereof shall be made by price inquiry, price comparison, price negotiation or public tender. After evaluation, an analysis report shall be made.</p> <p>(II) Authorization limit and level : The transaction amount of less than NT\$100 thousand (inclusive) shall be approved by the Vice President; the transaction amount of more than NT\$100 thousand but less than NT\$2 million (inclusive) shall be approved by the President; the transaction amount of more than NT\$2 million but less than NT\$20 million (inclusive) shall be approved by the Chairman; the transaction amount of exceeding NT\$20 million shall be submitted to the Board of Directors for resolutions.</p> <p>III. Executive unit</p>	<p>Considering the establishment of the Audit Committee and the practical needs of the Company, amended the paragraph II, subparagraph II.</p>



Amended Article	Current Article	Explanation
<p>Where the Company acquires or disposes real property, equipment, or right-of-use assets thereof, appropriate approval shall be obtained in accordance with the level of authorization in the preceding paragraph and the user department and relevant responsible department shall execute accordingly.</p> <p>IV. Appraisal report of real estate, equipment or right-of-use assets thereof</p> <p>In acquiring or disposing of real property, equipment, or right-of-use assets thereof where the transaction amount reaches 20 percent of the Company's paid-in capital or NT\$300 million or more, the Company, unless transacting with a domestic government agency, engaging others to build on its own land, engaging others to build on rented land, or acquiring or disposing of equipment or right-of-use assets thereof held for business use, shall obtain an appraisal report prior to the date of occurrence of the event from a professional appraiser and shall further comply with the following provisions:</p> <p>(I) Where due to special circumstances it is necessary to give a limited price, specified price, or special price as a reference basis for the transaction price, the transaction shall be submitted for approval in advance by the board of directors; the same procedure shall also be followed whenever there is any subsequent change to the terms and conditions of the transaction.</p> <p>(II) Where the transaction amount is NT\$1 billion or more, appraisals from two or more professional appraisers shall be obtained.</p> <p>(III) Where any one of the following circumstances applies with respect to the professional appraiser's appraisal results, unless all the appraisal results for the assets to be acquired are higher than the transaction amount, or all the appraisal results for the assets to be disposed of are lower than the transaction amount, a certified public accountant shall be engaged to render a specific opinion regarding the reason for the discrepancy and the appropriateness of the transaction price:</p> <ol style="list-style-type: none"> <li>1. The discrepancy between the appraisal result and the transaction amount is 20 percent or more of the transaction amount.</li> <li>2. The discrepancy between the appraisal results of two or more professional appraisers is 10 percent or more of the transaction amount.</li> </ol> <p>(IV) No more than 3 months may elapse between the date of the appraisal report issued by a professional appraiser and the contract execution date; provided, where the publicly announced current value for the same period is used and not more than 6 months have elapsed, an</p>	<p>Where the Company acquires or disposes real property, equipment, or right-of-use assets thereof, appropriate approval shall be obtained in accordance with the level of authorization in the preceding paragraph and the user department and relevant responsible department shall execute accordingly.</p> <p>IV. Appraisal report of real estate, equipment or right-of-use assets thereof</p> <p>In acquiring or disposing of real property, equipment, or right-of-use assets thereof where the transaction amount reaches 20 percent of the Company's paid-in capital or NT\$300 million or more, the Company, unless transacting with a domestic government agency, engaging others to build on its own land, engaging others to build on rented land, or acquiring or disposing of equipment or right-of-use assets thereof held for business use, shall obtain an appraisal report prior to the date of occurrence of the event from a professional appraiser and shall further comply with the following provisions:</p> <p>(I) Where due to special circumstances it is necessary to give a limited price, specified price, or special price as a reference basis for the transaction price, the transaction shall be submitted for approval in advance by the board of directors; the same procedure shall also be followed whenever there is any subsequent change to the terms and conditions of the transaction.</p> <p>(II) Where the transaction amount is NT\$1 billion or more, appraisals from two or more professional appraisers shall be obtained.</p> <p>(III) Where any one of the following circumstances applies with respect to the professional appraiser's appraisal results, unless all the appraisal results for the assets to be acquired are higher than the transaction amount, or all the appraisal results for the assets to be disposed of are lower than the transaction amount, a certified public accountant shall be engaged to render a specific opinion regarding the reason for the discrepancy and the appropriateness of the transaction price:</p> <ol style="list-style-type: none"> <li>1. The discrepancy between the appraisal result and the transaction amount is 20 percent or more of the transaction amount.</li> <li>2. The discrepancy between the appraisal results of two or more professional appraisers is 10 percent or more of the transaction amount.</li> </ol> <p>(IV) No more than 3 months may elapse between the date of the appraisal report issued by a professional appraiser and the contract execution date; provided, where the publicly announced current value for the same period is used and not more than 6 months have elapsed, an</p>	

Amended Article	Current Article	Explanation
<p>opinion may still be issued by the original professional appraiser.</p> <p>Article 9 Procedures for acquisition or disposal of intangible assets or right-of-use assets thereof or memberships</p> <p>I. Evaluation and operating procedures</p> <p>Acquisition or disposal of intangible assets or right-of-use assets thereof or memberships shall be handled according to the <u>Property, plant, and equipment</u> cycle of the internal control system.</p> <p>II. Terms and conditions of the transaction and level of authorization</p> <p>(I) The transaction conditions and price of acquisition or disposal of memberships shall be determined with reference to the market value, and an analysis report shall be made and Approved by the President. The transaction amount of less than one percent of the Company's paid-in capital or NT\$3 million shall be approved by the President and reported to the <u>Audit Committee</u> and Board of Directors at the most recent meeting afterwards ; the transaction amount of more than NT\$3 million shall be approved by the <u>Audit Committee</u> and submitted to the Board of Directors for resolutions.</p> <p>(II) The transaction conditions and price of acquisition or disposal of intangible assets or right-of-use assets thereof shall be determined with reference to the professional opinion or the market value, and an analysis report shall be made and Approved by the Chairman. The transaction amount of less than 10 percent of the Company's paid-in capital or NT\$20 million shall be approved by the Chairman and reported to the <u>Audit Committee</u> and Board of Directors at the most recent meeting afterwards ; the transaction amount of more than NT\$20 million shall be approved by the <u>Audit Committee</u> and submitted to the Board of Directors for resolutions.</p> <p>III. Executive unit</p> <p>Where the Company acquires or disposes intangible assets or right-of-use assets thereof or memberships, appropriate approval shall be obtained in accordance with the level of authorization in the preceding paragraph and the use department and <u>relevant responsible</u> department shall execute accordingly.</p> <p>IV. Report of the expert's opinion on intangible assets or right-of-use assets thereof or memberships</p> <p>(I) Where the Company acquires or disposes of memberships and the transaction amount reaches 1 percent or more of paid-in capital or NT\$3</p>	<p>opinion may still be issued by the original professional appraiser.</p> <p>Article 9 Procedures for acquisition or disposal of intangible assets or right-of-use assets thereof or memberships</p> <p>I. Evaluation and operating procedures</p> <p>Acquisition or disposal of intangible assets or right-of-use assets thereof or memberships shall be handled according to the <u>fixed assets</u> cycle of the internal control system.</p> <p>II. Terms and conditions of the transaction and level of authorization</p> <p>(I) The transaction conditions and price of acquisition or disposal of memberships shall be determined with reference to the market value, and an analysis report shall be made and Approved by the President. The transaction amount of less than one percent of the Company's paid-in capital or NT\$3 million shall be approved by the President and reported to the Board of Directors at the most recent meeting afterwards ; the transaction amount of more than NT\$3 million shall be submitted to the Board of Directors for resolutions.</p> <p>(II) The transaction conditions and price of acquisition or disposal of intangible assets or right-of-use assets thereof shall be determined with reference to the professional opinion or the market value, and an analysis report shall be made and Approved by the Chairman. The transaction amount of less than 10 percent of the Company's paid-in capital or NT\$20 million shall be approved by the Chairman and reported to the Board of Directors at the most recent meeting afterwards ; the transaction amount of more than NT\$20 million shall be submitted to the Board of Directors for resolutions.</p> <p>III. Executive unit</p> <p>Where the Company acquires or disposes intangible assets or right-of-use assets thereof or memberships, appropriate approval shall be obtained in accordance with the level of authorization in the preceding paragraph and the use department and <u>finance department</u> or <u>administration department</u> shall execute accordingly.</p> <p>IV. Report of the expert's opinion on intangible assets or right-of-use assets thereof or memberships</p> <p>(I) Where the Company acquires or disposes of memberships and the transaction amount reaches 1 percent or more of paid-in capital or NT\$3</p>	<p>Amended the wording in the Paragraph I.</p> <p>Considering the establishment of the Audit Committee and the practical needs of the Company, amended the paragraph II and III.</p>

Amended Article	Current Article	Explanation
<p>million or more, the company shall engage an expert to render an appraisal report.</p> <p>(II) Where the Company acquires or disposes of intangible assets or right-of-use assets thereof and the transaction amount reaches 10 percent or more of paid-in capital or NT\$20 million or more, the company shall engage an expert to render an appraisal report.</p> <p>(III) Where the Company acquires or disposes of intangible assets or right-of-use assets thereof or memberships and the transaction amount reaches 20 percent or more of paid-in capital or NT\$300 million or more, except in transactions with a domestic government agency, the company shall engage a certified public accountant prior to the date of occurrence of the event to render an opinion on the reasonableness of the transaction price.</p> <p>Article 10</p> <p>The calculation of the transaction amounts referred to in the preceding three articles shall be done in accordance with Article 15, paragraph 1, subparagraph (VII) herein, and "within the preceding year" as used herein refers to the year preceding the date of occurrence of the current transaction. Items for which an appraisal report from a professional appraiser or a CPA's opinion has been obtained need not be counted toward the transaction amount.</p> <p>Company acquires or disposes of assets through court auction procedures, the evidentiary documentation issued by the court may be substituted for the appraisal report or CPA opinion.</p>	<p>million or more, the company shall engage an expert to render an appraisal report.</p> <p>(II) Where the Company acquires or disposes of intangible assets or right-of-use assets thereof and the transaction amount reaches 10 percent or more of paid-in capital or NT\$20 million or more, the company shall engage an expert to render an appraisal report.</p> <p>(III) Where the Company acquires or disposes of intangible assets or right-of-use assets thereof or memberships and the transaction amount reaches 20 percent or more of paid-in capital or NT\$300 million or more, except in transactions with a domestic government agency, the company shall engage a certified public accountant prior to the date of occurrence of the event to render an opinion on the reasonableness of the transaction price.</p> <p>Article 10</p> <p>The calculation of the transaction amounts referred to in the preceding three articles shall be done in accordance with Article 15, paragraph 1, subparagraph (VII) herein, and "within the preceding year" as used herein refers to the year preceding the date of occurrence of the current transaction. Items for which an appraisal report from a professional appraiser or a CPA's opinion has been obtained need not be counted toward the transaction amount.</p>	<p>The Article 6, paragraph 3 is moved to this Article.</p>
<p>Article 11 Procedures for related parties' transactions</p> <p>I. When the Company engages in any acquisition or disposal of assets from or to a related party, in addition to ensuring that the necessary resolutions are adopted and the reasonableness of the transaction terms is appraised in compliance with the provisions of Article 7 to 10 and this Article, if the transaction amount reaches 10 percent or more of the Company's total assets, the Company shall also obtain an appraisal report from a professional appraiser or a CPA's opinion in compliance with the provisions of Article 7 to 10. The calculation of the aforementioned transaction amount shall be made in accordance with Article 10 herein. When judging whether a transaction counterparty is a related party, in addition to legal formalities, the substance of the relationship shall also be considered.</p> <p>II. Evaluation and operating procedures</p> <p>When the Company intends to acquire or dispose of real property or right-of-use assets thereof from or to a related party, or when it intends to acquire</p>	<p>Article 11 Procedures for related parties' transactions</p> <p>I. When the Company engages in any acquisition or disposal of assets from or to a related party, in addition to ensuring that the necessary resolutions are adopted and the reasonableness of the transaction terms is appraised in compliance with the provisions of Article 6 to 10 and this Article, if the transaction amount reaches 10 percent or more of the Company's total assets, the Company shall also obtain an appraisal report from a professional appraiser or a CPA's opinion in compliance with the provisions of Article 6 to 10 and this Article. The calculation of the aforementioned transaction amount shall be made in accordance with Article 10 herein. When judging whether a transaction counterparty is a related party, in addition to legal formalities, the substance of the relationship shall also be considered.</p> <p>II. Evaluation and operating procedures</p> <p>When the Company intends to acquire or dispose of real property or right-of-use assets thereof from or to a related party, or when it intends to acquire</p>	<p>Amended the wording.</p>

Amended Article	Current Article	Explanation
<p>or dispose of assets other than real property or right-of-use assets thereof from or to a related party and the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the Company's total assets, or NT\$300 million or more, except in trading of domestic government bonds or bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises, the Company may not proceed to enter into a transaction contract or make a payment until the following matters have been approved by the board of directors and recognized by the supervisors:</p> <p>(I) The purpose, necessity and anticipated benefit of the acquisition or disposal of assets.</p> <p>(II) The reason for choosing the related party as a transaction counterparty.</p> <p>(III) With respect to the acquisition of real property or right-of-use assets thereof from a related party, information regarding appraisal of the reasonableness of the preliminary transaction terms in accordance with this Article, paragraph III, subparagraphs (I) to (V).</p> <p>(IV) The date and price at which the related party originally acquired the real property, the original transaction counterparty, and that transaction counterparty's relationship to the company and the related party.</p> <p>(V) Monthly cash flow forecasts for the year commencing from the anticipated month of signing of the contract, and evaluation of the necessity of the transaction, and reasonableness of the funds utilization.</p> <p>(VI) An appraisal report from a professional appraiser or a CPA's opinion obtained in compliance with this Article, paragraph I.</p> <p>(VII) Restrictive covenants and other important stipulations associated with the transaction.</p> <p>With respect to the types of transactions listed below, when to be conducted between the company and its parent or subsidiaries, or between its subsidiaries in which it directly or indirectly holds 100 percent of the issued shares or authorized capital, the Chairman may pursuant to Article 8, paragraph II, subparagraph (II) delegate the board chairman to decide such matters when the transaction is within a certain amount and have the decisions subsequently submitted to and ratified by the next board of directors meeting:</p> <p>(I) Acquisition or disposal of equipment or right-of-use assets thereof held for business use.</p> <p>(II) Acquisition or disposal of real property right-of-use assets held for business use.</p>	<p>or dispose of assets other than real property or right-of-use assets thereof from or to a related party and the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the Company's total assets, or NT\$300 million or more, except in trading of domestic government bonds or bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises, the Company may not proceed to enter into a transaction contract or make a payment until the following matters have been approved by the board of directors and recognized by the supervisors:</p> <p>(I) The purpose, necessity and anticipated benefit of the acquisition or disposal of assets.</p> <p>(II) The reason for choosing the related party as a transaction counterparty.</p> <p>(III) With respect to the acquisition of real property or right-of-use assets thereof from a related party, information regarding appraisal of the reasonableness of the preliminary transaction terms in accordance with this Article, paragraph III, subparagraphs (I) to (V).</p> <p>(IV) The date and price at which the related party originally acquired the real property, the original transaction counterparty, and that transaction counterparty's relationship to the company and the related party.</p> <p>(V) Monthly cash flow forecasts for the year commencing from the anticipated month of signing of the contract, and evaluation of the necessity of the transaction, and reasonableness of the funds utilization.</p> <p>(VI) An appraisal report from a professional appraiser or a CPA's opinion obtained in compliance with this Article, paragraph I.</p> <p>(VII) Restrictive covenants and other important stipulations associated with the transaction.</p> <p>With respect to the types of transactions listed below, when to be conducted between the company and its parent or subsidiaries, or between its subsidiaries in which it directly or indirectly holds 100 percent of the issued shares or authorized capital, the Chairman may pursuant to Article 8, paragraph II, subparagraph (II) delegate the board chairman to decide such matters when the transaction is within a certain amount and have the decisions subsequently submitted to and ratified by the next board of directors meeting:</p> <p>(I) Acquisition or disposal of equipment or right-of-use assets thereof held for business use.</p> <p>(II) Acquisition or disposal of real property right-of-use assets held for business use.</p>	

Amended Article	Current Article	Explanation
<p>If the Company or a subsidiary thereof that is not a domestic public company will have a transaction set out in <u>this</u> paragraph and the transaction amount will reach 10 percent or more of the Company's total assets, the Company shall submit the materials in all the subparagraphs of <u>this</u> paragraph to the shareholders meeting for approval before the transaction contract may be entered into and any payment made. However, this restriction does not apply to transactions between the Company and its parent company or subsidiaries or between its subsidiaries.</p> <p>The calculation of the transaction amounts <u>referred to in this paragraph</u> shall be made in accordance with Article 15, paragraph 1, subparagraph (VII) herein, and "within the preceding year" as used herein refers to the year preceding the date of occurrence of the current transaction. Items that have been approved by the shareholders meeting and board of directors in accordance with the provisions of Regulations Governing the Acquisition and Disposal of Assets by Public Companies issued by FSC need not be counted toward the transaction amount.</p> <p>III. Evaluation of the reasonableness of the transaction costs</p> <p>(I) The company that acquires real property or right-of-use assets thereof from a related party shall evaluate the reasonableness of the transaction costs by the following means:</p> <ol style="list-style-type: none"> <li>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.</li> <li>2. Total loan value appraisal from a financial institution where the related party has previously created a mortgage on the property as security for a loan; provided, the actual cumulative amount loaned by the financial institution shall have been 70 percent or more of the financial institution's appraised loan value of the property and the period of the loan shall have been 1 year or more. However, this shall not apply where the financial institution is a related party of one of the transaction counterparties.</li> </ol> <p>(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 <u>subparagraph</u>.</p>	<p>If the Company or a subsidiary thereof that is not a domestic public company will have a transaction set out in paragraph I and the transaction amount will reach 10 percent or more of the Company's total assets, the Company shall submit the materials in all the subparagraphs of paragraph I to the shareholders meeting for approval before the transaction contract may be entered into and any payment made. However, this restriction does not apply to transactions between the Company and its parent company or subsidiaries or between its subsidiaries.</p> <p>The calculation of the transaction amounts shall be made in accordance with Article 15, paragraph 1, subparagraph (VII) herein, and "within the preceding year" as used herein refers to the year preceding the date of occurrence of the current transaction. Items that have been approved by the shareholders meeting and board of directors in accordance with the provisions of Regulations Governing the Acquisition and Disposal of Assets by Public Companies issued by FSC need not be counted toward the transaction amount.</p> <p>III. Evaluation of the reasonableness of the transaction costs</p> <p>(I) The company that acquires real property or right-of-use assets thereof from a related party shall evaluate the reasonableness of the transaction costs by the following means:</p> <ol style="list-style-type: none"> <li>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.</li> <li>2. Total loan value appraisal from a financial institution where the related party has previously created a mortgage on the property as security for a loan; provided, the actual cumulative amount loaned by the financial institution shall have been 70 percent or more of the financial institution's appraised loan value of the property and the period of the loan shall have been 1 year or more. However, this shall not apply where the financial institution is a related party of one of the transaction counterparties.</li> </ol> <p>(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.</p>	

Amended Article	Current Article	Explanation
<p>(III) The company that acquires real property or right-of-use assets thereof from a related party and appraises the cost of the real property or right-of-use assets thereof in accordance with this Article, paragraph III, subparagraph (I) and (II) shall also engage a CPA to check the appraisal and render a specific opinion.</p> <p>(IV) Where the company acquires real property or right-of-use assets thereof from a related party and one of the following circumstances exists, the acquisition shall be conducted in accordance with evaluation and operating procedures in this Article, paragraphs II, and this Article, paragraph III, subparagraphs (I) to (III) do not apply:</p> <ol style="list-style-type: none"> <li>1. The related party acquired the real property or right-of-use assets thereof through inheritance or as a gift.</li> <li>2. More than 5 years will have elapsed from the time the related party signed the contract to obtain the real property or right-of-use assets thereof to the signing date for the current transaction.</li> <li>3. The real property is acquired through signing of a joint development contract with the related party, or through engaging a related party to build real property, either on the company's own land or on rented land.</li> <li>4. The real property right-of-use assets for business use are acquired by the Company with its parent or subsidiaries, or by its subsidiaries in which it directly or indirectly holds 100 percent of the issued shares or authorized capital.</li> </ol> <p>(V) When the results of the Company's appraisal conducted in accordance with this Article, paragraph III, subparagraphs (I) and (II) are uniformly lower than the transaction price, the matter shall be handled in compliance with this Article, paragraph III, subparagraph (VI). However, where the following circumstances exist, objective evidence has been submitted and specific opinions on reasonableness have been obtained from a professional real property appraiser and a CPA have been obtained, this restriction shall not apply:</p> <ol style="list-style-type: none"> <li>1. Where the related party acquired undeveloped land or leased land for development, it may submit proof of compliance with one of the following conditions: <ul style="list-style-type: none"> <li>(1) Where undeveloped land is appraised in accordance with the means in the preceding Article, and structures according to the related party's construction cost plus reasonable construction profit are valued in excess of the actual transaction price. The</li> </ul> </li> </ol>	<p>(III) The company that acquires real property or right-of-use assets thereof from a related party and appraises the cost of the real property or right-of-use assets thereof in accordance with this Article, paragraph III, subparagraph (I) and (II) shall also engage a CPA to check the appraisal and render a specific opinion.</p> <p>(IV) Where the company acquires real property or right-of-use assets thereof from a related party and one of the following circumstances exists, the acquisition shall be conducted in accordance with evaluation and operating procedures in this Article, paragraphs I and II, and this Article, paragraph III, subparagraphs (I) to (III) do not apply:</p> <ol style="list-style-type: none"> <li>1. The related party acquired the real property or right-of-use assets thereof through inheritance or as a gift.</li> <li>2. 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<p>"Reasonable construction profit" shall be deemed the average gross operating profit margin of the related party's construction division over the most recent 3 years or the gross profit margin for the construction industry for the most recent period as announced by the Ministry of Finance, whichever is lower.</p> <p>(2) Completed transactions by unrelated parties within the preceding year involving other floors of the same property or neighboring or closely valued parcels of land, where the land area and transaction terms are similar after calculation of reasonable price discrepancies in floor or area land prices in accordance with standard property market sale or leasing practices.</p> <p>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.</p> <p>Completed transactions involving neighboring or closely valued parcels of land aforementioned 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 percent of the property in the planned transaction; within the preceding year refers to the year preceding the date of occurrence of the acquisition of the real property or the right-of-use assets thereof.</p> <p>(VI) Where the Company acquires real property or right-of-use assets thereof from a related party and the results of appraisals conducted in accordance with this Article, paragraph III, subparagraphs (I) to (V) are uniformly lower than the transaction price, the following steps shall be taken:</p> <p>1. A special reserve shall be set aside in accordance with Article 41, paragraph I of the Act against the difference between the real property transaction price and the appraised cost, and may not be distributed or used for capital increase or issuance of bonus shares. Where a public company uses the equity method to account for its investment in another company, then the special reserve called for under Article 41, paragraph I of the Act shall be set aside pro rata in a</p>	<p>"Reasonable construction profit" shall be deemed the average gross operating profit margin of the related party's construction division over the most recent 3 years or the gross profit margin for the construction industry for the most recent period as announced by the Ministry of Finance, whichever is lower.</p> <p>(2) Completed transactions by unrelated parties within the preceding year involving other floors of the same property or neighboring or closely valued parcels of land, where the land area and transaction terms are similar after calculation of reasonable price discrepancies in floor or area land prices in accordance with standard property market sale or leasing practices.</p> <p>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 neighboring or closely valued parcels of land aforementioned 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 percent of the property in the planned transaction; within the preceding year refers to the year preceding the date of occurrence of the acquisition of the real property or the right-of-use assets thereof.</p> <p>(VI) Where the Company acquires real property or right-of-use assets thereof from a related party and the results of appraisals conducted in accordance with this Article, paragraph III, subparagraphs (I) to (V) are uniformly lower than the transaction price, the following steps shall be taken:</p> <p>1. A special reserve shall be set aside in accordance with Article 41, paragraph I of the Act against the difference between the real property transaction price and the appraised cost, and may not be distributed or used for capital increase or issuance of bonus shares. Where a public company uses the equity method to account for its investment in another company, then the special reserve called for under Article 41, paragraph I of the Act shall be set aside pro rata in a</p>	



Amended Article	Current Article	Explanation
<p>proportion consistent with the share of public company's equity stake in the other company.</p> <p>2. The independent director members of the audit committee shall comply with Article 218 of the Company Act.</p> <p>3. Actions taken pursuant to <u>the preceding two</u> items shall be reported to a shareholders meeting, and the details of the transaction shall be disclosed in the annual report and any investment prospectus.</p> <p>The Company that has set aside a special reserve pursuant to the aforementioned provisions may not utilize the special reserve until it has recognized a loss on decline in market value of the assets it purchased or leased at a premium, or they have been disposed of, or the leasing contract has been terminated, or adequate compensation has been made, or the status quo ante has been restored, or there is other evidence confirming that there was nothing unreasonable about the transaction, and FSC has given its consent.</p> <p>(VII) When the Company obtains real property or right-of-use assets thereof from a related party, it shall also comply with this Article, paragraph III, subparagraph (VI) if there is other evidence indicating that the acquisition was not an arm's length transaction.</p>	<p>proportion consistent with the share of public company's equity stake in the other company.</p> <p>2. The independent director members of the audit committee shall comply with Article 218 of the Company Act.</p> <p>3. Actions taken pursuant to <u>this article, paragraph III, subparagraph (V), items 1 and 2</u> shall be reported to a shareholders meeting, and the details of the transaction shall be disclosed in the annual report and any investment prospectus.</p> <p>The Company that has set aside a special reserve pursuant to the aforementioned provisions may not utilize the special reserve until it has recognized a loss on decline in market value of the assets it purchased or leased at a premium, or they have been disposed of, or the leasing contract has been terminated, or adequate compensation has been made, or the status quo ante has been restored, or there is other evidence confirming that there was nothing unreasonable about the transaction, and FSC has given its consent.</p> <p>(VII) When the Company obtains real property or right-of-use assets thereof from a related party, it shall also comply with this Article, paragraph III, subparagraph (VI) if there is other evidence indicating that the acquisition was not an arm's length transaction.</p>	
<p>Article 12 Procedures for acquisition or disposal of Claims of financial institutions</p> <p>In principle, the Company does not conduct any trading regarding acquisition or disposal of claims of financial institutions. Where the trading is intended in the future, relevant operating procedures shall be <u>approved by the Audit Committee and resolved by the Board of Directors.</u></p>	<p>Article 12 Procedures for acquisition or disposal of Claims of financial institutions</p> <p>In principle, the Company does not conduct any trading regarding acquisition or disposal of claims of financial institutions. Where the trading is intended in the future, relevant operating procedures shall be resolved by the Board of Directors.</p>	<p>Considering the establishment of the Audit Committee, amended this Article.</p>
<p>Article 13 Procedures for acquisition or disposal of financial derivatives</p> <p>I. Trading principles and strategies</p> <p>(I) Types of derivatives that may be traded</p> <p>1. Transaction types of Derivatives engaged in by the Company shall be referred to transaction contracts whose value is derived from commodities such as assets, interest rates, exchange rates, index or other interests (such as forward contracts, options, futures, interest rates or exchange rates, exchanges, and a combination contract of the above products, etc.).</p> <p>2. Matters related to bond margin trading shall be handled in accordance with the relevant provisions of these Procedures. However, these Procedures do not apply when the Company engages</p>	<p>Article 13 Procedures for acquisition or disposal of financial derivatives</p> <p>I. Trading principles and strategies</p> <p>(I) Types of derivatives that may be traded</p> <p>1. Transaction types of Derivatives engaged in by the Company shall be referred to transaction contracts whose value is derived from commodities such as assets, interest rates, exchange rates, index or other interests (such as forward contracts, options, futures, interest rates or exchange rates, exchanges, and a combination contract of the above products, etc.).</p> <p>2. Matters related to bond margin trading shall be handled in accordance with the relevant provisions of these Procedures. However, these Procedures do not apply when the Company engages</p>	<p>Considering the establishment of the Audit Committee and the practical needs of the Company, amended the paragraph I, subparagraph (II), and subparagraph (III), item 1 and 4, paragraph III. The rest are amended the wording.</p>



Amended Article	Current Article	Explanation
<p>in the trading of RP bonds.</p> <p>(II) Operating (hedging) strategies Derivatives are mainly used for hedging purpose and the selection of instruments shall correlate or associate with the business operation. In order to reduce the overall currency exposures and hedging cost, the currency of the position held shall be the same as the one used for business activities, and the position of the currency (account receivable and payable in foreign currency) shall be balanced. The transaction of specific purpose shall be evaluated carefully, <u>approved by the Audit Committee and submitted to the Board of Directors</u> for resolutions before proceeding.</p> <p>(III) Segregation of duties 1. Finance department (1) Trading personnel A. To establish financial derivative strategies for the Company. B. To evaluate holding of the positions every two weeks, establish trading strategies based on the judgment of the market intelligence including ratio of hedging, setting expiry date on the portion being hedged, etc., referencing real time online quotation system and submit for approval. C. To execute the trading in accordance with the level of authorization. D. When there is a major change in the financial market and the trading personnel judges that the established strategy is no longer applicable, an assessment report shall be submitted at any time, and the new trading strategies shall be proposed and used as the basis for trading upon approval from the President. (2) <u>Confirmation</u> personnel A. Execute transaction confirmation. B. Review whether the transaction is carried out in accordance with the authorization authority and the established strategy. C. Conduct monthly appraisals and submit appraisal reports to the President for approval. D. Bookkeeping. E. Make filings and announcements as required by FSC. (3) Settlement personnel : Settle transactions. (4) Derivatives approval authority A. Level of approval required for each transaction of hedging</p>	<p>in the trading of RP bonds.</p> <p>(II) Operating (hedging) strategies Derivatives are mainly used for hedging purpose and the selection of instruments shall correlate or associate with the business operation. In order to reduce the overall currency exposures and hedging cost, the currency of the position held shall be the same as the one used for business activities, and the position of the currency (account receivable and payable in foreign currency) shall be balanced. The transaction of specific purpose shall be evaluated carefully, submitted to the Board of Directors for resolutions before proceeding.</p> <p>(III) Segregation of duties 1. Finance department (1) Trading personnel A. To establish financial derivative strategies for the Company. B. To evaluate holding of the positions every two weeks, establish trading strategies based on the judgment of the market intelligence including ratio of hedging, setting expiry date on the portion being hedged, etc., referencing real time online quotation system and submit for approval. C. To execute the trading in accordance with the level of authorization. D. When there is a major change in the financial market and the trading personnel judges that the established strategy is no longer applicable, an assessment report shall be submitted at any time, and the new trading strategies shall be proposed and used as the basis for trading upon approval from the President. (2) Accounting personnel A. Execute transaction confirmation. B. Review whether the transaction is carried out in accordance with the authorization authority and the established strategy. C. Conduct monthly appraisals and submit appraisal reports to the President for approval. E. Bookkeeping. F. Make filings and announcements as required by FSC. (3) Settlement personnel : Settle transactions. (4) Derivatives approval authority A. Level of approval required for each transaction of hedging</p>	

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<p>currency to the President for his review.</p> <p>4. Set the total contract amount and the upper limit of loss</p> <p>(1) The Contract Amount</p> <p>A. Transaction amount for hedging purpose</p> <p>The finance department shall understand the overall position of the Company to effectively hedge transaction risks. The amount of transactions used for hedging shall not exceed the overall net position of the Company. If it exceeds, it should be reported to the President to approve it.</p> <p>B. Transaction <u>amount</u> for specific purpose</p> <p>Based on the forecast of market changes, the finance department can formulate strategies as needed and report to the general manager and board chairman. It can only be carried out after the approval of the President and the Chairman. The total contract amount of the Company's accumulated net position of the transactions conducted for specific purpose is limited to US\$ 10 million. Amount exceeding the limit above shall be <u>approved by the Audit Committee and submitted to the Board of Directors for resolutions</u> and conducted according to policy guidance.</p> <p>(2) Setting of the upper limit of loss</p> <p>A. The purpose of is hedging trades is to avoid risk. <u>The upper limit loss of hedging trades for any individual contract or for all contracts in aggregate is 20% of the individual contract or for all contracts in aggregate. If the loss amount exceeds the limit, the President shall be notified and responsive actions shall be discussed.</u></p> <p>B. In the case of a special purpose transaction contract, after the position is established, a stop loss point should be set to prevent excess losses. The stop loss point shall be set at an upper limit of 10% of the transaction contract amount. If the loss amount exceeds 10% of the transaction amount, it shall be reported to the general manager immediately and reported to the board of directors to discuss the necessary response measures.</p> <p>C. The amount of individual contract losses shall not exceed US\$20,000 or 5% of the trading amount in Taiwan dollars, whichever is lower.</p> <p>D. The maximum annual loss for the company's specific purpose of</p>	<p>4. Set the total contract amount and the upper limit of loss</p> <p>(1) The Contract Amount</p> <p>A. Transaction amount for hedging purpose</p> <p>The finance department shall understand the overall position of the Company to effectively hedge transaction risks. The amount of transactions used for hedging shall not exceed the overall net position of the Company. If it exceeds, it should be reported to the President to approve it.</p> <p>B. Transaction for specific purpose</p> <p>Based on the forecast of market changes, the finance department can formulate strategies as needed and report to the general manager and board chairman. It can only be carried out after the approval of the President and the Chairman. The total contract amount of the Company's accumulated net position of the transactions conducted for specific purpose is limited to US\$ 10 million. Amount exceeding the limit above shall be <u>agreed by the Board of Directors and conducted according to policy guidance.</u></p> <p>(2) Setting of the upper limit of loss</p> <p>A. The purpose of hedging trades is to avoid risk, <u>so there is no need for setting up a loss limited.</u></p> <p>B. In the case of a special purpose transaction contract, after the position is established, a stop loss point should be set to prevent excess losses. The stop loss point shall be set at an upper limit of 10% of the transaction contract amount. If the loss amount exceeds 10% of the transaction amount, it shall be reported to the general manager immediately and reported to the board of directors to discuss the necessary response measures.</p> <p>C. The amount of individual contract losses shall not exceed US\$20,000 or 5% of the trading amount in Taiwan dollars, whichever is lower.</p> <p>D. The maximum annual loss for the company's specific purpose of trading operations is US\$ 300,000.</p>	

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<p>trading operations is US\$ 300,000.</p> <p><b>II. Risk management measures</b></p> <p>(I) Credit risk management</p> <p>Since market is affected by many factors and is likely to result in operational risk of derivative financial commodity, so the market risk management shall be performed in the following principle:</p> <ol style="list-style-type: none"> <li>1. Counterparty: Well-known domestic and overseas financial institutions.</li> <li>2. Trading Instruments: Financial instruments offered by the abovementioned financial institutions.</li> <li>3. Amount of transaction: For same counterparty, the un-offset amount shall be not more than 10% of authorized amount, except exceptionally approved by the President.</li> </ol> <p>(II) Market risk management</p> <p>Presently the open exchange transaction market only, no futures is to be considered for the time being.</p> <p>(III) Liquidity risk management</p> <p>To ensure market liquidity, financial instruments with high liquidity (can be settled in the market at any time) shall be chosen, and financial institutions responsible for trading shall provide sufficient information and have the capability to trade in any markets over any time zone.</p> <p>(IV) Cash flow risk management</p> <p>In order to ensure the stability of turnover, funding of derivatives transaction shall be mainly by the Company and the operation amount shall take cash flow of the Company in next 3 months to forecast funding needs.</p> <p>(V) Operational risk management</p> <ol style="list-style-type: none"> <li>1. The authorized amount and procedures shall be followed strictly, and shall be included into internal audit to avoid operation risk.</li> <li>2. Personnel engaged in derivatives trading may not serve concurrently in other operations such as confirmation and settlement.</li> <li>3. Risk measurement, monitoring, and control personnel shall be assigned to a different department that the personnel in the preceding item and shall report to the board of directors or senior management personnel with no responsibility for trading or position decision-making.</li> <li>4. For regular evaluation, please refer to this article, paragraph IV.</li> </ol>	<p><b>II. Risk management measures</b></p> <p>(I) Credit risk management</p> <p>Since market is affected by many factors and is likely to result in operational risk of derivative financial commodity, so the market risk management shall be performed in the following principle:</p> <ol style="list-style-type: none"> <li>1. Counterparty: Well-known domestic and overseas financial institutions.</li> <li>2. Trading Instruments: Financial instruments offered by the abovementioned financial institutions.</li> <li>3. Amount of transaction: For same counterparty, the un-offset amount shall be not more than 10% of authorized amount, except exceptionally approved by the President.</li> </ol> <p>(II) Market risk management</p> <p>Presently the open exchange transaction market only, no futures is to be considered for the time being.</p> <p>(III) Liquidity risk management</p> <p>To ensure market liquidity, financial instruments with high liquidity (can be settled in the market at any time) shall be chosen, and financial institutions responsible for trading shall provide sufficient information and have the capability to trade in any markets over any time zone.</p> <p>(IV) Cash flow risk management</p> <p>In order to ensure the stability of turnover, funding of derivatives transaction shall be mainly by the Company and the operation amount shall take cash flow of the Company in next 3 months to forecast funding needs.</p> <p>(V) Operational risk management</p> <ol style="list-style-type: none"> <li>1. The authorized amount and procedures shall be followed strictly, and shall be included into internal audit to avoid operation risk.</li> <li>2. Personnel engaged in derivatives trading may not serve concurrently in other operations such as confirmation and settlement.</li> <li>3. Risk measurement, monitoring, and control personnel shall be assigned to a different department that the personnel in the preceding subparagraph and shall report to the board of directors or senior management personnel with no responsibility for trading or position decision-making.</li> <li>4. Derivatives trading positions held shall be evaluated at least once per week; however, positions for hedge trades required by business shall be evaluated at least twice per month. Evaluation reports shall be</li> </ol>	

Amended Article	Current Article	Explanation
<p>(VI) Commodity risk management Internal transaction personnel shall be equipped with complete and correct professional knowledge and the banks shall be required to fully disclose risk involved to avoid misuse of derivative risks.</p> <p>(VII) Legal risks management Any documents with financial institutions can only be signed after reviewing by the finance and legal departments or legal counsels.</p> <p>III. Internal audit system Internal audit personnel shall periodically check the suitability of internal controls on derivatives and conduct a monthly audit of how faithfully derivatives trading by the trading department adheres to the procedures for engaging in derivatives trading, and prepare an audit report. If any material violation is discovered, a written notice shall be sent to members of the Audit Committee, and all independent director shall also be notified in writing.</p> <p>IV. Regular evaluation methods (I) Senior management personnel authorized by the board of directors shall periodically monitor and evaluate whether derivative transactions conform with the Procedures formulated by the Company and whether the attendant risk of these transactions is within the capability of the Company. If there are any abnormal situations in the market price evaluation reports (such as the held position has exceeded the loss limit), the high-level manager shall report to the board of directors immediately and take necessary measures to deal with the situation.</p> <p>(II) Derivatives trading positions held shall be evaluated at least once per week; however, positions for hedge trades required by business shall be evaluated at least twice per month. Evaluation reports shall be submitted to senior management personnel authorized by the board of directors.</p> <p>V. Where the Company engaging in derivatives trading, its board of directors shall faithfully supervise and manage such trading in accordance with the following principles:</p>	<p><u>submitted to senior management personnel authorized by the board of directors.</u></p> <p>(VI) Commodity risk management Internal transaction personnel shall be equipped with complete and correct professional knowledge and the banks shall be required to fully disclose risk involved to avoid misuse of derivative risks.</p> <p>(VII) Legal risks management Any documents with financial institutions can only be signed after reviewing by the finance and legal departments or legal counsels.</p> <p>III. Internal audit system (I) Internal audit personnel shall periodically check the suitability of internal controls on derivatives and conduct a monthly audit of how faithfully derivatives trading by the trading department adheres to the procedures for engaging in derivatives trading, and prepare an audit report. If any material violation is discovered, a written notice shall be sent to members of the Audit Committee, and all independent director shall also be notified in writing.</p> <p>(II) Internal auditor shall file the auditing report and the implementing status of annual auditing plans of internal audits to FSC before the end of February of next year and also shall report the improvement situation for any abnormal affairs to FSC before the end of May of next year.</p> <p>IV. Regular evaluation methods (I) Senior management personnel authorized by the board of directors shall periodically monitor and evaluate whether derivative transactions conform with the Procedures formulated by the Company and whether the attendant risk of these transactions is within the capability of the Company. If there are any abnormal situations in the market price evaluation reports (such as the held position has exceeded the loss limit), the high-level manager shall report to the board of directors immediately and take necessary measures to deal with the situation.</p> <p>(II) Derivatives trading positions held shall be evaluated at least once per week; however, positions for hedge trades required by business shall be evaluated at least twice per month. Evaluation reports shall be submitted to senior management personnel authorized by the board of directors.</p> <p>V. Where the Company engaging in derivatives trading, its board of directors shall faithfully supervise and manage such trading in accordance with the following principles:</p>	

Amended Article	Current Article	Explanation
<p>following principles:</p> <p>(I) Senior management personnel authorized by the board of directors shall manage derivatives trading in accordance with the following principles:</p> <ol style="list-style-type: none"> <li>1. Periodically evaluate the risk management measures currently employed are appropriate and are faithfully conducted in accordance with the provisions of Regulations Governing the Acquisition and Disposal of Assets by Public Companies issued by FSC and the procedures for engaging in derivatives trading formulated by the Company.</li> <li>2. When irregular circumstances are found in the course of supervising trading and profit-loss circumstances, appropriate measures shall be adopted and a report immediately made to the board of directors; where the Company has independent directors, an independent director shall be present at the meeting and express an opinion.</li> </ol> <p>(II) Periodically evaluate whether derivatives trading performance is consistent with established operational strategy and whether the risk undertaken is within the Company's permitted scope of tolerance.</p> <p>(III) The Company shall report to the soonest meeting of the board of directors after it authorizes the relevant personnel to handle derivatives trading in accordance with its Procedures for Engaging in Derivatives Trading.</p> <p>(IV) The Company engaging in derivatives trading shall establish a log book in which details of the types and amounts of derivatives trading engaged in, board of directors approval dates, and the matters required to be carefully evaluated under this Article, paragraph IV, subparagraph (II) and paragraph V, subparagraphs (I) and (II) shall be recorded in detail in the log book.</p>	<p>(I) Senior management personnel authorized by the board of directors shall manage derivatives trading in accordance with the following principles:</p> <ol style="list-style-type: none"> <li>1. Periodically evaluate the risk management measures currently employed are appropriate and are faithfully conducted in accordance with the provisions of Regulations Governing the Acquisition and Disposal of Assets by Public Companies issued by FSC and the procedures for engaging in derivatives trading formulated by the Company.</li> <li>2. When irregular circumstances are found in the course of supervising trading and profit-loss circumstances, appropriate measures shall be adopted and a report immediately made to the board of directors; where the Company has independent directors, an independent director shall be present at the meeting and express an opinion.</li> </ol> <p>(II) Periodically evaluate whether derivatives trading performance is consistent with established operational strategy and whether the risk undertaken is within the Company's permitted scope of tolerance.</p> <p>(III) The Company shall report to the soonest meeting of the board of directors after it authorizes the relevant personnel to handle derivatives trading in accordance with its Procedures for Engaging in Derivatives Trading.</p> <p>(IV) The Company engaging in derivatives trading shall establish a log book in which details of the types and amounts of derivatives trading engaged in, board of directors approval dates, and the matters required to be carefully evaluated under this Article, paragraph IV, subparagraph (II) and paragraph V, subparagraphs (I) and (II) shall be recorded in detail in the log book.</p>	

## HONEY HOPE HONESTY ENTERPRISE CO., LTD. Articles of Incorporation (Before Amendments)

File Number : A10-22

- |             |   |
|-------------|---|
| Article 1   | The Corporation shall be incorporated, as a company limited by shares, under the Company Law of the Republic of China, and its name shall be 蜜望實企業股份有限公司 in the Chinese language, and HONEY HOPE HONESTY ENTERPRISE CO., LTD in the English language.   |
| Article 2   | <p>The scope of business of the Corporation shall be as follows:</p> <ol style="list-style-type: none"> <li>1. CC01030 Electrical Appliances and Audiovisual Electronic Products Manufacturing.</li> <li>2. CC01080 Electronics Components Manufacturing.</li> <li>3. CC01110 Computer and Peripheral Equipment Manufacturing.</li> <li>4. F119010 Wholesale of Electronic Materials.</li> <li>5. F219010 Retail Sale of Electronic Materials.</li> <li>6. F401010 International Trade.</li> <li>7. I301010 Information Software Services.</li> <li>8. I301020 Data Processing Services.</li> <li>9. I301030 Electronic Information Supply Services.</li> <li>10. ZZ99999 All business activities that are not prohibited or restricted by law, except those that are subject to special approval.</li> </ol> |
| Article 2-1 | The Corporation may provide endorsement and guarantee in accordance with the Procedures for Endorsements and Guarantees.  |
| Article 2-2 | The total amount of the Corporation's reinvestment shall not be subject to the restriction as provided in Article 13 of the Company Act.  |
| Article 3   | The headquarters of the Corporation shall be located in Taipei City, Taiwan, R.O.C. If the Corporation considers it necessary, it may, by a resolution adopted at a meeting by the Board of Directors, set up branch offices in Taiwan or abroad.   |
| Article 4   | Public announcements by the Corporation shall be made by a method in accordance with the Article 28 of the Company Act.   |
| Article 5   | <p>The total amount of the Corporation capital stock is NT\$ 1.2 billion divided into 120 million shares at a par value of NT\$10 per share.</p> <p>For the shares not yet issued, the Board of Directors is authorized to issue shares in installments. NT\$ 70 million of the aforesaid total capital stock, divided into 7 million shares each at a par value of \$10, is reserved for issuing employee stock warrants. The board of directors is authorized to issue such shares in installments.</p>   |
| Article 6   | (deleted)   |
| Article 7   | The Corporation may issue shares without physical printed certificates, provided  |

Article 8	that it shall arrange for book-entry registration with a central securities depository. Registration for transfer of shares shall be suspended sixty (60) days immediately before the date of regular meeting of shareholders, and thirty (30) days immediately before the date of any special meeting of shareholders, or within five (5) days before the day on which dividend, bonus, or any other benefit is scheduled to be paid by the Corporation.
Article 8-1	The Corporation handles its shareholder services in accordance with the Regulations Governing the Administration of Shareholder Services of Public Companies provided by the competent authority.
Article 9	Shareholders' meetings of the Corporation are classified into (1) regular meetings and (2) special meetings. The regular meeting shall be held once every year and be convened within six months after close of each fiscal year. The special meetings shall be convened, whenever deemed necessary in accordance with the law.
Article 10	Where a shareholder is unable to attend a meeting, such shareholder may appoint a proxy by using the proxy form provided by the Corporation, which shall specify the scope of proxy. In addition to the provisions of Article 177 of the Company Act, the method of the proxy for attending the shareholders' meeting shall be in accordance with the "Regulations Governing the Use of Proxies for Attendance at Shareholder Meetings of Public Companies" promulgated by the competent authorities.
Article 11	A shareholder shall be entitled to one vote for each share held, except when the shares are restricted shares or are deemed non-voting shares under the Company Act.
Article 12	Resolutions at a shareholders' meeting shall, unless otherwise provided by the applicable laws or regulations, be adopted by a majority vote of the shareholders present in person or by proxy, who represent more than one-half of the total number of voting shares.
Article 12-1	For a shareholders meeting convened by the Board of Directors, the meeting shall be chaired by the Chairman of the board. When the Chairman of the board is absent, the Chairman shall appoint one of the directors to act as chair. Where the Chairman does not make such a designation, the directors shall select from among themselves one person to serve as chair; where as for a shareholders' meeting convened by any other person having the convening right, he/she shall act as the Chairman of that meeting provided, however, that if there are two or more persons having the convening right, the Chairman of the meeting shall be elected from among themselves.
Article 12-2	Resolutions adopted at a shareholders' meeting shall be recorded in the minutes of the meeting, which shall be affixed with the signature or seal of the Chairman of the meeting and shall be distributed to all shareholders of the Corporation within twenty (20) days after the close of the meeting. The distribution of the aforementioned minutes of shareholders' meeting may be effected by means of a public notice.



Article 13	<p>The Corporation shall have five to nine directors, to be elected from the nominees listed in the roster of director with the candidate nomination system. The term of office for directors shall be three years. The directors are eligible for re-election. The related matters in connection with the method of receiving nomination of independent director candidates and the announcement shall be conducted in accordance with Company Act, Securities and Exchange Act and the relevant laws and regulations. Independent and non-independent directors shall be elected at the same time, but in separately calculated numbers.</p> <p>The Corporation may obtain directors liability insurance with respect to liabilities resulting from exercising their duties during their terms of directorship.</p>
Article 13-1	<p>The Corporation shall establish three or more independent directors to be included in the number of directors. The professional qualifications, restrictions on both shareholding and concurrent positions held, determination of independence, method of nomination, and other requirements with regard to the independent directors shall be set forth in accordance with the relevant regulations provided by the competent authority in charge of securities affairs.</p>
Article 13-2	<p>The Corporation may set up an audit committee in accordance with Article 14-4 of the Securities and Exchange Act, which shall consist of all independent directors. Regulations governing exercise by the audit committee and its independent director members of the powers and matters related thereto shall be in accordance with the Securities and Exchange Act and the relevant regulations.</p>
Article 14	<p>The Board of Directors shall consist of directors of the Corporation, and the Chairman of the Board of Directors shall be elected by a majority of directors in attendance at a meeting attended by over two-thirds of the Board of Directors. The Chairman of the Board of Directors shall represent the Corporation in external matters.</p>
Article 15	<p>Where the Chairman of the Board of Directors is on leave or cannot exercise his powers or perform his duties for any reason, an acting chairman shall be designated in accordance with Article 208 of the Company Act.</p>
Article 15-1	<p>Unless otherwise provided for in the Company Act, resolutions of the Board of Directors shall be adopted by a majority of the directors at a meeting attended by a majority of the directors.</p> <p>Each director shall attend the meeting of the Board of Directors in person. Where a director is unable to attend the meeting of the Board of Directors, he/she may appoint another director as his/her proxy to attend the meeting. A director may accept the appointment to act as the proxy referred to in the preceding Paragraph of one other director only.</p>
Article 15-2	<p>A Board of Directors shall meet at least quarterly. The reasons for calling a Board of Directors meeting shall be notified to each director at least seven days in advance. In emergency circumstances, however, a meeting may be called on shorter notice. The afore-mentioned notice may be conducted by written copy, email, or fax.</p>
Article 16	<p>Directors of the Corporation may be entitled to remuneration for their duties</p>

regardless of profit or loss. The Board of Directors is authorized to determine the remuneration within the standards for maximum salaries established in the Corporation's Remuneration Policy based on the level of their participation in the Corporation's operations and the value of their contribution. If the Corporation has a surplus, it shall distribute the remuneration according to Article 20.

Article 17 The Corporation has assigned CEO, the appointment, removal, and compensation of the president and vice presidents shall be made in accordance with Article 29 of the Company Act.

Article 18 At the close of each fiscal year, the Board of Directors shall prepare the following statements and records, and submit the same to the regular shareholders' meeting for ratification according to the regulations.

1. Business Report ;
2. Financial Statements ;
3. Surplus Earning Distribution or Loss Off-setting Proposals.

Article 19 (deleted)

Article 20 Where the Corporation has net profit after tax at the end of the fiscal year, after paying all relevant taxes and making up losses of previous years, the Corporation shall set aside ten percent of net profit as legal reserve and a special reserve shall be set aside or reversed in accordance with Article 41 of the Securities and Exchange Act. Where such legal reserve amounts to the total paid-in capital, this provision shall not apply. If there is still remaining net profit, the remaining net profit plus the beginning unappropriated earnings are the cumulative distributable surplus of shareholders, and shall be distributed to shareholders according to the distribution plan proposed by the Board of Directors and submitted to the shareholders' meeting for approval.

The distributable bonuses, capital reserve and legal reserve in whole or in part may be paid in cash after a resolution has been adopted by a majority vote at a meeting of the board of directors attended by two-thirds of the total number of directors, and in addition thereto a report of such distribution shall be submitted to the shareholders' meeting, and the provisions of the preceding paragraph requiring the resolution of the shareholders' meeting shall not apply.

To reward and motivate employees and the management team, if the Company has profit (which means income before tax excluding the compensation distributable for employees and the Directors), the Corporation shall allocate 5% to 15% of the profit as the employee bonus and not exceed no more than 2% of the profit as director remuneration. However, the company's accumulated losses shall have been covered.

Article 20-1 The Corporation will take into account the environment and growth of the Corporation, its future capital requirements and long-term financial planning, as well as the shareholders' need for cash, and distribute dividends and bonus to shareholders on the distributable surplus referred to in Article 20, of which cash dividends and bonus shall not be less than ten percent of the total dividends and

bonus.

The shareholders' meeting may adjust the ratio of aforesaid cash dividends and bonus according to actual amount profits, capital needs and operational needs of the Corporation.

Article 20-2 The organizational rules and operational regulations of the Corporation shall be determined separately by the Board of Directors.

Article 21 Matters not provided for in this Articles of Incorporation shall be governed by the Company Act and the relevant laws and regulations.

Article 21-1 The establishment or amendment of the Articles of Incorporation came into effect upon approval of the competent authority for registration.

Article 22 The Articles of Incorporation was established on May 15, 1989.

The 1st amendment was made on June 19, 1990.

The 2nd amendment was made on August 2, 1996.

The 3rd amendment was made on July 1, 1998.

The 4th amendment was made on October 18, 1998.

The 5th amendment was made on October 21, 2000.

The 6th amendment was made on July 30, 2001.

The 7th amendment was made on April 3, 2002.

The 8th amendment was made on September 12, 2002.

The 9th amendment was made on June 9, 2003. (The first time)

The 10th amendment was made on June 9, 2003. (The second time)

The 11th amendment was made on June 9, 2004.

The 12th amendment was made on June 16, 2005.

The 13th amendment was made on June 15, 2006.

The 14th amendment was made on June 13, 2007.

The 15th amendment was made on June 13, 2008.

The 16th amendment was made on June 10, 2009.

The 17th amendment was made on June 15, 2010.

The 18th amendment was made on June 27, 2012.

The 19th amendment was made on June 13, 2016.

The 20th amendment was made on June 13, 2017.

The 21th amendment was made on June 10, 2019.

The 22th amendment was made on June 18, 2020.

HONEY HOPE HONESTY ENTERPRISE CO., LTD.

Chairman: Lin, Hsun-Min

HONEY HOPE HONESTY ENTERPRISE CO., LTD.

Rules of Procedure for Shareholders Meetings

File Number : A08-01

- 1.The rules of procedure are formulated in accordance with the relevant regulations of the Securities and Futures Financial Supervisory Commission and the actual needs of the Corporation.
- 2.When a shareholders meeting is convened, the Corporation shall furnish the attending shareholders with an attendance book to sign, or attending shareholders may hand in a sign-in card in lieu of signing in. The number of shares in attendance shall be calculated according to the shares indicated by the attendance book and sign-in cards handed in.
- 3.Attendance and voting at shareholders meetings shall be calculated based on numbers of shares.
- 4.The venue for a shareholders meeting shall be the premises of the Corporation, or a place easily accessible to shareholders and suitable for a shareholders meeting. The meeting may begin between 9 a.m. and 3 p.m.
- 5.If a shareholders meeting is convened by the board of directors, the meeting shall be chaired by the chairman of the board. When the chairman of the board is on leave or for any reason unable to exercise the powers of the chairman, the chairman shall appoint one of the directors to act as chair. Where the chairman does not make such a designation, the directors shall select from among themselves one person to serve as chair.  
If a shareholders meeting is convened by a party with power to convene but other than the board of directors, the convening party shall chair the meeting.
- 6.The Corporation may appoint its attorneys, certified public accountants, or related persons retained by it to attend a shareholders meeting in a non-voting capacity as necessary. Staff handling administrative affairs of a shareholders meeting shall wear identification cards or arm bands.
- 7.The Corporation, beginning from the time it accepts shareholder attendance registrations, shall make an uninterrupted audio and video recording of the registration procedure, the proceedings of the shareholders meeting, and the voting and vote counting procedures. The recorded materials shall be retained for at least one year. If, however, a shareholder files a lawsuit pursuant to Article 189 of the Company Act, the recording shall be retained until the conclusion of the litigation.
- 8.The chair shall call the meeting to order at the appointed meeting time. However, when the attending shareholders do not represent a majority of the total number of issued shares, the chair may announce a postponement, provided that no more than two such postponements, for a combined total of no more than one hour, may be made. If the quorum is not met after two postponements as referred to in the preceding paragraph, but the attending shareholders represent one third or more of the total number of issued shares, a tentative resolution may be adopted pursuant to Article 175, paragraph 1 of the Company Act.  
When, prior to conclusion of the meeting, the attending shareholders represent more than half of the total number of issued shares, the chair may resubmit the tentative resolution for a vote by the shareholders meeting pursuant to Article 174 of the Company Act.
- 9.If a shareholders meeting is convened by the board of directors, the meeting agenda shall be set by the board of directors. The meeting shall proceed in the order set by the agenda, which may not be changed without a resolution of the shareholders meeting.  
The provisions of the preceding paragraph apply mutatis mutandis to a shareholders meeting convened by a party with the power to convene that is not the board of directors.  
The chair may not declare the meeting adjourned prior to completion of deliberation on the

meeting agenda of the preceding two paragraphs (including extraordinary motions), except by a resolution of the shareholders meeting.

After close of the said meeting, shareholders shall not elect another chairman to hold another meeting at the same place or at any other place.

10. Before speaking, an attending shareholder must specify on a speaker's slip the subject of the speech, his/her shareholder account number (or attendance card number), and account name.

The order in which shareholders speak will be set by the chair.

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

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

11. Except with the consent of the chair, a shareholder may not speak more than twice on the same proposal, and a single speech may not exceed 5 minutes.

If the shareholder's speech violates the rules of the preceding paragraph or exceeds the scope of the agenda item, the chair may terminate the speech.

12. When a juristic person is appointed to attend shareholders meeting of the Corporation as proxy, it may designate only one person to represent it in the meeting.

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

13. After an attending shareholder has spoken, the chair may respond in person or direct relevant personnel to respond.

14. When the chair is of the opinion that a proposal has been discussed sufficiently to put it to a vote, the chair may announce the discussion closed, call for a vote.

15. Vote monitoring and counting personnel for the voting on a proposal shall be appointed by the chair, provided that all monitoring personnel shall be shareholders of the Corporation. The results of the voting shall be reported on-site at the meeting, and a record made of the vote.

16. When a meeting is in progress, the chair may announce a break based on situation and time considerations.

17. Except as otherwise provided in the Company Act and in the Corporation's articles of incorporation, the passage of a proposal shall require an affirmative vote of a majority of the voting rights represented by the attending shareholders.

18. When there is an amendment or an alternative to a proposal, the chair shall present the amended or alternative proposal together with the original proposal and decide the order in which they will be put to a vote. When any one among them is passed, the other proposals will then be deemed rejected, and no further voting shall be required.

19. The chair may direct the proctors or security personnel to help maintain order at the meeting place. When proctors or security personnel help maintain order at the meeting place, they shall wear an armband bearing the word "Proctor."

20. These Rules shall be approved by the shareholders meeting, and come into force on the date of promulgation.

The Rules of Procedure for Shareholders Meetings was established on April 3, 2002.

The 1st amendment was made on June 13, 2013.

## Honey Hope Honest Enterprise Co., Ltd.

### Shareholdings of Directors

1. As of April 14, 2024, the total issued and outstanding common shares are 79,907,170 shares.
2. According to Article 26 of the Securities and Exchange Act and Article 2 of the Rules and Review Procedures for Director and Supervisor Share Ownership Ratios at Public Companies, the minimum number of shares to be held by the entire directors is 6,392,573 shares. The Company has established an audit committee, therefore, the minimum shareholding regulation for supervisors is not applicable.
3. Shareholdings by all directors of the Company is as follows:

Ex-dividend date: 2024.4.14

Title	Name	Date of election	Term (Years)	Shareholding Number (Shares)	Shareholding Percentage
Chairman	Lin, Hsun-Min	2023.6.12	3	5,759,139	7.20%
Vice Chairman	Chen, Lu-Hsi	2023.6.12	3	4,044,877	5.06%
Director	Fan, Shu-Hui	2023.6.12	3	-	-
Director	Chen, Ting-Tsung	2023.6.12	3	-	-
Independent Director	Yuan, Hung-Chen	2023.6.12	3	-	-
Independent Director	Shih, Chun-Mei	2023.6.12	3	-	-
Independent Director	Wang, Ho-Chin (Note)	2023.6.12	3	12	-
Shareholdings by all directors				9,804,0128	12.26%

Note: Independent Director Wang, Ho-Chin resigned for personal reasons on July 11, 2023, and the number of shares she held at the time of resignation was 0 share.

## HONEY HOPE HONESTY ENTERPRISE CO., LTD.

## Procedures for Election of Directors

File Number : A09-04

Article 1 : Except as otherwise provided by law and regulation or by the Corporation's Articles of Incorporation, elections of directors shall be conducted in accordance with the Procedures.

Article 2 : The election of directors at the Corporation is subject to the provisions of Article 192-1 of the Company Act in that a candidate nomination system shall be adopted. The qualifications and selection for the independent directors of the Corporation shall comply with the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies, and shall be conducted in accordance with Article 24 of the Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies.

When the number of directors falls below five due to the dismissal of a director for any reason, the Corporation shall hold a by-election to fill the vacancy at its next shareholders meeting. When the number of directors falls short by one third of the total number prescribed in the Corporation's articles of incorporation, the Corporation shall call a special shareholders meeting within 60 days from the date of occurrence to hold a by-election to fill the vacancies.

When the number of independent directors falls below that required under the proviso of Article 14-2, paragraph 1 of the Securities and Exchange Act, a by-election shall be held at the next shareholders meeting to fill the vacancy. When the independent directors are dismissed en masse, a special shareholders meeting shall be called within 60 days from the date of occurrence to hold a by-election to fill the vacancies.

Article 3 : The cumulative voting method shall be used for election of the directors at the Corporation. Each share will have voting rights in number equal to the directors to be elected, and may be cast for a single candidate or split among multiple candidates.

In the election of the Corporation's directors, shareholders may opt to exercise their voting rights by way of electronic means or in person at the shareholders' meeting.

The shareholders shall exercise their above-mentioned voting rights by electronic means on the electronic voting platform specified by the Corporation. The shareholders exercising their above-mentioned voting rights in person shall select a candidate from the director candidate list and fill in his/her name in the "candidate" column of the physical ballot.

Article 4 : The number of independent directors and non-independent directors will be as specified in this Corporation's articles of incorporation and approved by the board of directors, and the election for both independent and non-independent directors shall be held in the same time with voting rights separately calculated. Those receiving ballots representing the highest numbers of voting rights will be elected as a director sequentially according to their respective numbers of votes. When two or more persons receive the same number of votes, thus exceeding the specified number of positions, they shall draw lots to determine the winner, with the chair drawing lots on behalf of any person not in attendance.

The voting rights in the preceding paragraph shall be calculated by adding the number of votes cast on site at a shareholders' meeting plus the number of votes cast by electronic voting.

For the electronic votes referred to in the preceding paragraph, the shareholders' identity and the entitlement of votes and calculation validation shall be identified and completed

by a functional unit which meets the requirements provided in Article 44-6 of Regulations Governing the Administration of Shareholder Services of Public Companies before the shareholders' meeting.

A spousal relationship or a familial relationship within the second degree of kinship may not exist among more than half of elected directors of the Corporation.

When the elected directors of the Corporation do not meet the condition of the preceding paragraph, the election of the director receiving the lowest number of votes among those not meeting the conditions shall be deemed invalid.

Article 5 : The board of directors shall prepare separate ballots for directors in numbers corresponding to the directors to be elected, and the number of voting rights associated with each ballot shall be specified on the ballots, which shall then be distributed to the attending shareholders at the shareholders meeting. Attendance card numbers printed on the ballots may be used instead of recording the names of voting shareholders.

Article 6 : Before the election begins, the chair shall appoint a number of persons with shareholder status to perform the respective duties of vote monitoring and counting personnel. The ballot boxes shall be prepared by the board of directors and publicly checked by the vote monitoring personnel before voting commences.

Article 7 : A ballot is invalid under any of the following circumstances:

1. The ballot was not prepared by a person with the right to convene.
2. A blank ballot is placed in the ballot box.
3. The writing is unclear and indecipherable or has been altered.
4. The candidate whose name is entered in the ballot does not conform to the director candidate list.
5. Other words or marks are entered in addition to the number of voting rights allotted.
6. Ballots not placed in the ballot box.

Article 8 : The voting rights shall be calculated on site immediately after the end of the poll, and the results of the calculation, including the list of persons elected as directors and the numbers of votes with which they were elected, shall be announced by the chair on the site.

The ballots for the election referred to in the preceding paragraph shall be sealed with the signatures of the monitoring personnel and kept in proper custody for at least one year. If, however, a shareholder files a lawsuit pursuant to Article 189 of the Company Act, the ballots shall be retained until the conclusion of the litigation.

Article 9 : Any matters not specified in the Procedures shall be handled in accordance with the Company Act and other relevant laws and regulations.

Article 10 : The Procedures, and any amendments hereto, shall be implemented after approval by a shareholders' meeting.

The Procedures for Election of Directors was established on April 3, 2002.

The 1st amendment was made on June 15, 2006.

The 2nd amendment was made on June 13, 2007.

The 3rd amendment was made on June 18, 2020.

The 4th amendment was made on June 12, 2023.



HONEY HOPE HONESTY ENTERPRISE CO., LTD.  
Procedures for Acquisition or Disposal of Assets (Before Amendments)

File Number : A03-10

Article 2 Purpose

To protect assets and to implement information public disclosure, these Procedures are established.

Article 3 Legal basis

The Procedures are adopted in accordance with the provisions of Article 36-1 of the Securities and Exchange Act and the relevant regulations of the Financial Supervisory Commission, Executive Yuan ("FSC").

Article 4 Applicable scope of assets

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

Article 5 Terms used in the Procedures are defined as follows:

- I. Derivatives: Forward contracts, options contracts, futures contracts, leverage contracts, or swap contracts, whose value is derived from a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable; or hybrid contracts combining the above contracts; or hybrid contracts or structured products containing embedded derivatives. The term "forward contracts" does not include insurance contracts, performance contracts, after-sales service contracts, long-term leasing contracts, or long-term purchase (sales) contracts.
- II. Assets acquired or disposed through mergers, demergers, acquisitions, or transfer of shares in accordance with law: Refers to assets acquired or disposed through mergers, demergers, or acquisitions conducted under the Business Mergers and Acquisitions Act, Financial Holding Company Act, Financial Institution Merger Act

and other acts, or to transfer of shares from another company through issuance of new shares of its own as the consideration therefor (hereinafter "transfer of shares") under Article 156-3 of the Company Act.

- III. Related party or subsidiary: As defined in the Regulations Governing the Preparation of Financial Reports by Securities Issuers.
- IV. Professional appraiser: Refers to a real property appraiser or other person duly authorized by law to engage in the value appraisal of real property or equipment.
- V. Date of occurrence: Refers to the date of contract signing, date of payment, date of consignment trade, date of transfer, dates of boards of directors resolutions, or other date that can confirm the counterpart and monetary amount of the transaction, whichever date is earlier; provided, for investment for which approval of the competent authority is required, the earlier of the above date or the date of receipt of approval by the competent authority shall apply.
- VI. Mainland China area investment: Refers to investments in the mainland China area approved by the Ministry of Economic Affairs Investment Commission or conducted in accordance with the provisions of the Regulations Governing Permission for Investment or Technical Cooperation in the Mainland Area.
- VII. Investment professional: Refers to financial holding companies, banks, insurance companies, bill finance companies, trust enterprises, securities firms operating proprietary trading or underwriting business, futures commission merchants operating proprietary trading business, securities investment trust enterprises, securities investment consulting enterprises, and fund management companies, that are lawfully incorporated and are regulated by the competent financial authorities of the jurisdiction where they are located.
- VIII. Securities exchange: "Domestic securities exchange" refers to the Taiwan Stock Exchange Corporation; "foreign securities exchange" refers to any organized securities exchange market that is regulated by the competent securities authorities of the jurisdiction where it is located.
- IX. Over-the-counter venue ("OTC venue", "OTC"): "Domestic OTC venue" refers to a venue for OTC trading provided by a securities firm in accordance with the Regulations Governing Securities Trading on the Taipei Exchange; "foreign OTC venue" refers to a venue at a financial institution that is regulated by the foreign competent authority and that is permitted to conduct securities business.
- X. "Within the preceding year" as used refers to the year preceding the date of the acquisition or disposal of assets. Items duly announced in accordance with these Regulations need not be counted toward the transaction amount.
- XI. "Latest financial statements": Refers to the financial statements of the company audited or examined by certified public accountant ("CPA") which has been published in accordance with applicable regulation before the subject acquisition or disposal of assets.

Article 6 Limits of amounts for the Company and the subsidiaries in acquisition of non-operating related real property and right-of-use assets thereof or securities:

- I. The total amount for the Company in acquisition of non-operating related real property and right-of-use assets thereof shall not exceed 40% of the Company's paid-in capital. The total amount for the Company's subsidiaries in acquisition of non-operating related real property and right-of-use assets thereof shall not exceed 20% of the Company's paid-in capital.
- II. The total amount of securities investment for the Company and the subsidiaries shall not exceed 100% of the respective net worth in the most recent financial statement. Where a subsidiary is an investment holding company, the total amount of securities investment shall not exceed 150% of its net worth in the most recent financial statement.
- III. The amount of investment in each respective security for the Company and the subsidiaries should not exceed 30% of the respective net worth in the most recent financial statement. Where a subsidiary is an investment holding company, the amount of investment in each respective security shall not exceed 100% of its net worth in the most recent financial statement.

Article 7 Professional appraisers and their officers, certified public accounts, attorneys, and securities underwriters that provide the Company with appraisal reports, certified public accountant's opinions, attorney's opinions, or underwriter's opinions shall meet the following requirements:

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

When issuing an appraisal report or opinion, the personnel referred to in the preceding paragraph shall comply with the self-regulatory rules of the industry associations to which they belong and with the following provisions:

- I. Prior to accepting a case, they shall prudently assess their own professional capabilities, practical experience, and independence.
- II. When conducting a case, they shall appropriately plan and execute adequate working procedures, in order to produce 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 appropriateness and reasonableness of the sources of data used, the parameters, and the information, as the basis for issuance of the appraisal report or the opinion.
- IV. They shall issue a statement attesting to the professional competence and independence of the personnel who prepared the report or opinion, and that they have evaluated and found that the information used is appropriate and reasonable, and that they have complied with applicable laws and regulations.

Where the Company acquires or disposes of assets through court auction procedures, the evidentiary documentation issued by the court may be substituted for the appraisal report or CPA opinion.

#### Article 8 Procedures for acquisition or disposal of securities investment

##### I. Evaluation and operating procedures

Acquisition or disposal of securities shall be handled according to the investment cycle of the internal control system.

##### II. Terms and conditions of the transaction and level of authorization

- (I) Where the securities are traded in securities exchanges or OTC markets, the terms shall be determined by the responsible **department** base on the market condition. Where the securities are not traded in securities exchanges or OTC markets, the financial statements of the issuing company for the most recent period, certified or reviewed by a certified public accountant, shall be obtained prior to the date of occurrence of the event, and used as the reference of its transaction price in consideration of its net value per share, profitability and future potential.
- (II) Authorization limit and level : The transaction amount of less than NT\$ 20 million (inclusive) shall be approved by the President ; the transaction amount of more than NT\$20 million but less than NT\$50 million (inclusive) shall be approved by the Chairman and reported to the Board of Directors at the most recent meeting afterwards ; the transaction amount of exceeding NT\$50 million shall be submitted to the Board of Directors for resolutions.

##### III. Executive unit

Where the Company invests in securities, appropriate approval shall be obtained in accordance with the level of authorization in the preceding paragraph and finance department shall execute accordingly.

##### IV. Professional opinions

If the dollar amount of the transaction is 20 percent of the Company's paid-in capital or NT\$300 million or more, the Company shall additionally engage a certified public accountant prior to the date of occurrence of the event to provide an opinion

regarding the reasonableness of the transaction price. Where CPA's opinion is based on the professional opinions, it shall be prepared in accordance with the provisions of Statement of Auditing Standards No. 20 published by the ROC Accounting Research and Development Foundation. This requirement does not apply, however, to publicly quoted prices of securities that have an active market, or where otherwise provided by regulations of FSC.

Article 9 Procedures for acquisition or disposal of real property, equipment, or right-of-use assets thereof

I. Evaluation and operating procedures

Acquisition or disposal of real property, equipment, or right-of-use assets thereof shall be handled according to the Property, plant, and equipment cycle of the internal control system.

II. Terms and conditions of the transaction and level of authorization

(I) The transaction conditions and price of acquisition or disposal of real property or right-of-use assets thereof shall be determined with reference to the publicly announced value, appraised price, and actual transaction price of neighboring real property. The transaction price of acquisition or disposal of equipment or right-of-use assets thereof shall be made by price inquiry, price comparison, price negotiation or public tender. After evaluation, an analysis report shall be made.

(II) Authorization limit and level : The transaction amount of less than NT\$100 thousand (inclusive) shall be approved by the Vice President; the transaction amount of more than NT\$100 thousand but less than NT\$2 million (inclusive) shall be approved by the President; the transaction amount of more than NT\$2 million but less than NT\$20 million (inclusive) shall be approved by the Chairman; the transaction amount of exceeding NT\$20 million shall be submitted to the Board of Directors for resolutions.

III. Executive unit

Where the Company acquires or disposes real property, equipment, or right-of-use assets thereof, appropriate approval shall be obtained in accordance with the level of authorization in the preceding paragraph and the user department and relevant responsible department shall execute accordingly.

IV. Appraisal report of real estate, equipment or right-of-use assets thereof

In acquiring or disposing of real property, equipment, or right-of-use assets thereof where the transaction amount reaches 20 percent of the Company's paid-in capital or NT\$300 million or more, the Company, unless transacting with a domestic government agency, engaging others to build on its own land, engaging others to build on rented land, or acquiring or disposing of equipment or right-of-use assets thereof held for business use, shall obtain an appraisal report prior to the date of occurrence of the event from a professional appraiser and shall further comply with

the following provisions:

- (I) Where due to special circumstances it is necessary to give a limited price, specified price, or special price as a reference basis for the transaction price, the transaction shall be submitted for approval in advance by the board of directors; the same procedure shall also be followed whenever there is any subsequent change to the terms and conditions of the transaction.
- (II) Where the transaction amount is NT\$1 billion or more, appraisals from two or more professional appraisers shall be obtained.
- (III) Where any one of the following circumstances applies with respect to the professional appraiser's appraisal results, unless all the appraisal results for the assets to be acquired are higher than the transaction amount, or all the appraisal results for the assets to be disposed of are lower than the transaction amount, a certified public accountant shall be engaged to render a specific opinion regarding the reason for the discrepancy and the appropriateness of the transaction price:
  - 1. The discrepancy between the appraisal result and the transaction amount is 20 percent 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 3 months may elapse between the date of the appraisal report issued by a professional appraiser and the contract execution date; provided, where the publicly announced current value for the same period is used and not more than 6 months have elapsed, an opinion may still be issued by the original professional appraiser.

Article 10 Procedures for acquisition or disposal of intangible assets or right-of-use assets thereof or memberships

I. Evaluation and operating procedures

Acquisition or disposal of intangible assets or right-of-use assets thereof or memberships shall be handled according to the fixed assets cycle of the internal control system.

II. Terms and conditions of the transaction and level of authorization

- (I) The transaction conditions and price of acquisition or disposal of memberships shall be determined with reference to the market value, and an analysis report shall be made and Approved by the President. The transaction amount of less than one percent of the Company's paid-in capital or NT\$3 million shall be approved by the President and reported to the Board of Directors at the most recent meeting afterwards ; the transaction amount of more than NT\$3 million shall be submitted to the Board of Directors for resolutions.
- (II) The transaction conditions and price of acquisition or disposal of intangible

assets or right-of-use assets thereof shall be determined with reference to the professional opinion or the market value, and an analysis report shall be made and Approved by the Chairman. The transaction amount of less than 10 percent of the Company's paid-in capital or NT\$20 million shall be approved by the Chairman and reported to the Board of Directors at the most recent meeting afterwards ; the transaction amount of more than NT\$20 million shall be submitted to the Board of Directors for resolutions.

III. Executive unit

Where the Company acquires or disposes intangible assets or right-of-use assets thereof or memberships, appropriate approval shall be obtained in accordance with the level of authorization in the preceding paragraph and the user department and finance department or **administration department** shall execute accordingly.

IV. Report of the expert's opinion on intangible assets or right-of-use assets thereof or memberships

- (I) Where the Company acquires or disposes of memberships and the transaction amount reaches 1 percent or more of paid-in capital or NT\$3 million or more, the company shall engage an expert to render an appraisal report.
- (II) Where the Company acquires or disposes of intangible assets or right-of-use assets thereof and the transaction amount reaches 10 percent or more of paid-in capital or NT\$20 million or more, the company shall engage an expert to render an appraisal report.
- (III) Where the Company acquires or disposes of intangible assets or right-of-use assets thereof or memberships and the transaction amount reaches 20 percent or more of paid-in capital or NT\$300 million or more, except in transactions with a domestic government agency, the company shall engage a certified public accountant prior to the date of occurrence of the event to render an opinion on the reasonableness of the transaction price.

Article 11 The calculation of the transaction amounts referred to in the preceding three articles shall be done in accordance with Article 15, paragraph I, subparagraph (VII) herein, and "within the preceding year" as used herein refers to the year preceding the date of occurrence of the current transaction. Items for which an appraisal report from a professional appraiser or a CPA's opinion has been obtained need not be counted toward the transaction amount.

Article 12 Procedures for related parties' transactions

- I. When the Company engages in any acquisition or disposal of assets from or to a related party, in addition to ensuring that the necessary resolutions are adopted and the reasonableness of the transaction terms is appraised in compliance with the provisions of Article 6 to 10 and this Article, if the transaction amount reaches 10 percent or more of the Company's total assets, the Company shall also obtain an

appraisal report from a professional appraiser or a CPA's opinion in compliance with the provisions of Article 6 to 10 and this Article. The calculation of the aforementioned transaction amount shall be made in accordance with Article 10 herein. When judging whether a transaction counterparty is a related party, in addition to legal formalities, the substance of the relationship shall also be considered.

II. Evaluation and operating procedures

When the Company intends to acquire or dispose of real property or right-of-use assets thereof from or to a related party, or when it intends to acquire or dispose of assets other than real property or right-of-use assets thereof from or to a related party and the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the Company's total assets, or NT\$300 million or more, except in trading of domestic government bonds or bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises, the Company may not proceed to enter into a transaction contract or make a payment until the following matters have been approved by the board of directors and recognized by the supervisors:

- (I) The purpose, necessity and anticipated benefit of the acquisition or disposal of assets.
- (II) The reason for choosing the related party as a transaction counterparty.
- (III) With respect to the acquisition of real property or right-of-use assets thereof from a related party, information regarding appraisal of the reasonableness of the preliminary transaction terms in accordance with this Article, paragraph III, subparagraphs (I) to (V).
- (IV) The date and price at which the related party originally acquired the real property, the original transaction counterparty, and that transaction counterparty's relationship to the company and the related party.
- (V) Monthly cash flow forecasts for the year commencing from the anticipated month of signing of the contract, and evaluation of the necessity of the transaction, and reasonableness of the funds utilization.
- (VI) An appraisal report from a professional appraiser or a CPA's opinion obtained in compliance with this Article, paragraph I.
- (VII) Restrictive covenants and other important stipulations associated with the transaction.

With respect to the types of transactions listed below, when to be conducted between the company and its parent or subsidiaries, or between its subsidiaries in which it directly or indirectly holds 100 percent of the issued shares or authorized capital, the Chairman may pursuant to Article 8, paragraph II, subparagraph (II) delegate the board chairman to decide such matters when the transaction is within a certain amount and have the decisions subsequently submitted to and ratified by



the next board of directors meeting:

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

If the Company or a subsidiary thereof that is not a domestic public company will have a transaction set out in paragraph I and the transaction amount will reach 10 percent or more of the Company's total assets, the Company shall submit the materials in all the subparagraphs of paragraph I to the shareholders meeting for approval before the transaction contract may be entered into and any payment made. However, this restriction does not apply to transactions between the Company and its parent company or subsidiaries or between its subsidiaries.

The calculation of the transaction amounts shall be made in accordance with Article 15, paragraph I, subparagraph (VII) herein, and "within the preceding year" as used herein refers to the year preceding the date of occurrence of the current transaction. Items that have been approved by the shareholders meeting and board of directors in accordance with the provisions of Regulations Governing the Acquisition and Disposal of Assets by Public Companies issued by FSC need not be counted toward the transaction amount.

### III. Evaluation of the reasonableness of the transaction costs

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

- (III) The company that acquires real property or right-of-use assets thereof from a related party and appraises the cost of the real property or right-of-use assets thereof in accordance with this Article, paragraph III, subparagraph (I) and (II) shall also engage a CPA to check the appraisal and render a specific opinion.
- (IV) Where the company acquires real property or right-of-use assets thereof from a related party and one of the following circumstances exists, the acquisition shall be conducted in accordance with evaluation and operating procedures in this Article, paragraphs I and II, and this Article, paragraph III, subparagraphs (I) to (III) do not apply:
  - 1. The related party acquired the real property or right-of-use assets thereof through inheritance or as a gift.
  - 2. More than 5 years will have elapsed from the time the related party signed the contract to obtain the real property or right-of-use assets thereof to the signing date for the current transaction.
  - 3. The real property is acquired through signing of a joint development contract with the related party, or through engaging a related party to build real property, either on the company's own land or on rented land.
  - 4. The real property right-of-use assets for business use are acquired by the Company with its parent or subsidiaries, or by its subsidiaries in which it directly or indirectly holds 100 percent of the issued shares or authorized capital.
- (V) When the results of the Company's appraisal conducted in accordance with this Article, paragraph III, subparagraphs (I) and (II) are uniformly lower than the transaction price, the matter shall be handled in compliance with this Article, paragraph III, subparagraph (VI). However, where the following circumstances exist, objective evidence has been submitted and specific opinions on reasonableness have been obtained from a professional real property appraiser and a CPA have been obtained, this restriction shall not apply:
  - 1. Where the related party acquired undeveloped land or leased land for development, it may submit proof of compliance with one of the following conditions:
    - (1) Where undeveloped land is appraised in accordance with the means in the preceding Article, and structures according to the related party's construction cost plus reasonable construction profit are valued in excess of the actual transaction price. The "Reasonable construction profit" shall be deemed the average gross operating profit margin of the related party's construction division over the most recent 3 years or the gross profit margin for the construction industry for the most recent period as announced by the Ministry of Finance, whichever is

lower.

- (2) Completed transactions by unrelated parties within the preceding year involving other floors of the same property or neighboring or closely valued parcels of land, where the land area and transaction terms are similar after calculation of reasonable price discrepancies in floor or area land prices in accordance with standard property market sale or leasing practices.
2. Where the Company acquiring real 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 neighboring or closely valued parcels of land in this subparagraph 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 percent of the property in the planned transaction; within the preceding year refers to the year preceding the date of occurrence of the acquisition of the real property or obtainment of the right-of-use assets thereof.
- (VI) Where the Company acquires real property or right-of-use assets thereof from a related party and the results of appraisals conducted in accordance with this Article, paragraph III, subparagraphs (I) to (V) are uniformly lower than the transaction price, the following steps shall be taken:
  1. A special reserve shall be set aside in accordance with Article 41, paragraph I of the Act against the difference between the real property transaction price and the appraised cost, and may not be distributed or used for capital increase or issuance of bonus shares. Where a public company uses the equity method to account for its investment in another company, then the special reserve called for under Article 41, paragraph I of the Act shall be set aside pro rata in a proportion consistent with the share of public company's equity stake in the other company.
  2. The independent director members of the audit committee shall comply with Article 218 of the Company Act.
  3. Actions taken pursuant to this article, paragraph III, subparagraph (V), items 1 and 2 shall be reported to a shareholders meeting, and the details of the transaction shall be disclosed in the annual report and any investment prospectus.

The Company that has set aside a special reserve pursuant to the

aforementioned provisions may not utilize the special reserve until it has recognized a loss on decline in market value of the assets it purchased or leased at a premium, or they have been disposed of, or the leasing contract has been terminated, or adequate compensation has been made, or the status quo ante has been restored, or there is other evidence confirming that there was nothing unreasonable about the transaction, and FSC has given its consent.

- (VII) When the Company obtains real property or right-of-use assets thereof from a related party, it shall also comply with this Article, paragraph III, subparagraph (VI) if there is other evidence indicating that the acquisition was not an arm's length transaction.

#### Article 13 Procedures for acquisition or disposal of Claims of financial institutions

In principle, the Company does not conduct any trading regarding acquisition or disposal of claims of financial institutions. Where the trading is intended in the future, relevant operating procedures shall be resolved by the Board of Directors.

#### Article 14 Procedures for acquisition or disposal of financial derivatives

##### I. Trading principles and strategies

##### (I) Types of derivatives that may be traded

1. Transaction types of Derivatives engaged in by the Company shall be referred to transaction contracts whose value is derived from commodities such as assets, interest rates, exchange rates, index or other interests (such as forward contracts, options, futures, interest rates or exchange rates, exchanges, and a combination contract of the above products, etc.).

Financial derivatives referred herein are broadly defined as instruments that derive their value from the performance of underlying assets, interest or currency exchange rates or other instrument such as swaps, options, futures, forwards and various combinations thereof.

2. Matters related to bond margin trading shall be handled in accordance with the relevant provisions of these Procedures. However, these Procedures do not apply when the Company engages in the trading of RP bonds.

##### (II) Operating (hedging) strategies

Derivatives are mainly used for hedging purpose and the selection of instruments shall correlate or associate with the business operation. In order to reduce the overall currency exposures and hedging cost, the currency of the position held shall be the same as the one used for business activities, and the position of the currency (account receivable and payable in foreign currency) shall be balanced. The transaction of specific purpose shall be

evaluated carefully, submitted to the Board of Directors for resolutions before proceeding.

(III) Segregation of duties

1. Finance department

(1) Trading personnel

- A. To establish financial derivative strategies for the Company.
- B. To evaluate holding of the positions every two weeks, establish trading strategies based on the judgment of the market intelligence including ratio of hedging, setting expiry date on the portion being hedged, etc., referencing real time online quotation system and submit for approval.
- C. To execute the trading in accordance with the level of authorization.
- D. When there is a major change in the financial market and the trading personnel judges that the established strategy is no longer applicable, an assessment report shall be submitted at any time, and the new trading strategies shall be proposed and used as the basis for trading upon approval from the President.

(2) Accounting personnel

- A. Execute transaction confirmation.
- B. Review whether the transaction is carried out in accordance with the authorization authority and the established strategy.
- C. Conduct monthly appraisals and submit appraisal reports to the President for approval.
- D. Bookkeeping.
- E. Make filings and announcements as required by FSC.

(3) Settlement personnel : Settle transactions.

(4) Derivatives approval authority

- A. Level of approval required for each transaction of hedging purpose

Approval Authority	Delegated Authority Per Day	Per Transaction Delegated Authority of Net Cumulative Position
Finance Director	Below US\$ 0.5 million	Below US\$ 1.5 million (inclusive)
President	US\$0.5 million to US\$2 million (inclusive)	Below US\$5 million (inclusive)
Chairman	US\$2 million up	Below US\$10million (inclusive)

- B. Transaction of other purposes shall only be preceded upon approval from the Board of Directors.

2. Audit department

The auditing department is responsible for determining the adequacy of

internal controls applied to financial derivatives transactions, and conducting audit on the trading department for the compliance of operating procedures.

### 3. Performance evaluation

#### (1) Trading for hedging purpose

- A. The assessment is based on the profit or loss between the exchange rate cost on the original book and the transaction of derivative products.
- B. In order to fully grasp and express the evaluation risk of the transaction, the Company adopts the monthly evaluation method to evaluate the profit and loss.
- C. The finance department shall provide foreign exchange position evaluation, foreign exchange market trends and market analysis to the general manager as management reference and instructions.

#### (2) Trading for specific purpose

The finance department shall provide evaluation of the foreign currency based position, the market trend and analysis of foreign currency to the President for his review.

### 4. Set the total contract amount and the upper limit of loss

#### (1) The Contract Amount

- Transaction amount for hedging purpose

The finance department shall understand the overall position of the Company to effectively hedge transaction risks. The amount of transactions used for hedging shall not exceed the overall net position of the Company. If it exceeds, it should be reported to the President to approve it.

- Transaction for specific purpose

Based on the forecast of market changes, the finance department can formulate strategies as needed and report to the general manager and board chairman. It can only be carried out after the approval of the President and the Chairman. The total contract amount of the Company's accumulated net position of the transactions conducted for specific purpose is limited to US\$ 10 million. Amount exceeding the limit above shall be agreed by the Board of Directors and conducted according to policy guidance.

#### (2) Setting of the upper limit of loss

- The purpose of hedging trades is to avoid risk, so there is no need for setting up a loss limited.
- In the case of a special purpose transaction contract, after the position is established, a stop loss point should be set to prevent

excess losses. The stop loss point shall be set at an upper limit of 10% of the transaction contract amount. If the loss amount exceeds 10% of the transaction amount, it shall be reported to the general manager immediately and reported to the board of directors to discuss the necessary response measures.

- The amount of individual contract losses shall not exceed US\$20,000 or 5% of the trading amount in Taiwan dollars, whichever is lower.
- The maximum annual loss for the company's specific purpose of trading operations is US\$ 300,000.

## II. Risk management measures

### (I) Credit risk management

Since market is affected by many factors and is likely to result in operational risk of derivative financial commodity, so the market risk management shall be performed in the following principle:

1. Counterparty: Well-known domestic and overseas financial institutions.
2. Trading Instruments: Financial instruments offered by the abovementioned financial institutions.
3. Amount of transaction: For same counterparty, the un-offset amount shall be not more than 10% of authorized amount, except exceptionally approved by the President.

### (II) Market risk management

Presently the open exchange transaction market only, no futures is to be considered for the time being.

### (III) Liquidity risk management

To ensure market liquidity, financial instruments with high liquidity (can be settled in the market at any time) shall be chosen, and financial institutions responsible for trading shall provide sufficient information and have the capability to trade in any markets over any time zone.

### (IV) Cash flow risk management

In order to ensure the stability of turnover, funding of derivatives transaction shall be mainly by the Company and the operation amount shall take cash flow of the Company in next 3 months to forecast funding needs.

### (V) Operational risk management

1. The authorized amount and procedures shall be followed strictly, and shall be included into internal audit to avoid operation risk.
2. Personnel engaged in derivatives trading may not serve concurrently in other operations such as confirmation and settlement.
3. Risk measurement, monitoring, and control personnel shall be assigned to a different department than the personnel in the preceding subparagraph

and shall report to the board of directors or senior management personnel with no responsibility for trading or position decision-making.

4. Derivatives trading positions held shall be evaluated at least once per week; however, positions for hedge trades required by business shall be evaluated at least twice per month. Evaluation reports shall be submitted to senior management personnel authorized by the board of directors.

(VI) Commodity risk management

Internal transaction personnel shall be equipped with complete and correct professional knowledge and the banks shall be required to fully disclose risk involved to avoid misuse of derivative risks.

(VII) Legal risks management

Any documents with financial institutions can only be signed after reviewing by the finance and legal departments or legal counsels.

III. Internal audit system

- (I) Internal audit personnel shall periodically check the suitability of internal controls on derivatives and conduct a monthly audit of how faithfully derivatives trading by the trading department adheres to the procedures for engaging in derivatives trading, and prepare an audit report. If any material violation is discovered, a written notice shall be sent to members of the Audit Committee, and all independent director shall also be notified in writing.
- (II) Internal auditor shall file the auditing report and the implementing status of annual auditing plans of internal audits to FSC before the end of February of next year and also shall report the improvement situation for any abnormal affairs to FSC before the end of May of next year.

IV. Regular evaluation methods

- (I) Senior management personnel authorized by the board of directors shall periodically monitor and evaluate whether derivative transactions conform with the Procedures formulated by the Company and whether the attendant risk of these transactions is within the capability of the Company. If there are any abnormal situations in the market price evaluation reports (such as the held position has exceeded the loss limit), the high-level manager shall report to the board of directors immediately and take necessary measures to deal with the situation.
- (II) Derivatives trading positions held shall be evaluated at least once per week; however, positions for hedge trades required by business shall be evaluated at least twice per month. Evaluation reports shall be submitted to senior management personnel authorized by the board of directors.

- V. Where the Company engaging in derivatives trading, its board of directors shall faithfully supervise and manage such trading in accordance with the following principles:



- (I) Senior management personnel authorized by the board of directors shall manage derivatives trading in accordance with the following principles:
  - 1. Periodically evaluate the risk management measures currently employed are appropriate and are faithfully conducted in accordance with the provisions of Regulations Governing the Acquisition and Disposal of Assets by Public Companies issued by FSC and the procedures for engaging in derivatives trading formulated by the Company.
  - 2. When irregular circumstances are found in the course of supervising trading and profit-loss circumstances, appropriate measures shall be adopted and a report immediately made to the board of directors; where the Company has independent directors, an independent director shall be present at the meeting and express an opinion.
- (II) Periodically evaluate whether derivatives trading performance is consistent with established operational strategy and whether the risk undertaken is within the Company's permitted scope of tolerance.
- (III) The Company shall report to the soonest meeting of the board of directors after it authorizes the relevant personnel to handle derivatives trading in accordance with its Procedures for Engaging in Derivatives Trading.
- (IV) The Company engaging in derivatives trading shall establish a log book in which details of the types and amounts of derivatives trading engaged in, board of directors approval dates, and the matters required to be carefully evaluated under this Article, paragraph IV, subparagraph (II) and paragraph V, subparagraphs (I) and (II) shall be recorded in detail in the log book.

Article 15 Procedures for Mergers and Consolidations, Splits, Acquisitions, and Assignment of Shares

I. Evaluation and operating procedures

- (I) The Company that conducts a merger, demerger, acquisition, or transfer of shares may retain an attorney, CPA, and securities underwriter to research and draft the schedule for statutory procedures jointly, and organize a taskforce to execute the procedures pursuant to law. Prior to convening the board of directors to resolve on the matter, the Company 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 board of directors for deliberation and passage. However, the requirement of obtaining an aforesaid opinion on reasonableness issued by an expert may be exempted in the case of a merger by a public company of a subsidiary in which it directly or indirectly holds 100 percent of the issued shares or authorized capital, and in the case of a merger between subsidiaries in which the public company directly or indirectly holds 100 percent of the respective subsidiaries' issued

shares or authorized capital.

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

II. Other matters for attention

- (I) Board of Director meeting date: 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 another act provides otherwise or the FSC 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 another act provides otherwise or the FSC is notified in advance of extraordinary circumstances and grants consent.
- (II) Retaining information: When participating in a merger, demerger, acquisition, or transfer of another company's shares, a company that is listed on an exchange or has its shares traded on an OTC market shall prepare a full written record of the following information and retain it for 5 years for reference.
  - 1. Basic identification data for personnel: Including the occupational titles, names, and national ID numbers (or passport numbers in the case of foreign nationals) of all persons involved in the planning or implementation of any merger, demerger, acquisition, or transfer of another company's shares prior to disclosure of the information.
  - 2. Dates of material events: Including the signing of any letter of intent or memorandum of understanding, the hiring of a financial or legal advisor, the execution of a contract, and the convening of a board of directors meeting.
  - 3. Important documents and minutes: Including merger, demerger,

acquisition, and share transfer plans, any letter of intent or memorandum of understanding, material contracts, and minutes of board of directors meetings.

- (III) Reporting information: 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, within 2 days counting inclusively from the date of passage of a resolution by the board of directors, report (in the prescribed format and via the Internet-based information system) the information set out in item 1 and item 2 of the 0 subparagraph to the FSC for recordation.
- (IV) Where any of the companies participating in a merger, demerger, acquisition, or transfer of another company's shares is neither listed on an exchange nor has its shares traded on an OTC market, the company(s) so listed or traded shall sign an agreement with such company whereby the latter is required to abide by the provisions of the preceding subparagraphs II and III.
- (V) Non-disclosure commitment: Every person participating in or privy to the plan for merger, demerger, acquisition, or transfer of shares shall issue a written undertaking of confidentiality and may not disclose the content of the plan prior to public disclosure of the information and may not trade, in their own name or under the name of another person, in any stock or other equity security of any company related to the plan for merger, demerger, acquisition, or transfer of shares.
- (VI) The Company participating in a merger, demerger, acquisition, or transfer of shares, prior to the board of directors, 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. The Company may not arbitrarily alter the share exchange ratio or acquisition price in principle. This requirement does not apply, however, to terms/conditions that the contract stipulates may be altered and that have been publicly disclosed. The share exchange ratio or acquisition price may be stipulated under the below-listed circumstances:
  - 1. Cash capital increase, issuance of convertible corporate bonds, or the issuance of bonus shares, issuance of corporate bonds with warrants, preferred shares with warrants, stock warrants, or other equity based securities.
  - 2. An action, such as a disposal of major assets, that affects the company's financial operations.
  - 3. An event, such as a major disaster or major change in technology, that affects shareholder equity or share price.

4. An adjustment where any of the companies participating in the merger, demerger, acquisition, or transfer of shares from another company, buys back treasury stock.
  5. An increase or decrease in the number of entities or companies participating in the merger, demerger, acquisition, or transfer of shares.
  6. Other terms/conditions that the contract stipulates may be altered and that have been publicly disclosed.
- (VII) Content of 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 contract of merger, demerger, acquisition, or transfer of shares shall also record the following:
1. Handling of breach of contract.
  2. Principles for the handling of equity-type securities previously issued or treasury stock previously bought back by any company that is extinguished in a merger or that is demerged.
  3. The amount of treasury stock participating companies are permitted under law to buy back after the record date of calculation of the share exchange ratio, and the principles for handling thereof.
  4. The manner of handling changes in the number of participating entities or companies.
  5. Preliminary progress schedule for plan execution, and anticipated completion date.
  6. Scheduled date for convening the legally mandated shareholders meeting if the plan exceeds the deadline without completion, and relevant procedures.
- (VIII) After public disclosure of the information, if any company participating in the merger, demerger, acquisition, or share transfer intends further to carry out a merger, demerger, acquisition, or share transfer with another company, all of the participating companies shall carry out anew the procedures or legal actions that had originally been completed toward the merger, demerger, acquisition, or share transfer; except that where the number of participating companies is decreased and a participating company's shareholders meeting has adopted a resolution authorizing the board of directors to alter the limits of authority, such participating company may be exempted from calling another shareholders meeting to resolve on the matter anew.
- (IX) Where any of the companies participating in a merger, demerger, acquisition, or transfer of shares is not a public company, the Company shall sign an agreement with the non-public company whereby the latter is required to abide by the provisions of subparagraphs (I) to (V) and (VIII) of paragraph II of this article.

## Article 16 Procedures for public disclosure of information

- I. Items and Standards required to be publicly announced and reported
  - (I) Acquisition or disposal of real property or right-of-use assets thereof from or to a related party, or acquisition or disposal of assets other than real property or right-of-use assets thereof from or to a related party where the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the company's total assets, or NT\$300 million or more; provided, this shall not apply to trading of domestic government bonds or bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises.
  - (II) Merger, demerger, 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 company.
  - (IV) Where equipment or right-of-use assets thereof for business use are acquired or disposed of, and furthermore the transaction counterparty is not a related party, and the transaction amount meets any of the following criteria:
    1. For a public company whose paid-in capital is less than NT\$10 billion, the transaction amount reaches NT\$500 million or more.
    2. For a public company whose paid-in capital is NT\$10 billion or more, the transaction amount reaches NT\$1 billion or more.
  - (V) Where land is acquired under an arrangement on engaging others to build on the company's own land, engaging others to build on rented land, joint construction and allocation of housing units, joint construction and allocation of ownership percentages, or joint construction and separate sale, and furthermore the transaction counterparty is not a related party, and the amount the company expects to invest in the transaction reaches NT\$500 million.
  - (VI) Where an asset transaction other than any of those referred to in the preceding five subparagraphs, a disposal of receivables by a financial institution, or an investment in the mainland China area reaches 20 percent or more of paid-in capital or NT\$300 million; provided, this shall not apply to the following circumstances:
    1. Trading of domestic government bonds or foreign government bonds with a rating that is not lower than the sovereign rating of Taiwan.
    2. Where done by professional investors—securities trading on securities exchanges or OTC markets, or subscription of foreign government bonds, or of ordinary corporate bonds or general bank debentures without equity characteristics (excluding subordinated debt) that are offered and issued in the primary market, or subscription or redemption of securities

investment trust funds or futures trust funds, or subscription or redemption of exchange traded notes, or subscription by a securities firm of securities as necessitated by its undertaking business or as an advisory recommending securities firm for an emerging stock company, in accordance with the rules of the Taipei Exchange.

3. Trading of bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises.

(VII) The amount of transactions in the preceding six subparagraphs shall be calculated as follows and "within the preceding year" refers to the year preceding the date of occurrence of the current transaction. Items duly announced in accordance with the provisions of Regulations Governing the Acquisition and Disposal of Assets by Public Companies issued by FSC need not be counted toward the transaction amount.

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

II. Time limit for Public announcement and report

Under any of the circumstances specified in Paragraph I of this article, the Company acquiring or disposing of assets shall publicly announce and report the relevant information on the FSC's designated website in the appropriate format as prescribed by regulations within 2 days counting inclusively from the date of occurrence of the event.

III. Procedures for Public announcement and report

- (I) The Company shall publicly announce and report the relevant information on the FSC's designated website.
- (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 that are not domestic public companies and enter the information in the prescribed format into the information reporting website designated by the FSC by the 10th day of each month.
- (III) When the Company at the time of public announcement makes an error or

omission in an item required by regulations to be publicly announced and so is required to correct it, all the items shall be again publicly announced and reported in their entirety within two days counting inclusively from the date of knowing of such error or omission.

- (IV) The Company acquiring or disposing of assets shall keep all relevant contracts, meeting minutes, log books, appraisal reports and CPA, attorney, and securities underwriter opinions at the Company, where they shall be retained for 5 years except where another act provides otherwise.
- (V) Where any of the following circumstances occurs with respect to a transaction that the Company has already publicly announced and reported in accordance with this article, a public report of relevant information shall be made on the information reporting website designated by the FSC within 2 days counting inclusively from the date of occurrence of the event:
  - 1. Change, termination, or rescission of a contract signed in regard to the original transaction.
  - 2. The merger, demerger, acquisition, or transfer of shares is not completed by the scheduled date set forth in the contract.
  - 3. Change to the originally publicly announced and reported information.

Article 17 The subsidiaries of the Company shall comply with the following requirements:

- I. The subsidiaries shall also adopt the "Procedure for Acquisition or Disposition of Assets" in accordance with the "Regulations Governing the Acquisition and Disposition of Assets by Public Companies", but the subsidiaries can only engage in the following transactions.
  - (I) Investments in stocks, government bonds, corporate bonds, financial bonds, securities representing interest in a fund, depositary receipts, call (put) warrants, beneficial interest securities, and asset-backed securities.
  - (II) Real property (including land, houses and buildings, investment property, and construction enterprise inventory) and equipment.
  - (III) Right-of-use assets.
  - (IV) Claims of financial institutions (including receivables, bills purchased and discounted, loans, and overdue receivables).
  - (V) Other major assets.

The subsidiaries' Procedures, and any amendments hereto, shall be approved by the subsidiaries' Board of Directors.

- II. The subsidiaries shall also comply with the provisions of the Company related to this matter, when acquiring or disposing assets.
- III. Information required to be publicly announced and reported in accordance with the provisions of the Article 15 on acquisitions and disposals of assets by the Company's subsidiary that is not itself a public company in Taiwan shall be reported by the Company.

IV. The paid-in capital or total assets of the Company shall be the standard applicable to a subsidiary referred to in the preceding paragraph in determining whether, relative to paid-in capital or total assets, it reaches a threshold requiring public announcement and regulatory filing under Article 15, paragraph 1.

Article 18 For the calculation of 10 percent of total assets under these Regulations, the total assets stated in the most recent parent company only financial report or individual financial report prepared under the Regulations Governing the Preparation of Financial Reports by Securities Issuers shall be used.

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

Article 19 Penalties

Where the employees of the Company handling acquisition and disposal of assets violate the provisions of these Procedures, the employees shall be reported for ~~regular~~ performance appraisal pursuant to the Company's personnel management procedures and work rules and disciplined subject to seriousness of the case.

Article 20 Other matters

With respect to the Company's acquisition or disposal of assets that is subject to the approval of the Board of Directors under the Company's procedures or other laws or regulations, if a director expresses dissent and it is contained in the minutes or a written statement, the Company shall submit the director's dissenting opinion to Audit Committee.

When a transaction involving the acquisition or disposal of assets is submitted for discussion by the Board of Directors pursuant to the preceding paragraph, the Board of Directors shall take into full consideration each independent director's opinions. If an independent director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the Board of Directors meeting.

Any transaction involving major assets or derivatives shall be approved by more than half of all Audit Committee members and submitted to the Board of Directors for a resolution, and shall be subject to mutatis mutandis application of Article 20, paragraphs III and IV.

Article 21 Implementation and Amendment

These Procedures shall be approved by one-half or more of all Audit Committee members, submitted to the Board of Directors for resolutions, and proposed at the shareholders' meeting for approval; the same applies when the Procedures are amended. Where any director expresses dissent and it is contained in the minutes or a written statement, the Company shall submit the dissenting opinion to the Audit



Committee and for discussion by the shareholders' meeting.

When it submits the Procedures for discussion by the Board of Directors pursuant to the preceding paragraph, the Board of Directors shall take into full consideration each independent director's opinions. If an independent director expresses any dissent or reservation, it shall be specifically recorded in the minutes of the Board of Directors meeting.

If the approval of one-half or more of all Audit Committee members as required in paragraph I is not obtained, the Procedures may be implemented if approved by two-thirds or more of all directors, and the resolution of the Audit Committee shall be recorded in the minutes of the Board of Directors meeting.

The terms "all Audit Committee members" in paragraph I and "all directors" in the preceding paragraph shall be counted as the actual number of persons currently holding those positions.

#### Article 22 Additional Provisions

Any unspecified terms in these Procedures shall be subject to the relevant statutory rules and regulations.

The Procedures for Acquisition or Disposal of Assets was established on May 1, 2002.

The 1st amendment was made on March 24, 2003.

The 2nd amendment was made on June 13, 2007.

The 3rd amendment was made on June 13, 2008.

The 4th amendment was made on June 27, 2012.

The 5th amendment was made on June 13, 2013.

The 6th amendment was made on June 11, 2014.

The 7th amendment was made on June 13, 2017.

The 8th amendment was made on June 10, 2019.

The 9th amendment was made on June 18, 2020.

The 10th amendment was made on June 27, 2022.