

Stock Code: 6123



# Agenda Handbook

2023 Annual General Shareholders' Meeting

Meeting Format: Physical meeting

Meeting Time: 9 a.m., 14 June 2023 (Wednesday)

Meeting Location: No. 28, Lane 420, Section 5, Chenggong Road,  
Neihu District, Taipei City (Kang Ning Service Apartment)

**GrandTech C.G. Systems Inc.**  
**2023 General Shareholders' Meeting**  
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**GrandTech C.G. Systems Inc.**  
**2023 Shareholders' Meeting Agenda**

**A. Meeting Format: Physical meeting**

**B. Meeting Time: 9 a.m., 14 June 2023 (Wednesday)**

**C. Meeting Location: No. 28, Lane 420, Section 5, Chenggong Road, Neihu District, Taipei City (Kang Ning Service Apartment)**

**D. Meeting Procedure:**

**(A) Meeting Called to Order**

**(B) Chairman's Speech**

**(C) Reported Matters**

1. 2022 business report
2. Audit committee report on review of 2022 closing statements
3. Report on 2022 employee and director remuneration distribution
4. Report on 2022 profit distribution through cash dividend

**(D) Approval Matters**

1. Approval of 2022 closing statements

**(E) Discussion Matters**

1. Amendment to certain clauses of the Company's Procedure for Acquisition or Disposal of Assets
2. Amendment to certain clauses of the Company's Procedure for Loaning of Funds and Making of Endorsements/Guarantees by Public Companies
3. Discussion on proposed released of shares by stage in a subsidiary by the Company and its controlled entities/affiliates and waiver of participation in planned capital increase in cash in the context of contemplated OTC listing plan of the subsidiary

**(F) Motions**

**(G) Adjournment**

## **【Reported Matters】**

### **A. 2022 General Business Report.**

Illustration: Please refer to Appendix A on page 6 of this handbook.

### **B. Audit Committee Report on 2022 Closing Statements.**

Illustration: Please refer to Appendix B on page 11 of this handbook.

### **C. Report on 2022 Distribution of Employee and Director Remuneration**

Illustration:

1. The Company has profit of NT\$339,451,878 in 2022. According to Article 24 of the Company's Articles of Association, after compensating losses, 0.8% of the Company's profit before tax from the current year excluding employee remuneration and director remuneration will be provisioned as director remuneration, totaling NT\$2,852,537, and 4% provisioned as employee remuneration, totaling NT\$14,262,684.
2. Employee and director remuneration will be issued in cash.
3. The target of employee remuneration will include employees of the Company and certain employees of subsidiaries meeting certain conditions. The chairman is granted full authorization to determine the amount to be issued in consideration of seniority, job level, work performance, overall contribution or special merits, as well as to determine which employees are qualified.
4. The amounts of the above resolution are consistent with the provisions made in 2022.

### **D. Report on 2022 Profit Distribution through Cash Dividend**

Illustration: The Company approved profit distribution of NT\$77,745,731 through cash dividend in the second-quarter board meeting. NT\$1.35 per share was distributed in cash, which has been completed on 18 January 2023. The fourth-quarter board meeting approved profit distribution of NT\$232,835,363 through cash dividend. NT\$3.75 per share will be distributed in cash. Minimum unit of cash dividend distribution is one dollar (ignoring fractions after the decimal point). Non-distributed fractional amount shall be included as other income of the Company.

## 【Approval Matters】

### Agenda 1 (Proposed by Board of Directors)

Subject: 2022 closing statements are submitted for approval.

Illustration:

1. The Company's 2022 statutory financial reports and consolidated financial reports have been audited by CPAs JUANLU, MAN-YU and FENG, MIN-CHUAN from PricewaterhouseCoopers Taiwan. Please refer to Appendix B on page 11 of this handbook.
2. For the above statements audited by the audit committee and the business report and profit distribution statement, please refer to Appendix A and Appendix D on pages 6 and 31 of this handbook.
3. Submission for approval.

Resolution:

## 【Discussion Matters】

### Agenda 1 (Proposed by Board of Directors)

Subject: Proposal to amend certain clauses of the Company's Procedure for Acquisition or Disposal of Assets.

Illustration:

1. In accordance with the actual operating requirements of the group, it is proposed that certain clauses of the Company's Procedure for Acquisition or Disposal of Assets be amended.
2. Amended clauses of the Company's Procedure for Acquisition or Disposal of Assets (please see Appendix E on page 39 of this handbook).
3. Submission for decision.

Resolution:

### Agenda 2 (Proposed by Board of Directors)

Subject: Proposal to amend certain clauses of the Company's Procedure for Landing of Funds, Endorsement and Guarantee.

Illustration:

1. In accordance with the actual operating requirements of the group, it is proposed that certain clauses of the Company's Procedure for Landing of Funds, Endorsement and Guarantee be amended.
2. Amended clauses of the Company's Procedure for Landing of Funds, Endorsement and Guarantee (please see Appendix F on page 62 of this handbook).
3. Submission for decision.

Resolution:

### **Agenda 3 (Proposed by Board of Directors)**

**Subject:** In accordance with the contemplated OTC listing plan of the subsidiary, the Company and its controlled entities or affiliates may release shares in such subsidiary by stage and waive participation in the planned capital increase in cash.

**Illustration:**

1. In order to continue the GrandTech group transportation project and in accordance with the operating development of the subsidiary GrandTech Cloud Services Inc. (hereinafter "GrandTech Cloud"), attraction and retention of talents, consolidation of internal and external resources of the group, introduction of strategic investors or financial investors and diversification of equity stake in the context of the OTC listing application plan, it is proposed that, while maintaining control by the Company and its controlled entities or affiliates (hereinafter collectively, the "Company and Affiliates") over GrandTech Cloud (as illustrated in point 5 below), when GrandTech issues new shares (if any) under capital increase in cash in one or several occasions before OTC listing, the Company and Affiliates may release shares or waive subscription to all or part of the shares. They may also dispose of part of the shares they hold in the subsidiary with contemplated OTC listing in the following manner in one or several occasions.
2. Waiver of subscription to capital increase in cash: The issue price under GrandTech Cloud's capital increase in cash shall not be lower than the net worth per share listed in the latest CPA audited or certified financial statements before the board meeting in which the Company resolves to increase its capital in cash. In accordance with the group's rules about application for OTC listing and against OTC listing in relation to equity diversification by the parent company through the lowering of shareholding percentage in the subsidiaries, other than 10-15% of the shares issued under capital increase in cash that should be reserved for subscription by employees of GrandTech and certain employees of its controlled entities or affiliates meeting certain conditions in accordance with the law and full provision for public listing and underwriting in accordance with Article 28-1 of the Securities and Exchange Act and applicable legislations, the Company and Affiliates may waive subscription to shares issued by GrandTech Cloud under capital increase in cash and procure that GrandTech contact specific persons to subscribe to these waived shares. In principle, priority is first given to qualified shareholders of the Company, followed by employees of the Company and Affiliates and strategic investors or financial investors who are helpful to the operating development of GrandTech Cloud, granting them invitations for subscription offers. "Qualified shareholders of the Company" mean shareholders listed in the shareholders register as of the latest share transfer suspension date of the Company when GrandTech Cloud shares are available for subscription. The number of new shares available for subscription under GrandTech Cloud's capital increase in cash shall be calculated in proportion to the number of shares held by such shareholders (consolidation may be allowed among shareholders of the Company in accordance with applicable rules at the time). However, matters such as the actual issue price under capital increase in cash, contact with specific persons, procedure and schedule, etc. shall be in accordance with the resolution of the board of directors of GrandTech.

3. Disposal of GrandTech Cloud Shares: The price at which the Company and Affiliates dispose of their shares in GrandTech Cloud shall not be lower than the net worth per share listed in the latest CPA audited or certified financial statements of GrandTech Cloud before the board meeting in which each company resolves to dispose of the shares (or the market share at the time, if such shares are already traded by securities dealers). In accordance with the group's rules about application for OTC listing and against OTC listing in relation to equity diversification by the parent company through the lowering of shareholding percentage in the subsidiaries, in the selection of transaction counterparts when the Company and Affiliates dispose of the GrandTech Cloud shares they hold, priority should be given to qualified shareholders of the Company as stated above, followed by employees of GrandTech Cloud, employees of the Company and Affiliates and strategic investors or financial investors who are helpful to the operating development of GrandTech in principle. It is proposed that the shareholders' meeting authorize the board of directors of the Company to determine matters such as actual transaction price, contact with transaction counterparts, procedure and schedule, etc. based on the market situation and operating status of GrandTech Cloud at the time, subject to compliance with the Company's Procedure for Acquisition or Disposal of Assets at the time.
4. For the share release required when GrandTech Cloud seeks registration for listing on the emerging market or OTC market in the future, the Company and Affiliates shall provide shares for subscription by securities dealers and follow oversubscription and distribution procedures in accordance with applicable legislations and OTC listing related rules. The number of shares provided and the price thereof shall be determined together with the underwriters in accordance with applicable legislations, OTC listing related rules, market status at the time and the status of each contemplated OTC listing.
5. After the above share release or waiver of subscription under capital increase in cash is completed, consolidated direct or indirect shareholding by the Company and Affiliates over GrandTech Cloud shall remain not less than 55% at the time of OTC listing in order to maintain control and group synergy.
6. It is proposed that the general shareholders' meeting grant an authorization to the board of directions to handle the above matters related to the release of shares or waiver of subscription under capital increase in cash by GrandTech Cloud, etc. with full discretion.
7. Submission for decision.

Resolution:

**【Motions】**

**【Adjournment】**

## 【Appendix A】

### GrandTech C.G. Systems Inc.

#### 2022 Business Report

In 2022, the political and economic situation around the globe was unpredictable and turbulent. Inflation and interest rate rises followed by the difficult Russia-Ukraine war, in addition to the pandemic and Zero Covid lockdown policy implemented in China, all affected and disrupted global supply chains, had a subsequent negative impact on business expansion and economic activities, and resulted in the suspension of economic recovery. Although these factors interfere with and impact delivery dates and supply, GrandTech C.G. Systems Inc. still strived to reduce the impact of external factors and invested all efforts to strengthen operational performance. After years of transformation and exploration, we have developed a new business and profit model, and operating performance has significantly improved. An overview of business operations in 2022 and the outlook of business operations in 2023 are noted below:

#### A. 2022 Operation Overview

##### (A) 2022 Business Plan Implementation Results

With effort from all business teams in this group to increase turnover and profitability, the consolidated annual revenue was NT\$ 5,286,819,000 in 2022; 7% growth compared to the previous year. The operating income was NT\$ 427,561,000, net income after tax attributed to the parent company was NT\$ 320,201,000 and NT\$5.49 Earnings per share after tax. Overall profitability hit a record high.

Relevant data may be referred to for the profit and loss in the same period as below:

Unit: NT\$ Thousand

Item Year	2022	2021	Increase (Decrease)	YoY Rate increase (decrease)
Operating Revenue	5,286,819	4,935,845	350,974	7%
Operating Income	427,561	412,508	15,053	4%
Net Income After Tax	389,412	351,923	37,489	11%
Net income after tax of the parent company	320,201	279,937	40,264	14%
Earnings per share after tax (NT\$)	5.49	4.87	0.62	13%



The overall turnover of GrandTech C.G. System Inc. in 2022 was better than the previous year; annual growth of regular income was 17%. GrandTech introduced a new business model with the advantages of being an operator for transformation, and increased regular income from cloud services and digital printing business. The overall Operating Income increased due to stabilization and improved compared to the same period in the previous year, while operating income, net income after tax attributed to the parent company, and EPS performance all hit record highs.

GrandTech C.G. Systems Inc. has continued to strengthen its core market competitiveness and focused on its advantageous growth strategy to transform and develop the three major business groups, including cloud value-added operations and techniques, digital printing, and enterprise clients business, to achieve synergistic growth while increasing the percentage of ARR (Annual Recurring Revenue). We expect to leverage our advantages in various businesses groups to develop service products, not only to serve enterprise clients, but also to ensure that our clients can achieve success effectively with the service products provided by GrandTech C.G. Systems Inc., and increase the customer lifetime value of the company.

Long-term development and sustainable operations are our goals. The cloud service and digital printing business are the dual engines of growth of the corporate group. We have to increase investment in IaaS infrastructure and related services, as well as optimize the value-added system of cloud services. In addition, we must strengthen the competitiveness of the team, cultivating new markets diligently to meet customer needs, and continuing to network and cooperate with domestic and overseas start-up companies through strategic alliances, expanding the Greater SEA overseas market and building a powerful transnational cloud ecosystem to satisfy client needs.

Printing technology is advancing under the trend of digital intelligence. Digital equipment and intelligence management is gaining influence. Digital intelligence brings the business opportunities of industrial restructuring by way of disruptive innovation. GrandTech C.G. Systems Inc. is well aware that to seize such great business opportunities, it requires commitment to cultivating and choosing the right clients to enable the power of digital printing and the capability of selling products to the global market. It is this way we will expand the business territory of our clients. Revolutionary innovations on smart packaging, labels, and material applications are also required. Moreover, in utilizing the business opportunity of the internet economy driven by one item, one QR code for various packaging, we can therefore provide small amount, various selection, mass customization services for the market. We are expanding in the local market in Taiwan at a steady pace, and are heading towards the world across borders with our clients and partners to establish a circle of sustainable management.

The domestic and overseas investment subsidiaries of GrandTech C.G. Systems Inc. utilize their business advantages and continue to grow. We provide our enterprise clients with cyber security-related integration services and solutions that have gained recognition in the international cyber security industry, aimed at market expansion in various fields, such as education, telecommunications, and logistics, not only establishing a solid backup force for corporate operations, but also providing comprehensive support for client businesses to be successful.

(B) 2022 budget implementation status: the company is not required to publicize the financial forecast and therefore is unapplicable.

(C) Analysis of Financial Income and expenses and profitability 2022:

Unit: NT\$ Thousand

Analysis	Item	Parent company	Group
Revenue and Expenditure	Operating income	620,433	5,286,819
	Gross Profit	187,012	878,826
	Net Income	320,201	389,412
Profitability	Return on Assets%	15.86	13.64
	Return on Equity %	25.83	25.39
	Profit Before Tax to Capital Stock %	54.67	75.83
	Operating Income to Capital %	15.55	68.86
	Net Profit Margin %	51.61	7.42
	EPS(NT\$)	5.49	5.49

(D) To strengthen the advantages of product services, the company has set up a research and development unit to develop client value-added service platform systems, and provide optimized management and analysis, as well as other additional online services.

## **B. The Business Plan of 2023**

### **(A) Business policy**

1. Adhere to the core value of "Entrepreneurs' Paradise" to build an entrepreneurial leadership management platform, and continue to strengthen financial support, risk management, mentor consultation, experience and resource sharing, and performance supervision.
2. Introduce "Internet+" and infuse innovative thinking into operations and the management platform to expand the business scale and increase operational performance.
3. Facing the challenges of market changes and industry shift with the spirit of "Entrepreneurship and Innovation" to establish sustainable development in the company's foundations.
4. Extend the thinking of new clients with an international perspective, market-leading insights, and innovative management models to improve clients' satisfaction and grow with customers, developing a "clients are our partners" business circle and model.

(B) Estimated sales amount: The company is not required to disclose financial forecasts in compliance with regulations, so this is therefore non-applicable.

## **C. Future Development Strategy**

With a sound financial structure and management, GrandTech C.G. Systems Inc. promotes cross-regional cooperation plans and pursues maximum business profits. As a pioneering company, we leverage our advantages, focusing on the provision of multi-cloud value-added services and other IaaS and SaaS services to expand the deployment of overseas markets and recruit new start-up businesses as clients with great potential to enter the global market. Choosing the right clients in digital printing empowers the applications of innovative technologies of digital printing in innovative fields in various ways, enabling us not only to grow rapidly in the global market, but also to establish strategic partnerships with clients and enhance customer loyalty and success. Our aim is also to expand business scale and increase operational performance. Through external investments and mergers, we are able to introduce potential businesses and services, recruit talent with entrepreneurial characteristics, and increase the proportion of business mergers to actively expand the group's territory and increase profit.

#### **D.The impact of the external competitive environment, regulatory environment, and overall economic environment**

The pressure caused by global inflation and interest rate hikes in 2022 will continue into 2023. Although the investment and demand of information technology in enterprises and service markets remain stable, the rise of IT costs will affect IT expense plans in 2023. Despite inflation having a great effect on the consumption power of the overall market, enterprises are still forced to reduce IT expenses and suspend project procurement; on the other hand, with the technological development of artificial intelligence, the metaverse, and blockchain, enterprises will still continue to invest in IT, but focus on operating capacity maintenance. We hope that countries around the globe will value the importance of private consumption in terms of economic growth, and we therefore urge the government to effect policies that promote investment, strengthen domestic demand, and assist enterprise clients to focus on the upgrade, transformation, and innovation of digitalization. The advantages of digitalization, needless to say, will strengthen the competitiveness of enterprises in these difficult times.

Regarding the regulatory environment, the company has completely adopted the IFRS (International Financial Reporting Standards), and complies with the relevant regulations of the competent authority to disclose information in a timely manner.

GrandTech C.G. Systems Inc. sincerely appreciates the long-term support and positive recognition of all shareholders so that we can focus on building a better operating foundation and continue to progress. Although the recovery of the global economy is still difficult and full of challenges, we are committed to our original aim and enthusiasm to implement lean management in group businesses, leading our employees to achieve their goals together, and make great contributions that add value to our shareholders and society. We believe that GrandTech C.G. Systems Inc. will write another a new page in 2023 and sincerely ask our shareholders to continue supporting and encouraging us.

Thank you!

Chairman: HSU, CHENG-CHIANG

General Manager: NGOI, MIEW- HUAT

Chief Accountant: HUANG, SHU-CHEN

## 【Appendix B】

### INDEPENDENT AUDITORS' REPORT TRANSLATED FROM CHINESE

To the Board of Directors and Shareholders of GrandTech C.G, Systems Inc.

#### ***Opinion***

We have audited the accompanying consolidated balance sheets of GrandTech C.G. System Inc. and its subsidiaries (the "Group") as at December 31, 2022 and 2021, 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 significant accounting policies.

In our opinions, based on our audits and the reports of other independent accountants (please refer to Other matter-audits of the other independent accountants section of our report), the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2022 and 2021, 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 Auditing and Attestation of Financial Statements by Certified 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. Based on our audits and the reports of other independent accountants, we believe that 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 2022 consolidated financial statements of the current period. 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.

### ***Valuation of allowance for uncollectible accounts***

#### **Description**

Refer to Note 4(11) for accounting policy on allowance for uncollectible accounts valuation, Note 5(2) for accounting estimates and assumption uncertainty in relation to accounts receivable valuation, and Note 6(5) for description of allowance for uncollectible accounts. As of December 31, 2022, the Company's accounts receivable and allowance for uncollectible accounts amounted to NT\$613,325 thousand and NT\$6,968 thousand, respectively.

The Group estimates possible expected credit loss for its accounts receivable based on historical experience, prospective information, and other known causes or existing objective evidence. The Group recognises the accounts receivable that may not be recovered as a deduction item to accounts receivable in the period of valuation and the Group reassesses the reasonableness of the loss valuation periodically. The valuation of allowance for uncollectible accounts involves management's subjective judgement, various industry business indicators, or subsequent accounts' recoverability. Considering that the Group's accounts receivable and allowance for uncollectible accounts are significant to the financial statements, we considered the valuation of allowance for uncollectible accounts a key audit matter.

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

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

1. Evaluated the reasonableness of provision policies and procedures on the Group's allowance for uncollectible accounts based on the understanding of accounting principles and the Group's operations and Credit Quality Control Policy, including the reasonableness of group classification and aging analysis for deciding the Credit Quality Control Policy.
2. Obtained the aging report used for evaluating expected credit loss rate of accounts receivable considered by the management and tested the correctness of the aging report.

3. Assessed the reasonableness of expected credit loss valuation based on the provision matrix and obtained relevant supporting documentation, including prospective adjustments, collection status after the balance sheet date and indicators showing the inability of customers to repay on time.
4. Tested the correctness of calculation of provision for loss allowance based on the provision matrix.

### ***Valuation of inventory***

#### **Description**

Refer to Note 4(14) for accounting policy on inventory valuation, Note 5(2) for accounting estimates and assumption uncertainty in relation to inventory valuation, and Note 6(6) for description of allowance for inventory valuation losses. As of December 31, 2022, the Company's inventories and allowance for inventory valuation losses amounted to NT\$281,245 thousand and NT\$33,466 thousand, respectively. The Group is engaged mainly in operating wholesale, retail and selling computers and its peripheral products. Since the product's life cycle is short and is affected by market competition, there is a higher risk of incurring inventory valuation losses. The Group's inventories are measured at the lower of cost and net realisable value, and the Group's determination of net realisable value for inventories involves subjective judgement resulting in a high degree of estimation uncertainty. Considering the Group's inventories and the allowance for inventory valuation losses are material to financial statements, we considered the estimation of the allowance for inventory valuation losses a key audit matter.

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

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

1. Assessed the reasonableness of provision policies and procedures for allowance for inventory valuation losses based on our understanding of the Group's operations and industry.
2. Evaluated the reasonableness of individually identified obsolete or slow-moving inventories and related supporting documents, and verified against the information obtained from the physical inventory count observation.
3. Tested the lower of cost and net realisable value report, including Performed verification of logic in the net realisable value calculation and supporting documents for the net realisable value, and assessed the reasonableness of the Group's determination of allowance for inventory valuation losses.

***Emphasis of matter***

According to the Accounting Research And Development Foundation Interpretation 0000000535, Accounting of Prepayment for Acquisition of Cloud Computing Arrangement, the Group reclassified the cloud computing arrangement which was formerly accounted as intangible assets on December 31, 2022, December 31, 2021 and January 1, 2021 to current and non-current prepayments to suppliers based on the liquidity, we did not modified the audit opinion due to the aforementioned reason.

***Other matter - audits of the other independent accountants***

We did not audit the financial statements of a wholly-owned consolidated subsidiary and investments accounted for under the equity method that were included in the financial statements. Total assets of the subsidiary (including investments accounted for using the equity method) amounted to NT\$1,032,158 thousand and NT\$310,496 thousand, constituting 32% and 11% of consolidated total assets as at December 31, 2022 and 2021, respectively. Operating revenue of the subsidiary (including share of profit of associates and joint ventures accounted for using the equity method) amounted to NT\$1,314,545 thousand and NT\$247,450 thousand, constituting 25% and 5% of consolidated total operating revenue for the years ended December 31, 2022 and 2021, respectively.

***Other matters – parent company only financial reports***

We have audited and expressed an unqualified opinion on the parent company only financial statements of Grand Tech C.G. Systems Inc. as at and for the years ended December 31, 2022 and 2021.

***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 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 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.

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Juanlu, Man-Yu

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Feng, Min-Chuan

For and on Behalf of PricewaterhouseCoopers, Taiwan

March 3, 2023

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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.

**GRANDTECH C.G. SYSTEMS INC. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
**DECEMBER 31, 2022, DECEMBER 31, 2021 AND JANUARY 01, 2021**  
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Assets		Notes	December 31, 2022		(adjusted) December 31, 2021		(adjusted) January 1, 2021	
			AMOUNT	%	AMOUNT	%	AMOUNT	%
Current assets								
1100	Cash and cash equivalents	6(1)	\$ 1,395,488	43	\$ 1,261,625	46	\$ 913,623	34
1110	Financial assets at fair value	6(2)						
	through profit or loss - current		-	-	1,209	-	4,197	-
1136	Current financial assets at	6(4)						
	amortised cost, net		60,816	2	88,462	3	115,079	4
1150	Notes receivable, net	6(5)	19,496	1	30,563	1	21,072	1
1170	Accounts receivable, net	6(5)	606,357	19	459,370	17	745,159	28
1197	Finance lease receivable, net	6(10)	55,539	2	86,682	3	106,317	4
1200	Other receivables		19,521	1	9,680	-	59,017	2
130X	Inventory	6(6)	247,779	8	182,176	7	206,350	8
1410	Prepayments	5(1)	142,175	4	87,520	3	44,953	2
1470	Other current assets		6,454	-	2,771	-	3,100	-
11XX	Current Assets		2,553,625	80	2,210,058	80	2,218,867	83
Non-current assets								
1510	Financial assets at fair value	6(2)						
	through profit or loss - noncurrent		208,278	6	148,085	5	100,755	4
1517	Non-current financial assets at fair	6(3)						
	value through other comprehensive							
	income		8,479	-	11,000	1	9,595	-
1600	Property, plant and equipment	6(7) and 8	150,164	5	147,112	5	145,646	5
1755	Right-of-use assets	6(9)	42,602	1	61,183	2	17,019	1
1780	Intangible assets	5(1) and 6(8)	35,434	1	34,465	1	81,513	3
1840	Deferred income tax assets	6(25)	26,066	1	25,374	1	26,601	1
1900	Other non-current assets	5(1), 6(11)(14)	183,828	6	132,659	5	76,499	3
15XX	Non-current assets		654,851	20	559,878	20	457,628	17
1XXX	Total assets		\$ 3,208,476	100	\$ 2,769,936	100	\$ 2,659,221	99

(Continued)

**GRANDTECH C.G. SYSTEMS INC. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
**DECEMBER 31, 2022, DECEMBER 31, 2021 AND JANUARY 01, 2021**  
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Liabilities and Equity			Notes		December 31, 2022		(adjusted) December 31, 2021		(adjusted) January 1, 2021		
					AMOUNT	%	AMOUNT	%	AMOUNT	%	
Current liabilities											
2100	Short-term borrowings	6(12) and 8	\$	580,000	18	\$	660,000	24	\$	510,000	19
2110	Short-term notes and bills payable			-	-		-	-		59,980	2
2130	Current contract liabilities	6(19)		95,716	3		115,487	4		99,883	4
2150	Notes payable			-	-		2,310	-		1,496	-
2170	Accounts payable			468,396	14		351,689	13		393,543	15
2200	Other payables	6(13)		188,536	6		193,991	7		204,840	8
2230	Current income tax liabilities			25,696	1		35,444	1		31,544	1
2280	Current lease liabilities			31,661	1		24,707	1		8,055	-
2300	Other current liabilities			19,298	1		23,548	1		50,321	2
21XX	Current Liabilities			1,409,303	44		1,407,176	51		1,359,662	51
Non-current liabilities											
2570	Deferred income tax liabilities	6(25)		2,514	-		1,616	-		1,566	-
2580	Non-current lease liabilities			16,159	1		30,760	1		9,397	-
2600	Other non-current liabilities	6(14)		5,519	-		15,205	1		18,195	1
25XX	Non-current liabilities			24,192	1		47,581	2		29,158	1
2XXX	Total Liabilities			1,433,495	45		1,454,757	53		1,388,820	52
Equity											
Equity attributable to owners of parent											
	Share capital	6(16)									
3110	Share capital - common stock			620,894	19		575,894	21		590,374	22
	Capital surplus	6(17)									
3200	Capital surplus			242,213	8		145,448	5		193,311	7
	Retained earnings	6(18)									
3310	Legal reserve			243,846	8		214,462	7		186,401	7
3320	Special reserve			144,305	4		137,764	5		92,140	4
3350	Total unappropriated retained earnings (accumulated deficit)			228,440	7		113,606	4		154,569	6
	Other equity interest										
3400	Other equity interest		(	43,435)	( 1)	(	144,306)	( 5)	(	104,378)	( 4)
3500	Treasury stocks	6(16)		-	-		-	-	(	88,938)	( 3)
31XX	Equity attributable to owners of the parent			1,436,263	45		1,042,868	37		1,023,479	39
36XX	Non-controlling interest	6(27)		338,718	10		272,311	10		246,922	9
3XXX	Total equity			1,774,981	55		1,315,179	47		1,270,401	48
	Significant contingent liabilities and unrecognised contract commitments	9									
	Significant events after the balance sheet date	11									
3X2X	Total liabilities and equity		\$	3,208,476	100	\$	2,769,936	100	\$	2,659,221	100

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

**GRANDTECH C.G. SYSTEMS INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**YEARS ENDED DECEMBER 31, 2022 AND 2021**  
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

			Year ended December 31			
			2022		2021	
			AMOUNT	%	AMOUNT	%
Items	Notes					
4000	Sales revenue	6(19)	\$ 5,286,819	100	\$ 4,935,845	100
5000	Operating costs	6(6)(24)	( 4,409,442)	( 83)	( 4,080,880)	( 83)
5900	Net operating margin		877,377	17	854,965	17
	Operating expenses	6(24)				
6100	Selling expenses		( 295,574)	( 6)	( 297,336)	( 6)
6200	General & administrative expenses		( 147,270)	( 3)	( 140,585)	( 3)
6300	Research and development expenses		( 4,413)	-	( 4,230)	-
6450	Impairment loss (impairment gain and reversal of impairment loss) determined in accordance with IFRS 9	12(2)	( 2,559)	-	( 306)	-
6000	Total operating expenses		( 449,816)	( 9)	( 442,457)	( 9)
6900	Operating profit		427,561	8	412,508	8
	Non-operating income and expenses					
7100	Interest income	6(20)	20,500	-	9,650	-
7010	Other income	6(21)	7,099	-	7,418	-
7020	Other gains and losses	6(22)	32,562	1	8,891	-
7050	Finance costs	6(23)	( 19,379)	-	( 11,606)	-
7000	Total non-operating revenue and expenses		40,782	1	14,353	-
7900	Profit before income tax		468,343	9	426,861	8
7950	Income tax expense	6(25)	( 78,931)	( 1)	( 74,938)	( 2)
8200	Profit for the year		\$ 389,412	8	\$ 351,923	6

(Continued)

**GRANDTECH C.G. SYSTEMS INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**YEARS ENDED DECEMBER 31, 2022 AND 2021**  
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

	Items	Notes	Year ended December 31			
			2022		2021	
			AMOUNT	%	AMOUNT	%
8311	Other comprehensive income, before tax, actuarial gains (losses) on defined benefit plans	6(14)	\$ 625	-	(\$ 1,122)	-
8316	Unrealised gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	6(3)	( 521)	-	1,405	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(25)	( 126)	-	224	-
8310	Components of other comprehensive income that will not be reclassified to profit or loss		( 22)	-	507	-
	<b>Components of other comprehensive income that will be reclassified to profit or loss</b>					
8361	Financial statements translation differences of foreign operations		114,984	2	( 56,215)	( 1)
8360	Components of other comprehensive income that will be reclassified to profit or loss		114,984	2	( 56,215)	( 1)
8300	<b>Other comprehensive income for the year</b>		<u>\$ 114,962</u>	<u>2</u>	<u>(\$ 55,708)</u>	<u>( 1)</u>
8500	<b>Total comprehensive income for the year</b>		<u>\$ 504,374</u>	<u>10</u>	<u>\$ 296,215</u>	<u>5</u>
	Profit (loss), attributable to:					
8610	Owners of the parent		\$ 320,201	7	\$ 279,937	5
8620	Non-controlling interest		69,211	1	71,986	1
	New Item		<u>\$ 389,412</u>	<u>8</u>	<u>\$ 351,923</u>	<u>6</u>
	Comprehensive income attributable to:					
8710	Owners of the parent		\$ 421,571	8	\$ 239,111	4
8720	Non-controlling interest		82,803	2	57,104	1
	New Item		<u>\$ 504,374</u>	<u>10</u>	<u>\$ 296,215</u>	<u>5</u>
	Basic earnings per share	6(26)				
9750	Total basic earnings per share		<u>\$ 5.49</u>		<u>\$ 4.87</u>	
	Diluted earnings per share	6(26)				
9850	Total diluted earnings per share		<u>\$ 5.46</u>		<u>\$ 4.85</u>	

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

**GRANDTECH C.G. SYSTEMS INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
**YEARS ENDED DECEMBER 31, 2022 AND 2021**  
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

	Equity attributable to owners of the parent								Non-controlling interest	Total equity
	Notes	Retained Earnings			Other equity interest					
		Share capital - common stock	Total capital surplus, additional paid-in capital	Legal reserve	Special reserve	Total unappropriated retained earnings (accumulated deficit)	Financial statements translation differences of foreign operations	Total Unrealised gains (losses) from financial assets measured at fair value through other comprehensive income		
Year ended December 31, 2021										
Balance at January 1, 2021		\$ 590,374	\$ 193,311	\$ 186,401	\$ 92,140	\$ 154,569	\$ 103,973 )	\$ 405 )	\$ 88,938 )	\$ 1,023,479
Profit		-	-	-	-	279,937	-	-	-	279,937
Other comprehensive income		-	-	-	-	( 898 )	( 41,333 )	1,405	-	( 40,826 )
Total comprehensive income		-	-	-	-	279,039	( 41,333 )	1,405	-	( 55,708 )
Appropriations of 2020 earnings:	6(18)	-	-	-	-	-	-	-	-	239,111
Legal reserve		-	-	28,061	-	( 28,061 )	-	-	-	-
Special reserve		-	-	-	45,624	( 45,624 )	-	-	-	-
Cash dividends		-	-	-	-	( 196,407 )	-	-	-	( 196,407 )
Cash distributed from capital surplus	6(17)	-	( 44,148 )	-	-	-	-	-	-	( 44,148 )
Changes in ownership interests in subsidiaries	6(27)	-	( 101 )	-	-	-	-	-	-	( 101 )
Treasury shares transferred to employees		-	205	-	-	-	-	-	20,729	20,934
Cash dividends paid by subsidiaries	6(27)	-	-	-	-	-	-	-	-	( 43,777 )
Cancellation of treasury shares		( 14,480 )	( 3,819 )	-	-	( 49,910 )	-	-	68,209	-
Balance at December 31, 2021		\$ 575,894	\$ 145,448	\$ 214,462	\$ 137,764	\$ 113,606	( \$ 145,306 )	\$ 1,000	\$ -	\$ 1,042,868
Year ended December 31, 2022										
Balance at January 1, 2022		\$ 575,894	\$ 145,448	\$ 214,462	\$ 137,764	\$ 113,606	( \$ 145,306 )	\$ 1,000	\$ -	\$ 1,042,868
Profit		-	-	-	-	320,201	-	-	-	320,201
Other comprehensive income		-	-	-	-	499	101,392	( 521 )	-	101,370
Total comprehensive income		-	-	-	-	320,700	101,392	( 521 )	-	421,571
Cash capital increase	6(16)	45,000	175,500	-	-	-	-	-	-	504,374
Employee stock options exercised	6(17)	-	155	-	-	-	-	-	-	220,500
Appropriations of 2021 earnings:	6(18)	-	-	-	-	-	-	-	-	155
Legal reserve		-	-	29,384	-	( 29,384 )	-	-	-	-
Special reserve		-	-	-	6,541	( 6,541 )	-	-	-	-
Cash dividends		-	-	-	-	( 169,941 )	-	-	-	( 169,941 )
Cash distributed from capital surplus	6(17)	-	( 97,850 )	-	-	-	-	-	-	( 97,850 )
Changes in ownership interests in subsidiaries	6(27)	-	18,960	-	-	-	-	-	-	18,960
Cash dividends paid by subsidiaries	6(27)	-	-	-	-	-	-	-	29,571	48,531
Balance at December 31, 2022		\$ 620,894	\$ 242,213	\$ 243,846	\$ 144,305	\$ 228,440	( \$ 43,914 )	\$ 479	( 45,967 )	\$ 1,774,981

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



**GRANDTECH C.G. SYSTEMS INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**YEARS ENDED DECEMBER 31, 2022 AND 2021**

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

		Year ended December 31	
	Notes	2022	2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before tax		\$ 468,343	\$ 426,861
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation	6(24)	42,297	41,217
Amortisation	6(8)(24)	961	679
Expected credit loss	12(2)	2,559	306
Loss (Gain) on financial assests and liabilities at fairvalue through profit or loss	6(22)	( 6,540 )	5,907
Interest expense	6(23)	11,375	7,868
Interest revenue	6(20)	( 20,500 )	( 9,650 )
Dividend income	6(21)	( 7,019 )	( 7,310 )
Gain(Loss) on disposal of propetry, plant amd equipment	6(22)	( 1,353 )	229
Gains on disposal of financial assets at fair value through profit or loss	6(22)	( 205 )	-
Employee stock options	6(15)	155	-
Changes in operating assets and liabilities			
Changes in operating assets			
Notes receivable		16,665 (	9,473 )
Accounts receivable		( 149,541 )	285,291
Finance lease receivable, net		31,088	19,655
Other accounts receivable		( 9,841 )	49,337
Inventories		( 65,603 )	24,193
Other current assets		( 67,365 )	( 41,922 )
Other non-current assets		( 46,789 )	( 36,242 )
Changes in operating liabilities			
Contract liabilities		( 19,771 )	15,603
Notes payable		( 2,310 )	814
Accounts payable		116,707 (	41,854 )
Other payables		( 4,342 )	( 22,807 )
Other current liabilities		( 4,250 )	( 26,773 )
Cash inflow generated from operations		284,721	681,929
Interest received		20,500	9,650
Dividends received		7,019	7,310
Interest paid		( 11,062 )	( 7,772 )
Income tax paid		( 78,418 )	( 55,092 )
Net cash flows from operating activities		222,760	636,025

(Continued)

**GRANDTECH C.G. SYSTEMS INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**YEARS ENDED DECEMBER 31, 2022 AND 2021**

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

		Year ended December 31	
	Notes	2022	2021
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>			
Refund of financial assets at fair value through other comprehensive income	6(3) and 12(3)	\$ 2,000	\$ -
Disposal of financial assets at amortised cost-current		27,646	26,617
Disposal of financial assets at fair value through profit or loss		1,209	-
Acquisition of financial assets at fair value through profit or loss	12(3)	( 47,652 )	( 50,250 )
Acquisition of property, plant and equipment	6(7)	( 9,280 )	( 12,394 )
Proceeds from disposal of property, plant and equipment		1,373	220
Acquisition of intangible assets	6(8)	( 325 )	( 3,942 )
Decrease in other non-current assets		( 4,382 )	2,700
Net cash flows used in investing activities		( 29,411 )	( 37,049 )
<b><u>CASH FLOWS FROM FINANCING ACTIVITIES</u></b>			
(Decrease) Increase in short-term loans	6(28)	( 80,000 )	150,000
Decrease in short-term notes and bills payable	6(28)	-	( 60,000 )
Payments of lease liabilities	6(28)	( 17,540 )	( 32,297 )
Increase(Decrease) in other non-current liabilities		( 9,686 )	( 2,989 )
Cash dividends paid	6(18)	( 161,302 )	( 184,449 )
Cash distributed from capital surplus	6(17)	( 97,850 )	( 44,148 )
Cash dividends paid by subsidiaries - non-controlling interest	6(27)	( 45,967 )	( 43,777 )
Treasury shares transferred to employees		-	20,728
Acquisition of subsidiaries	6(27)	( 406 )	( 12,250 )
Changes in non-controlling interest	6(27)	29,977	23,893
Cash capital increase	6(16)	220,500	-
Net cash flows used in financing activities		( 162,274 )	( 185,289 )
Effect of foreign exchange rate		102,788	( 65,685 )
Net increase in cash and cash equivalents		133,863	348,002
Cash and cash equivalents at beginning of year	6(1)	1,261,625	913,623
Cash and cash equivalents at end of year	6(1)	\$ 1,395,488	\$ 1,261,625

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 GrandTech C.G, Systems Inc.

### ***Opinion***

We have audited the accompanying balance sheets of GrandTech C.G. System Inc. (the "Company") as at December 31, 2022 and 2021, and the related statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinions, based on our audits and the reports of other independent accountants (please refer to Other matter-audits of the other independent accountants section of our report), the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2022 and 2021, and its financial performance and its 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 Auditing and Attestation of Financial Statements by Certified 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 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. Based on our audits and the reports of other independent accountants, we believe that 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 2022 financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

### ***Valuation of allowance for uncollectible accounts***

#### **Description**

Refer to Note 4(9) for accounting policy on allowance for uncollectible accounts valuation, Note 5(2) for accounting estimates and assumption uncertainty in relation to accounts receivable valuation, and Note 6(4) for description of allowance for uncollectible accounts. As of December 31, 2022, the Company's accounts receivable and allowance for uncollectible accounts amounted to NT\$106,903 thousand and NT\$1,965 thousand, respectively.

The Company estimates possible expected credit loss for its accounts receivable based on historical experience, prospective information, and other known causes or existing objective evidence. The Company recognises the accounts receivable that may not be recovered as a deduction item to accounts receivable in the period of valuation and the Company reassesses the reasonableness of the loss valuation periodically. The valuation of allowance for uncollectible accounts involves management's subjective judgement, various industry business indicators, or subsequent accounts' recoverability. Considering that the Company's accounts receivable and allowance for uncollectible accounts are significant to the financial statements, we considered the valuation of allowance for uncollectible accounts a key audit matter.

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

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

1. Evaluated the reasonableness of provision policies and procedures on the Company's allowance for uncollectible accounts based on the understanding of accounting principles and the Company's operations and Credit Quality Control Policy, including the reasonableness of group classification and aging analysis for deciding the Credit Quality Control Policy.
2. Obtained the aging report used for evaluating expected credit loss rate of accounts receivable considered by the management and tested the correctness of the aging report.

3. Assessed the reasonableness of expected credit loss valuation based on the provision matrix and obtained relevant supporting documentation, including prospective adjustments, collection status after the balance sheet date and indicators showing the inability of customers to repay on time.
4. Tested the correctness of calculation of provision for loss allowance based on the provision matrix.

### ***Valuation of inventory***

#### **Description**

Refer to Note 4(12) for accounting policy on inventory valuation, Note 5(2) for accounting estimates and assumption uncertainty in relation to inventory valuation, and Note 6(5) for description of allowance for inventory valuation losses. As of December 31, 2022, the Company's inventories and allowance for inventory valuation losses amounted to NT\$92,968 thousand and NT\$15,948 thousand, respectively. The Company is engaged mainly in operating wholesale, retail and selling computers and its peripheral products. Since the product's life cycle is short and is affected by market competition, there is a higher risk of incurring inventory valuation losses. The Company's inventories are measured at the lower of cost and net realisable value, and the Company's determination of net realisable value for inventories involves subjective judgement resulting in a high degree of estimation uncertainty. Considering the Company's inventories and the allowance for inventory valuation losses are material to financial statements, we considered the estimation of the allowance for inventory valuation losses a key audit matter.

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

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

1. Assessed the reasonableness of provision policies and procedures for allowance for inventory valuation losses based on our understanding of the Company's operations and industry.
2. Evaluated the reasonableness of individually identified obsolete or slow-moving inventories and related supporting documents, and verified against the information obtained from the physical inventory count observation.
3. Tested the lower of cost and net realisable value report, including Performed verification of logic in the net realisable value calculation and supporting documents for the net realisable value, and assessed the reasonableness of the Company's determination of allowance for inventory valuation losses.

***Other matter - audits of the other independent accountants***

We did not audit the financial statements of investments accounted for under the equity method that were included in the financial statements. Total assets of the investments accounted for using the equity method amounted to NT\$544,664 thousand and NT\$307,564 thousand, constituting 24% and 16% of total assets as at December 31, 2022 and 2021, respectively. Operating revenue of the share of profit of investments accounted for using the equity method amounted to NT\$49,590 thousand and NT\$43,057 thousand, constituting 12% and 18% of total operating revenue for the years ended December 31, 2022 and 2021, respectively.

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

Management is responsible for the preparation and fair presentation of the 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 financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

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

1. Identify and assess the risks of material misstatement of the 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 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 financial statements, including the disclosures, and whether the 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 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.

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Juanlu, Man-Yu

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Feng, Min-Chuan

For and on Behalf of PricewaterhouseCoopers, Taiwan

March 3, 2023

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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.



GRANDTECH C.G. SYSTEMS INC.  
PARENT COMPANY ONLY BALANCE SHEETS  
DECEMBER 31, 2022 AND 2021

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Assets		Notes	December 31, 2022		December 31, 2021			
			AMOUNT	%	AMOUNT	%		
Current assets								
1100	Cash and cash equivalents	6(1)	\$	111,864	5	\$	80,913	4
1110	Financial assets at fair value through profit or loss - current	6(2)		-	-		1,209	-
1150	Notes receivable, net	6(4)		14,814	1		25,347	1
1170	Accounts receivable, net	6(4) and 7		104,938	5		82,265	4
1197	Finance lease receivable, net	6(9)		55,539	2		86,682	5
130X	Inventory	6(5)		77,020	3		44,577	3
1470	Other current assets	7		1,913	-		5,954	-
11XX	Current Assets			366,088	16		326,947	17
Non-current assets								
1510	Non-current financial assets at fair value through profit or loss	6(2)		100,755	5		100,755	5
1517	Non-current financial assets at fair value through other comprehensive income	6(3)		8,479	-		11,000	1
1550	Investments accounted for under equity method	6(6) and 7		1,630,778	73		1,328,811	70
1600	Property, plant and equipment	6(7), 7 and 8		105,437	5		105,600	6
1755	Right-of-use assets	6(8)		1,207	-		4,887	-
1780	Intangible assets	7		480	-		3,859	-
1840	Deferred income tax assets	6(23)		7,061	-		5,629	-
1900	Other non-current assets	6(12)		8,942	1		8,289	1
15XX	Non-current assets			1,863,139	84		1,568,830	83
1XXX	Total assets		\$	2,229,227	100	\$	1,895,777	100

(Continued)

GRANDTECH C.G. SYSTEMS INC.  
PARENT COMPANY ONLY BALANCE SHEETS  
DECEMBER 31, 2022 AND 2021

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Liabilities and Equity		Notes	December 31, 2022		December 31, 2021	
			AMOUNT	%	AMOUNT	%
Current liabilities						
2100	Short-term borrowings	6(10) and 8	\$ 540,000	24	\$ 660,000	35
2130	Current contract liabilities	6(17)	18,813	1	20,958	1
2170	Accounts payable	7	76,402	3	28,364	2
2200	Other payables	6(11) and 7	123,530	6	116,083	6
2230	Current income tax liabilities		12,124	1	3,952	-
2280	Current lease liabilities		1,225	-	3,667	-
2300	Other current liabilities		17,435	1	16,954	1
21XX	Current Liabilities		789,529	36	849,978	45
Non-current liabilities						
2570	Deferred income tax liabilities	6(23)	1,457	-	1,042	-
2580	Non-current lease liabilities		-	-	1,225	-
2600	Other non-current liabilities	6(6)	1,978	-	664	-
25XX	Non-current liabilities		3,435	-	2,931	-
2XXX	Total Liabilities		792,964	36	852,909	45
Equity						
	Share capital	6(14)				
3110	Share capital - common stock		620,894	28	575,894	31
	Capital surplus	6(15)				
3200	Capital surplus		242,213	11	145,448	8
	Retained earnings	6(16)				
3310	Legal reserve		243,846	11	214,462	11
3320	Special reserve		144,305	6	137,764	7
3350	Total unappropriated retained earnings (accumulated deficit)		228,440	10	113,606	6
	Other equity interest					
3400	Other equity interest		( 43,435 )	( 2 )	( 144,306 )	( 8 )
3XXX	Total equity		1,436,263	64	1,042,868	55
	New Item	9				
	New Item	11				
3X2X	Total liabilities and equity		\$ 2,229,227	100	\$ 1,895,777	100

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

GRANDTECH C.G. SYSTEMS INC.  
PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME  
YEARS ENDED DECEMBER 31, 2022 AND 2021  
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

		Year ended December 31			
Items	Notes	2022		2021	
		AMOUNT	%	AMOUNT	%
4000 Sales revenue	6(17) and 7	\$ 620,433	100	\$ 587,800	100
5000 Operating costs	6(5) and 7	( 432,535)	( 70)	( 409,439)	( 69)
5900 Net operating margin		187,898	30	178,361	31
5910 Unrealized profit from sales		( 1,698)	-	( 812)	-
5920 Realized profit on from sales		812	-	652	-
5950 Net operating margin		187,012	30	178,201	31
Operating expenses	6(22)				
6100 Selling expenses		( 44,416)	( 7)	( 49,381)	( 8)
6200 General & administrative expenses		( 44,821)	( 7)	( 44,483)	( 8)
6450 Impairment loss (impairment gain and reversal of impairment loss) determined in accordance with IFRS 9	12(2)	( 1,200)	-	( 337)	-
6000 Total operating expenses		( 90,437)	( 14)	( 94,201)	( 16)
6900 Operating profit		96,575	16	84,000	15
Non-operating income and expenses					
7100 Interest income	6(18)	3,299	-	2,905	-
7010 Other income	6(19)	9,683	2	9,412	2
7020 Other gains and losses	6(20) and 7	3,023	-	228	-
7050 Finance costs	6(21)	( 8,595)	( 1)	( 5,599)	( 1)
7070 Share of profit of associates and joint ventures accounted for using equity method, net	6(6)	235,467	38	205,307	35
7000 Total non-operating revenue and expenses		242,877	39	212,253	36
7900 Profit (loss) before income tax		339,452	55	296,253	51
7950 Income tax (expense) benefit	6(23)	( 19,251)	( 3)	( 16,316)	( 3)
8200 Profit (loss) for the year		\$ 320,201	52	\$ 279,937	48
Other comprehensive income					
New Item					
8311 Other comprehensive income, before tax, actuarial gains (losses) on defined benefit plans	6(12)	\$ 625	-	( \$ 1,122)	-
8316 Unrealised gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	6(3)	( 521)	-	1,405	-
8349 Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(23)	( 126)	-	224	-
8310 Components of other comprehensive income that will not be reclassified to profit or loss		( 22)	-	507	-
New Item					
8361 Other comprehensive income, before tax, exchange differences on translation		101,392	16	( 41,333)	( 7)
8360 Components of other comprehensive income that will be reclassified to profit or loss		101,392	16	( 41,333)	( 7)
8300 Other comprehensive income for the year		\$ 101,370	16	( \$ 40,826)	( 7)
8500 Total comprehensive income for the year		\$ 421,571	68	\$ 239,111	41
Total basic earnings per share					
9750 Total basic earnings per share	6(24)	\$ 5.49		\$ 4.87	
Diluted earnings per share					
9850 Total diluted earnings per share	6(24)	\$ 5.46		\$ 4.85	

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

GRANDTECH C.G. SYSTEMS INC.  
PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY  
YEARS ENDED DECEMBER 31, 2022 AND 2021  
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

	Notes	Retained Earnings			Other equity interest			Treasury stocks	Total
		Share capital - common stock	Total capital surplus, additional paid-in capital	Legal reserve	Special reserve	Total unappropriated retained earnings (accumulated deficit)	Financial statements translation differences of foreign operations	Unrealised gains (losses) from financial assets measured at fair value through other comprehensive income	
Year ended December 31, 2021									
Balance at January 1, 2021		\$ 590,374	\$ 193,311	\$ 186,401	\$ 92,140	\$ 154,569	(\$ 103,973)	(\$ 405)	\$ 1,023,479
Profit		-	-	-	-	279,937	-	-	279,937
Other comprehensive income		-	-	-	-	(898)	(41,333)	1,405	(40,826)
Total comprehensive income		-	-	-	-	279,039	(41,333)	1,405	239,111
Appropriations of 2020 earnings:	6(16)	-	-	-	-	-	-	-	-
Legal reserve		-	-	28,061	-	(28,061)	-	-	-
Special reserve		-	-	-	45,624	(45,624)	-	-	-
Cash dividends		-	-	-	-	(196,407)	-	-	(196,407)
Cash distributed from capital surplus	6(15)	-	(44,148)	-	-	-	-	-	(44,148)
Changes in ownership interests in subsidiaries	6(15)	-	(101)	-	-	-	-	-	(101)
Treasury shares transferred to employees	6(15)	-	205	-	-	-	-	-	20,934
Cancellation of treasury shares	6(14)(15)	(14,480)	(3,819)	-	-	(49,910)	-	-	-
Balance at December 31, 2021		\$ 575,894	\$ 145,448	\$ 214,462	\$ 137,764	\$ 113,606	(\$ 145,306)	\$ 1,000	\$ 1,042,868
Year ended December 31, 2022									
Balance at January 1, 2022		\$ 575,894	\$ 145,448	\$ 214,462	\$ 137,764	\$ 113,606	(\$ 145,306)	\$ 1,000	\$ 1,042,868
Profit		-	-	-	-	320,201	-	-	320,201
Other comprehensive income		-	-	-	-	499	101,392	(521)	101,370
Total comprehensive income		-	-	-	-	320,700	101,392	(521)	421,571
Cash capital increase	6(14)	45,000	175,500	-	-	-	-	-	220,500
Employee stock options exercised	6(15)	-	155	-	-	-	-	-	155
Appropriations of 2021 earnings:	6(16)	-	-	-	-	-	-	-	-
Legal reserve		-	-	29,384	-	(29,384)	-	-	-
Special reserve		-	-	-	6,541	(6,541)	-	-	-
Cash dividends		-	-	-	-	(169,941)	-	-	(169,941)
Cash distributed from capital surplus	6(15)	-	(97,850)	-	-	-	-	-	(97,850)
Changes in ownership interests in subsidiaries	6(15)	-	18,960	-	-	-	-	-	18,960
Balance at December 31, 2022		\$ 620,894	\$ 242,213	\$ 243,846	\$ 144,305	\$ 228,440	(\$ 43,914)	\$ 479	\$ 1,436,263

註：民國 101 年度之董監酬勞\$1,605 及員工紅利\$12,039；民國 100 年度之董監酬勞\$2,837 及員工紅利\$17,024 已於綜合損益表中扣除。

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

GRANDTECH C.G. SYSTEMS INC.  
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS  
YEARS ENDED DECEMBER 31, 2022 AND 2021  
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

		Year ended December 31	
	Notes	2022	2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before tax		\$ 339,452	\$ 296,253
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation	6(7)(8)(22)	7,498	6,723
Amortisation	6(22)	609	553
Expected credit loss	12(2)	1,200	337
Loss on financial assets at fair value through profit or loss	6(20)	-	719
Interest expense	6(21)	8,595	5,599
Interest revenue	6(18)	( 3,299 )	( 2,905 )
Dividend income	6(19)	( 7,019 )	( 7,310 )
Gain on disposal of property, plant and equipment	6(20)	-	( 4 )
Gain on disposal of intangible assets	6(20)	( 235 )	-
Gain on disposal of financial assets at fair value through profit or loss	6(2)(20)	( 205 )	-
Share of profit of associates and joint ventures accounted for using equity method	6(6)	( 235,467 )	( 205,307 )
Cash dividends distributed by subsidiaries		3,588	4,443
Employee stock options	6(13)	155	-
Changes in operating assets and liabilities			
Changes in operating assets			
Notes receivable		10,544	8,227
Accounts receivable		( 23,915 )	107,316
Finance lease receivable		31,174	19,654
Inventories		( 32,443 )	23,050
Other current assets		1,071	2,166
Changes in operating liabilities			
Increase (Decrease) in accounts payable		48,038	( 30,670 )
Decrease in other payables		( 1,265 )	( 1,045 )
Decrease in contract liabilities		( 2,145 )	( 10,679 )
Other current liabilities		481	( 9,925 )
Cash inflow generated from operations		146,412	207,195
Dividends received		7,019	7,310
Interest received		3,299	2,905
Interest paid		( 8,289 )	( 5,477 )
Income tax paid		( 12,284 )	( 30,355 )
Net cash flows from operating activities		136,157	181,578

(Continued)

GRANDTECH C.G. SYSTEMS INC.  
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS  
YEARS ENDED DECEMBER 31, 2022 AND 2021  
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

		Year ended December 31	
	Notes	2022	2021
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>			
Disposal of financial assets at fair value through profit or loss		\$ 1,209	\$ -
Acquisition of issued shares of subsidiaries	6(6)	( 40,000 )	( 66,250 )
Reduction of reduced shares of subsidiaries	6(6)	90,264	-
Aquisition of property, plant and equipment	6(7)	( 685 )	( 919 )
Proceeds from disposal of property, plant and equipment		-	210
Aquisition of intangible assets		( 250 )	( 3,872 )
Proceeds from disposal of intangible assets		3,255	-
Refund of financial assets at fair value through other comprehensive income	6(3)	2,000	-
Decrease in guarantee deposits paid		6	4,867
Net cash flows from (used in) investing activities		55,799	( 65,964 )
<b><u>CASH FLOWS FROM FINANCING ACTIVITIES</u></b>			
(Decrease) Increase in short-term loans	6(25)	( 120,000 )	150,000
Decrease in short-term notes and bills payable	6(25)	-	( 60,000 )
Increase in other non-current liabilities		1,663	-
Payments of lease liabilities	6(25)	( 3,667 )	( 3,283 )
Decrease in guarantee deposits received		( 349 )	( 6,651 )
Cash capital increase	6(14)	220,500	-
Cash dividends paid	6(16)	( 161,302 )	( 184,449 )
Cash distributed from capital surplus	6(15)	( 97,850 )	( 44,148 )
Treasury shares transferred to employees		-	20,728
Net cash flows used in financing activities		( 161,005 )	( 127,803 )
Net increase (decrease) in cash and cash equivalents		30,951	( 12,189 )
Cash and cash equivalents at beginning of year	6(1)	80,913	93,102
Cash and cash equivalents at end of year	6(1)	\$ 111,864	\$ 80,913

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

## **【Appendix C】**

### **GrandTech C.G. Systems Inc. Audit Report by Audit Committee**

The business report, financial statement, and earnings distribution proposal of the year 2022, which were prepared by the Company's Board of Directors, have been certified by JUAN LU, MAN-YU and FENG, MIN-CHUAN, CPAs of PwC Taiwan. The aforementioned reports, the business report, financial statements, and the earnings distribution proposal have been reviewed by the Committee and were found to be true and correct. The Committee hereby submits the aforementioned reports and proposal for approval in accordance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act.

To

2023 General Shareholders' meeting

GrandTech C.G. Systems Inc.

Convener of the audit committee: CHEN, WEI-YU

03 March 2023

## 【Appendix D】

### GrandTech C.G. Systems Inc. 2022 Profit Distribution Statement

Unit: NT\$

Beginning retained earnings	4,197
Plus: Adjustment to retained earnings from previous periods	499,371
Plus: Net profit after tax	320,201,006
Less: 10% Legal Reserve	32,070,038
Plus: Reversal of Special Reserve	100,869,860
Less: The distributed amount of 2022 interim earnings: cash dividend 1.35 per share	77,745,731
Distributable earnings in the 4th quarter 2022	311,758,665
Distribution items:	
Cash dividends (NT\$3.75 per share)	232,835,363
Ending undistributed earnings	78,923,302

Note 1.The cash dividends are calculated on the basis of the distribution ratio up to NT\$, with the amount below NT\$1 under this dividend distribution in cash shall be paid to the Employee Benefit Committee.

Note 2.The 2022 earning distribution is privileged to these allocation items.

Chairman: HSU, CHENG-CHIANG

General Manager: NGOI, MIEW- HUAT

Chief Accountant: HUANG, SHU-CHEN



## **【Appendix E】**

### **GrandTech C.G. Systems Inc. Procedure for Acquisition or Disposal of Assets**

#### **Article 1 Purpose**

The Company has established this Procedure in order to protect investment, reinforce asset management and comply with information transparency requirements.

#### **Article 2 Basis**

This Procedure is adopted in accordance with the provisions of Article 36-1 of the Securities and Exchange Act and the Regulations Governing the Acquisition and Disposal of Assets by Public Companies.

#### **Article 3 Definitions**

##### **A. Scope of Assets:**

1. Securities: Include 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.
2. Real property (including construction enterprise inventory) and equipment.
3. Memberships.
4. Intangible Assets: Include patents, copyrights, trademarks, franchise rights, and other intangible assets.
5. Right-of-use assets.
6. Claims of financial institutions (including receivables, bills purchased and discounted, loans, and overdue receivables).
7. Derivatives.
8. Assets acquired or disposed of in connection with mergers, demergers, acquisitions, or transfer of shares in accordance with law.
9. Other major assets.

##### **B. Terminology:**

1. 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.
2. 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.

3. Related party: As defined in the Regulations Governing the Preparation of Financial Reports by Securities Issuers.
4. Subsidiary: As defined in the Regulations Governing the Preparation of Financial Reports by Securities Issuers.
5. 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.
6. 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.
7. 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.
8. 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.
9. 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.
10. 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.
11. "Within the preceding year" refers to the year preceding the date of occurrence of the current acquisition or disposal of asset. Items duly announced in accordance with these Regulations need not be counted toward the transaction amount.

12. "Latest financial statements" refer to financial statements of the Company published and audited or certified by CPA in accordance with the law before acquisition or disposal of asset.

#### Article 4 Evaluation and Procedure for Acquisition or Disposal of Asset

When the Company or its subsidiary acquires or disposes of asset, the handling unit shall file a written application and illustrate the advantage, disadvantage and evaluation of the benefit of acquisition or disposal of asset. The application shall be submitted to the responsible executive in accordance with Article 5 of this Procedure for approval based on approval authority before implementation. Purchase, sale, acceptance, closing and ownership registration, etc. shall be subject to registration, management and use in accordance with the Company's rules related to asset management. Asset acquisition or disposal related procedures shall be carried out in accordance with applicable rules under the Company's internal control system. Upon discovery of any material breach of rules, relevant personnel shall be sanctioned in accordance with the situation of breach.

When the Company's acquisition or disposal of asset 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 by the Company shall be approved by one-half or more of all audit committee members and submitted to the board of directors for a resolution.

If approval of one-half or more of all audit committee members as required in the preceding paragraph 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" and "all directors" in the preceding paragraph shall be counted as the actual number of persons currently holding those positions.

#### Article 5 Scope of Authorization

Acquisition or disposal of assets by the Company or its subsidiary shall be decided by the responsible unit within the scope of authorization. However, matters stipulated under Article 185 of the Company Act shall be submitted to the shareholders' meeting for prior approval:

A. Acquisition or disposal of real property, equipment and long- or short-term securities:

1. Prior approval by the chairman is required if the amount is below NT\$30,000,000.
2. Prior approval by the board of directors is required if the amount is over NT\$30,000,000.
3. The price should be decided through price comparison, price negotiation or tender.

B. Investment in short-term securities such as government bonds, bank-endorsed

commercial paper, underwritten drafts, domestic bond funds, banking products:

1. Prior approval by the chairman is required if the amount is below NT\$150,000,000.
  2. Prior approval by the board of directors is required if the amount is over NT\$150,000,000.
- C. For acquisition or disposal of securities traded on an exchange or by securities dealers, the price shall be determined based on the closing price of the equity or debt securities in a public market.
- D. For acquisition or disposal of securities not traded on an exchange or by securities dealers, negotiation shall take place in consideration of conditions such as the net worth per share, profitability, future development potential, market interest rate, bond coupon rate and debtor's credit, etc.
- E. Acquisition of real property and securities for non-business use by the Company and individual subsidiary:
1. Total amount of real property for non-business use shall not exceed 1/3 of the Company's paid-in capital.
  2. Total amount of securities invested shall not exceed 100% of the Company's shareholders' equity certified by CPA in the latest period. Limit amount invested in individual securities shall not exceed 50% of the Company's shareholders' equity certified by CPA in the latest period, except invested targets within 50% or more shareholding.
- F. Rules and limit of investment in shares of companies listed in stock exchange or OTC market by the Company and each subsidiary:
1. Net investment amount in any single company listed in stock exchange or OTC market by the Company and each subsidiary shall not exceed 10% of each company's respective net worth in the latest financial statements.
  2. Investment in shares of any single company listed in stock exchange or OTC market by the Company and each subsidiary shall not exceed 10% of such listed company's total outstanding shares.
  3. Investment in shares of the Company by any subsidiary of the Company shall not exceed 10% of the Company's total outstanding shares.

## Article 6 Procedure for Acquisition or Disposal of Real Property or Equipment

### A. Evaluation and Procedure

The acquisition or disposal of real property, equipment or the right-of-use assets thereof by the Company and its subsidiaries shall be in accordance with the procedure for fixed asset cycle under the Company's internal control system.

### B. Determination Procedure for Transaction Terms and Authorized Amount

1. To acquire or dispose of real property, reference shall be made to published current value, appraisal value, actual transaction price of neighboring real property, etc. to determine the transaction terms and transaction price. An analysis report shall be prepared and submitted for prior approval in accordance with the scope of authorization under Article 5.

2. To acquire or dispose of equipment, one manner shall be selected from among price enquiry, price comparison, price negotiation or tender and a submission shall be made for prior approval in accordance with the scope of authorization under Article 5.

#### C. Execution Unit

When the Company or its subsidiary acquires or disposes of real property or equipment, a submission shall be made for approval in accordance with the previous paragraph, followed by execution under the responsibility of the beneficiary department and management department.

#### D. Real Property or Equipment Appraisal Report

In acquiring or disposing of real property, equipment, or right-of-use assets thereof where the transaction amount reaches 20% of the Company's paid-in capital or NT\$300 million or more, the Company or its subsidiary, 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:

1. 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.
2. Where the transaction amount is NT\$1 billion or more, appraisals from two or more professional appraisers shall be obtained.
3. 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% or more of the transaction amount.
  - (2) The discrepancy between the appraisal results of two or more professional appraisers is 10% or more of the transaction amount.
4. 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 7 Procedure for Acquisition or Disposal of Securities Investment

#### A. Evaluation and Procedure

The purchase and sale of long- and short-term securities by the Company and its subsidiaries shall be in accordance with the procedure for fixed asset cycle under the Company's internal control system.

## B. Determination Procedure for Transaction Terms and Authorized Amount

1. To transact in securities listed on any exchange or with securities dealers, the responsible unit shall make a decision based on a study of the market, provide an analysis report on unrealized profit or loss from long- and short-term securities and submit it for prior approval in accordance with the scope of authorization under Article 5.
2. To transact in securities not listed on any exchange or with securities dealers, obtain financial statements of the issuing company for the most recent period, certified or reviewed by a certified public accountant, for reference, consider its net worth per share, profitability and future development potential, etc., provide an analysis report on unrealized profit or loss from long- and short-term securities and submit it for prior approval in accordance with the scope of authorization under Article 5.

## C. Execution Unit

When the Company or its subsidiary invests in long- or short-term securities, a submission shall be made for approval in accordance with the previous paragraph, followed by execution under the responsibility of the finance and accounting department.

## D. Expert Opinion

When the Company or its subsidiary acquires or disposes of securities, obtain financial statements of the issuing company for the most recent period, certified or reviewed by a certified public accountant, for reference in appraising the transaction price, and if the dollar amount of the transaction is 20% 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 otherwise provided by regulations of the Financial Supervisory Commission (FSC).

## Article 8 Procedure for Acquisition or Disposal of Membership or Intangible Assets of the Right-of-Use Assets thereof

When the Company or its subsidiary acquires or disposes of membership or intangible assets or right-of-use assets thereof and the transaction amount reaches 20% 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. The certified public accountant shall follow Audit Standards No. 20 published by the Accounting Research and Development Foundation.

Article 8-1: The calculation of the transaction amounts referred to in the preceding three articles shall be done in accordance with Article 14, paragraph 1, subparagraph (5) 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 9 Where the Company or its subsidiary 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. Professional appraisers and their officers, certified public accounts, attorneys, and securities underwriters that provide public companies with appraisal reports, certified public accountant's opinions, attorney's opinions, or underwriter's opinions shall meet the following requirements:

- A. 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.
- B. May not be a related party or de facto related party of any party to the transaction.
- C. 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:

- 1. Prior to accepting a case, they shall prudently assess their own professional capabilities, practical experience, and independence.
- 2. 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.
- 3. 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.
- 4. 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.

Article 10 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 each audit committee member. When a transaction involving the acquisition or disposal of assets is submitted for discussion by the board of directors, 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.

#### Article 11 Procedure for Related-Party Transactions

A. When the Company or its subsidiary 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, if the transaction amount reaches 10% 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 Articles 6 to 9. The calculation of the transaction amount referred to in the preceding paragraph shall be made in accordance with Article 8-1 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.

B. When the Company or its subsidiary 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% or more of paid-in capital, 10% 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 one-half or more of all audit committee members and then submitted to the board of directors for a resolution:

1. The purpose, necessity and anticipated benefit of the acquisition or disposal of assets.
2. The reason for choosing the related party as a transaction counterparty.
3. 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 Article 16 and Article 17.
4. 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.
5. 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.
6. An appraisal report from a professional appraiser or a CPA's opinion obtained in compliance with the preceding article.
7. Restrictive covenants and other important stipulations associated with the transaction.

If the Company or a subsidiary thereof that is not a domestic public company will have a transaction set out in paragraph 2 and the transaction amount will reach 10% or more of the Company's total assets, the Company shall submit the materials in all the subparagraphs of paragraph 2 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 subsidiaries or between its subsidiaries.

The calculation of the transaction amounts referred to in paragraph 2 and the preceding paragraph shall be made in accordance with Article 14, paragraph 1, subparagraph (8) 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, audit committee or board of directors need not be counted toward the transaction amount.

With respect to acquisition or disposal of equipment or right-of-use assets thereof held for business use or real property right-of-use assets held for business use, when to be conducted between the Company and its subsidiaries, or between its subsidiaries in which it directly or indirectly holds 100% of the issued shares or authorized capital, prior approval by the Company's board of directors is required if the amount is below NT\$30,000,000. When the transaction is over NT\$30,000,000, it shall be submitted to the board of directors for prior approval.

When a transaction involving the acquisition or disposal of assets is submitted for discussion by the board of directors, 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.

The Company shall first acquire approved by one-half or more of all audit committee members and submit the proposal to the board of directors for a resolution.

If approval of one-half or more of all audit committee members as required in the preceding paragraph 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" and "all directors" in the preceding paragraph shall be counted as the actual number of persons currently holding those positions.

#### C. Evaluation of Reasonableness of Transaction Cost

1. When the Company or its subsidiary acquires real property or right-of-use assets thereof from a related party, it 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% 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.

2. 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.
3. When the Company or its subsidiary 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 subparagraphs (1) and (2), paragraph 3 of this Article, it shall also engage a CPA to check the appraisal and render a specific opinion.
4. When the results of the appraisal conducted in accordance with subparagraphs (1) and (2), paragraph 3 of this Article are uniformly lower than the transaction price, the matter shall be handled in compliance with subparagraph (5), paragraph 3 of this Article. However, where the following circumstances exist, objective evidence has been submitted and specific opinions on reasonableness have been obtained from a professional 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:
    - a. 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.
    - b. 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.
    - c. Completed transactions by unrelated parties within the preceding year involving other floors of the same property after calculation of reasonable price discrepancies in floor prices in accordance with standard property market leasing practices.
  - (2) Where the Company or its subsidiary 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 mentioned above in principle refers to parcels on the same or an adjacent block and within a distance of no more than 500 meters or parcels close in publicly announced current value; transactions involving similarly sized parcels in principle refers to transactions completed by unrelated parties for parcels with a land area of no less than 50% of the property in the planned transaction; within the preceding year 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.

5. Where the Company or its subsidiary acquires real property or right-of-use assets thereof from a related party and the results of appraisals conducted in accordance with subparagraphs (1) and (2), paragraph 3 of this Article is uniformly lower than the transaction price, the following steps shall be taken. Where a special reserve is set aside by the Company or a publicly listed company for which the Company uses the equity method to account for its investment in accordance with above requirements, the special reserve shall not be used until it has recognized a loss on decline in market value of the assets it purchased or leased at a premium, or they have been disposed of, or the leasing contract has been terminated, or adequate compensation has been made, or the status quo ante has been restored, or there is other evidence confirming that there was nothing unreasonable about the transaction, and the FSC has given its consent.
  - (1) A special reserve shall be set aside in accordance with Article 41, paragraph 1 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 the Company uses the equity method to account for its investment in a publicly listed company, then the special reserve called for under Article 41, paragraph 1 of the Act shall be set aside pro rata in a proportion consistent with the share of Company's equity stake in the other company.
  - (2) The Audit Committee shall comply with Article 218 of the Company Act.
  - (3) Actions taken pursuant to sections i and ii, subparagraph (5), paragraph 3 of this Article shall be reported to a shareholders' meeting, and the details of the transaction shall be disclosed in the annual report and any investment prospectus.
6. Where the Company or its subsidiary 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 paragraphs 1 and 2 of this Article about evaluation and procedure and subparagraphs (1), (2) and (3), paragraph 3 of this Article 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 public company with its parent or subsidiaries, or by its subsidiaries in which it directly or indirectly holds 100% of the issued shares or authorized capital.
- 7. When the Company or its subsidiary obtains real property or right-of-use assets thereof from a related party, it shall also comply with subparagraph (5), paragraph 3 of this Article if there is other evidence indicating that the acquisition was not an arm's length transaction.

## Article 12 Derivatives Trading

### A. Scope of Authorization and Types of Transaction

"Derivatives" in this Procedure refer to transaction contracts whose value is derived from asset, interest rate, foreign exchange rate, index or other valuable (such as forward contracts, options contracts, futures contracts or swap contracts, or hybrid contracts combining the above contracts).

- 1. The term "forward contracts" in this Procedure does not include insurance contracts, performance contracts, after-sales service contracts, long-term leasing contracts, or long-term purchase (sales) contracts.
- 2. Transactions related to bond security shall be carried out in accordance with this Procedure.

### B. Operating and Hedging Strategy

- 1. If the main purpose is hedging, the transaction products selected shall allow the Company to avoid risks arising out of business operation.
- 2. If the purpose is trading, it shall be flexible and dynamic in principle.
- 3. Trading counterparts shall be banks with routine business dealings with the Bank to the extent possible to avoid credit risk.

### C. Allocation of Responsibilities

- 1. Responsible executive: The executive of the finance department is responsible for evaluation of the above trading risk and routine administration tasks.
- 2. Finance personnel: Control market information at any time, determine trend and risk, get familiar with financial products and relevant laws, operating skills, etc. Carry out trades in accordance with the instructions and authorizations of the responsible executive to avoid the risk of market price fluctuation. Perform regular evaluation to control positions of all derivatives. Evaluate unrealized profit or loss based on market price. Follow procedures for public announcement and filing.
- 3. Accounting personnel: Control current positions of the Company at any time. Regularly evaluate realized or unrealized profit and loss. Provide information about risk exposure. At the same time, the accounting department shall carry out trade confirmation tasks to ensure execution of this Procedure.
- 4. Audit department: Based on internal audit procedures and requirements,

audit the appropriateness of internal control in the trading process regularly and from time to time, including whether there has been any breach of rules.

#### D. Transaction Limit Amount

1. For hedging purpose, not to exceed 1/2 of the total net worth of the parent company based on latest accounting closing in principle.
2. For trading purpose, not to exceed 1/2 of the total net worth of the parent company based on latest accounting closing in principle.
3. Total operating positions of derivatives by the parent company and subsidiaries shall not exceed 1/2 of the total net worth of the parent company based on latest accounting closing in principle. The accounting personnel shall evaluate whether the amount and performance of trading by the finance personnel are consistent with this Procedure at any time.

#### E. Performance Evaluation

1. The accounting department shall evaluate monthly net profit and loss every month and prepare statements to serve as the basis for regular review and management.
2. Establish loss limit: For all derivatives trading for hedging purpose and for trading purpose, other than forward foreign exchange trading, evaluation shall be performed at any time based on market price. Single-transaction risk at any time shall not exceed US\$50,000. Losses from all positions shall not exceed US\$200,000 or the equivalent in foreign-currency loss in principle. Such amount shall be used as stop loss points. However, the above does not apply to derivatives issued under equity investment for long-term investment purposes.

#### F. Procedure

##### 1. Authorized Amount

For derivatives trading for hedging purposes and trading purposes, the authorized amount is as follows:

- (1) Financial products in Renminbi with total contract amount below RMB15,000,000 (inclusive) are subject to prior approval by the chairman of the Company.
- (2) Financial products in Renminbi with total contract amount over RMB15,000,000 are subject to prior approval by the board of directors of the Company.
- (3) Non-Renminbi financial products with total contract amount below US\$2,000,000 are subject to approval by the chairman of the Company.
- (4) Non-Renminbi financial products with total contract amount over US\$2,000,000 are subject to prior approval by the board of directors of the Company.

##### 2. Trading Execution

- (1) Confirmation of trading position.
- (2) Analysis and judgment of relevant market information.
- (3) Decision on hedging and trading specifics.

- (4) Acquisition of approval for trading.
- (5) Confirmation and settlement of trades.

### 3. Execution Unit

As derivatives trading involves swift change and high amount, it is advisable for the finance department to be responsible for trading and administration.

### G. Accounting Treatment

The Company and its subsidiaries shall follow regulations of current financial accounting standards and letters and orders of relevant authorities in the accounting treatment of derivatives and regularly provide required statements to calculate realized and unrealized profit and loss for the purpose of evaluation by the governing authorities.

### H. Internal Control Procedure

#### 1. Risk Management Measures

- (1) Credit risk management: Transaction counterparts shall be mainly banks with business dealings with the Company.
- (2) Market risk management: Mainly trading on public foreign-exchange trading market of banks.
- (3) Liquidity risk management: To ensure liquidity, verify with the funding personnel before the transaction that the trading amount will not cause insufficient liquidity.
- (4) Procedure risk management: Duly comply with the authorized amount and procedure to avoid procedure risk.
- (5) Legal risk management: Any document to be signed with the bank shall be read carefully before official signature to avoid legal risk.
- (6) Product risk: Internal trading personnel and the banks acting as transaction counterparts shall have full and correct professional knowledge about the financial products traded. Banks shall be asked to fully disclose the risk to avoid losses incurred from misuse of financial products.
- (7) Cash settlement risk: Authorized trading personnel shall comply with all rules under the authorized amount table and shall also regularly pay attention to the Company's foreign-currency cash flow to ensure there is sufficient cash for payment at the time of settlement.

#### 2. Internal Control

- (1) Trading settlement personnel shall not serve concurrently as confirmation personnel.
- (2) Trading personnel shall provide proof of trades or contracts to registration personnel for records.
- (3) Registration personnel shall regularly reconcile account with or send verification letters to the dealing banks.
- (4) Registration personnel shall duly verify whether the transactions are consistent with the rules.
- (5) Financial and accounting department shall prepare regular performance evaluation reports and provide them to the highest-level finance executive and top management for reference.

- (6) Risk evaluation, monitoring and control personnel shall be under different departments from the above personnel and shall report to the highest-level executive authorized by the board of directors.
- (7) Positions held for trading purposes shall be evaluated at least once per week. Positions held for hedging purposes shall be evaluated at least twice per month. Evaluation reports shall be submitted to the highest-level executive authorized by the board of directors.

I. Internal Audit System

Internal audit personnel shall regularly understand the appropriateness of internal control and perform monthly audit on the compliance of derivatives trading procedure by the trading department, analyze the trading cycle and prepare an audit report, which shall be executed together with the annual audit plan under internal audit procedure. Filing shall be made with the securities authority by the end of February of the following year. Upon discovery of material breach or serious losses suffered by the Company, a report shall be filed immediately and a notice shall be given to the audit committee.

J. Regular Evaluation Manner and Handling of Anomalies

- 1. The board of directors shall authorize a high-level executive to regularly supervise and evaluate whether derivatives trading is carried out in due compliance with the regulations and whether the risk undertaken is within the scope of tolerance. Any evaluation report showing any anomaly (such as excess of loss limit in any position held) shall be immediately filed with the board of directors and corresponding measures shall be undertaken.
- 2. The evaluation procedure under the previous paragraph shall be carried out in accordance with section (7), subparagraph (2), paragraph VIII of this Article.

K. Derivatives trading contemplated by any subsidiary shall be submitted to the chairman of the parent company for approval before execution in accordance with this Procedure.

L. Board Supervision and Management Principles

- 1. The board of directors shall authorize a high-level executive to pay attention to the supervision and control of derivative trading risk at any time. The management principles are as follows:
  - (1) Periodically evaluate the risk management measures currently employed are appropriate and are faithfully conducted in accordance with this Procedure 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; an independent director shall be present at the meeting and express an opinion.
- 2. 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.
- 3. The Company or its subsidiary 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 derivatives trading.

4. When the Company or its subsidiary 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 paragraph X and subparagraph 1 and 2, paragraph XII of this Article shall be recorded in detail in the log book.
- M. Upon completion of derivatives trading and confirmation by the confirmation personnel, in addition to public announcement and report of information as prescribed by regulations within 2 days counting inclusively from the date of occurrence of the event, 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 shall be compiled and information shall be entered in the prescribed format into the information reporting website designated by the securities authority by the 10th day of each month.

## Article 13 Procedure for Merger, Demerger, Acquisition or Share Transfer

### A. Evaluation and Procedure

1. It is advisable that the Company or its subsidiary that conducts a merger, demerger, acquisition, or transfer of shares hire an attorney, CPA, securities underwriter, etc. to study the legal procedure and establish an estimated time schedule together, as well as to organize a project team to execute in accordance with the legal procedure. Prior to convening the board of directors to resolve on the matter, a CPA, attorney, or securities underwriter shall be engaged to give an opinion on the reasonableness of the share exchange ratio, acquisition price, or distribution of cash or other property to shareholders, and submit it to the board of directors for deliberation and 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 the Company of a subsidiary in which it directly or indirectly holds 100% of the issued shares or authorized capital, and in the case of a merger between subsidiaries in which the Company directly or indirectly holds 100% of the respective subsidiaries' issued shares or authorized capital.
2. The Company or its subsidiary 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 subparagraph 1, paragraph 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.



## B. Other Matters of Caution

1. Board 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.
2. Prior confidentiality undertaking: 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.
3. Principles for establishment and change of share exchange ratio or acquisition price: The Company that participates in a merger, demerger, acquisition, or transfer of shares, prior to the board meetings of both parties, 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 for deliberation and passage, except terms/conditions that the contract stipulates may be altered and that have been publicly disclosed. Share exchange ratio or acquisition price may be changed 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.
4. Contract required provisions: Other than the requirements under Article 317-1 of the Company Act and Article 22 of the Business Mergers and Acquisitions Act, the contract for participation by the company in a 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.
5. Change in the number of companies participating in merger, demerger, acquisition or share transfer: After public disclosure of the information, if any company participating in the merger, demerger, acquisition, or share transfer intends further to carry out a merger, demerger, acquisition, or share transfer with another company, all of the participating companies shall carry out anew the procedures or legal actions that had originally been completed toward the merger, demerger, acquisition, or share transfer; except that where the number of participating companies is decreased and 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.
6. Where any of the companies participating in a merger, demerger, acquisition, or transfer of shares is not a public company, the Company and its subsidiary shall sign an agreement with the non-public company whereby the latter is required to abide by the provisions of subparagraph 1, paragraph II of this Article about the date of board meetings, subparagraph 2 about prior confidentiality undertaking and subparagraph 5 about change in the number of companies participating in the merger, demerger, acquisition or share transfer.

## 7. Retention of Materials

When participating in a merger, demerger, acquisition, or transfer of another company's shares, the Company and its subsidiary 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.

When participating in a merger, demerger, acquisition, or transfer of another company's shares, the Company or its subsidiary 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 subparagraphs 1 and 2 of the preceding paragraph to the FSC for recordation.

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 or its subsidiary shall sign an agreement with such company whereby the latter is required to abide by the provisions of this Article.

## Article 14 Information Public Disclosure Procedure

### A. Items and Threshold for Public Announcement and Report

1. 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% or more of paid-in capital, 10% 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.
2. Merger, demerger, acquisition, or transfer of shares.
3. Losses from derivatives trading reaching the limits on aggregate losses or losses on individual contracts set out in the procedures adopted by the Company.
4. 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 is NT\$500,000,000 or more.
5. Acquisition or disposal by a public company in the construction business of real property or right-of-use assets thereof for construction use, and furthermore the transaction counterparty is not a related party, and the transaction amount reaches NT\$500 million; among such cases, if the Company has paid-in capital of NT\$10 billion or more, and it is disposing of real property from a completed construction project that it constructed itself, and furthermore the transaction counterparty is not a related party, then the threshold shall be a transaction amount reaching NT\$1 billion or more.
6. 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.

7. Where an asset transaction other than any of those referred to in the preceding six subparagraphs, a disposal of receivables by a financial institution, or an investment in the mainland China area reaches 20% 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.

8. The amount of transactions above shall be calculated as follows:

- (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.

"Within the preceding year" as used in the preceding paragraph refers to the year preceding the date of occurrence of the current transaction. Items duly announced in accordance with these Regulations need not be counted toward the transaction amount.

#### B. Deadline for Public Announcement and Report

In acquiring or disposing of assets, if there are items subject to public announcement in accordance with paragraph I of this Article and the transaction amount meets the threshold for public announcement and report in this Article, the Company shall make public announcement and file report within 2 days counting inclusively from the date of occurrence of the event.

#### C. Procedure of Public Announcement and Report

1. The Company shall publicly announce and report the relevant information on the website designated by the securities authority.

2. 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.
3. 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.
4. 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.
5. Where any of the following circumstances occurs with respect to a transaction that the Company has already publicly announced and reported in accordance with the preceding article, a public report of relevant information shall be made on the information reporting website designated by the 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 15 Control Procedure for Acquisition or Disposal of Assets by Subsidiaries

- A. The procedure for acquisition or disposal of assets by subsidiaries shall be in accordance with the rules of the Company. Other provisions by local laws of the places where the subsidiaries are located shall apply.
- B. Information required to be publicly announced and reported in accordance with Article 14 on acquisitions and disposals of assets by a subsidiary that is not itself a public company in Taiwan shall be reported by the Company. The paid-in capital or total assets of the Company shall be the standard applicable to a subsidiary in determining whether, relative to 20% of the Company's paid-in capital or 10% of total assets", it reaches a threshold requiring public announcement and regulatory filing.
- C. The chairman and board of directors referred to in this Procedure mean the chairman and board of directors of the parent company (the Company).
- D. Subsidiaries of the Company shall provide relevant information to the Company for audit.

#### Article 16 Penalty

Relevant personnel of the Company or its subsidiary shall process acquisition or disposal of assets in accordance with this Procedure. Any material breach discovered shall be submitted for evaluation in accordance with the Company's

personnel management related regulations and subject to penalty depending on the level of gravity.

Article 17 Implementation and Amendment

- A. This Procedure shall be approved by one-half or more of all audit committee members, approved by the board of directors and reported to the shareholders' meeting for approval. The same is applicable in case of amendment or revocation.
- B. If approval of one-half or more of all audit committee members as required in the preceding paragraph is not obtained, the Procedure 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.
- C. The terms "all audit committee members" and "all directors" in the preceding paragraph shall be counted as the actual number of persons currently holding those positions.

Article 18 Anything that is not stipulated in this Procedure shall be governed by applicable laws and applicable regulations of the Company.

Article 19 This Procedure was approved by board resolution on 14 February 2000. The first amendment was approved by board resolution on 18 July 2001. The second amendment was approved by shareholders resolution on 27 June 2003. The third amendment was approved by shareholders resolution on 14 June 2005. The fourth amendment was approved by shareholders resolution on 15 June 2007. The fifth amendment was approved by shareholders resolution on 15 June 2012. The sixth amendment was approved by shareholders resolution on 23 June 2016. The seventh amendment was approved by shareholders resolution on 22 June 2017. The eighth amendment was approved by shareholders resolution on 6 June 2019. The ninth amendment was approved by shareholders resolution on 10 June 2022.

## Amended Clauses of Procedure for Acquisition or Disposal of Assets

Clause	Before Amendment	After Amendment	Remark
Article 15	<p>Control Procedure for Acquisition or Disposal of Assets by Subsidiaries</p> <p>A. The procedure for acquisition or disposal of assets by subsidiaries shall be in accordance with the rules of the Company. Other provisions by local laws of the places where the subsidiaries are located shall apply.</p> <p>B. Information required to be publicly announced and reported in accordance with Article 14 on acquisitions and disposals of assets by a subsidiary that is not itself a public company in Taiwan shall be reported by the Company. The paid-in capital or total assets of the Company shall be the standard applicable to a subsidiary in determining whether, relative to 20% of the Company's paid-in capital or 10% of total assets", it reaches a threshold requiring public announcement and regulatory filing.</p> <p>C. The chairman and board of directors referred to in this Procedure mean the chairman and board of directors of the parent company (the Company).</p> <p>D. Subsidiaries of the Company shall provide relevant information to the Company for audit.</p>	<p>Control Procedure for Acquisition or Disposal of Assets by Subsidiaries</p> <p>A. The procedure for acquisition or disposal of assets by subsidiaries shall be in accordance with the rules of the Company. Other provisions by local laws of the places where the subsidiaries are located shall apply.</p> <p>B. Information required to be publicly announced and reported in accordance with Article 14 on acquisitions and disposals of assets by a subsidiary that is not itself a public company in Taiwan shall be reported by the Company. The paid-in capital or total assets of the Company shall be the standard applicable to a subsidiary in determining whether, relative to 20% of the Company's paid-in capital or 10% of total assets", it reaches a threshold requiring public announcement and regulatory filing.</p> <p>C. The chairman and board of directors referred to in this Procedure mean the chairman and board of directors of the parent company (the Company).</p> <p>D. Subsidiaries of the Company shall provide relevant information to the Company for audit.</p> <p><u>E. After the shares of a subsidiary of the Company are publicly listed, the subsidiary shall establish its procedure for acquisition or disposal of assets. After such procedure is established, the acquisition or disposal of assets by such subsidiary and its subsidiaries shall be in accordance with such procedure and this Procedure shall not apply.</u></p>	Amendment according to operating requirement
Article 19	<p>This Procedure was approved by board resolution on 14 February 2000. The first amendment was approved by board resolution on 18 July 2001. The second amendment was approved by shareholders resolution on 27 June 2003. The third amendment was approved by shareholders resolution on 14 June 2005. The fourth amendment was approved by shareholders resolution on 15 June 2007. The fifth amendment was approved by shareholders resolution on 15 June 2012. The sixth amendment was approved by shareholders resolution on 23 June 2016. The seventh amendment was approved by shareholders resolution on 22 June 2017. The eighth amendment was approved by shareholders resolution on 6 June 2019. The ninth amendment was approved by shareholders resolution on 10 June 2022.</p>	<p>This Procedure was approved by board resolution on 14 February 2000. The first amendment was approved by board resolution on 18 July 2001. The second amendment was approved by shareholders resolution on 27 June 2003. The third amendment was approved by shareholders resolution on 14 June 2005. The fourth amendment was approved by shareholders resolution on 15 June 2007. The fifth amendment was approved by shareholders resolution on 15 June 2012. The sixth amendment was approved by shareholders resolution on 23 June 2016. The seventh amendment was approved by shareholders resolution on 22 June 2017. The eighth amendment was approved by shareholders resolution on 6 June 2019. The ninth amendment was approved by shareholders resolution on 10 June 2022. <u>The tenth amendment was approved by shareholders resolution on 14 June 2023.</u></p>	Date of this amendment is added

## **【Appendix F】**

### **GrandTech C.G. Systems Inc. Procedure for Loaning of Funds, Endorsement and Guarantee**

#### **Chapter I General**

**Article 1** This Procedure is established pursuant to Article 36-1 of the Securities and Exchange Act and the Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies.

**Article 2** The Company and its subsidiaries shall comply with this Procedure when making loans to and endorsements/guarantees for others.

"Subsidiary" and "parent company" as referred to in this Procedure shall be as determined under the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

"Net worth" in this Procedure means the balance sheet equity attributable to the owners of the parent company under the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

#### **Chapter II Loaning of Funds**

**Article 3** Target, Reason and Necessity for Loans:

A. The funds of the Company and its subsidiaries shall not be loaned to any shareholder or any other person except in the following circumstances:

1. Where an inter-company or inter-firm business transaction calls for a loan arrangement.
2. Where an inter-company or inter-firm short-term financing facility is necessary.

B. Reason and Necessity for Loans

1. For loans granted pursuant to business transaction, the amount of each loan shall not exceed the accumulated amount of transactions between the two parties within the past year.
2. Loans granted required for short-term financing shall be limited to loans required to purchase materials or as working capital.

**Article 4** Loan Amount Limit

The aggregate amount of loans and the maximum amount permitted to a single borrower are as follows:

A. For inter-company or inter-firm business transactions, single loan amount shall be limited to the amount of business transaction between the parties. "Amount of business transaction" means the amount of purchase or the amount of sale between the parties in the preceding year, whichever is higher, provided that the highest amount shall not exceed the limit under the previous paragraph.

B. Inter-company or inter-firm short-term financing shall be limited to 40% of the net worth of the lender and single loan amount shall be limited to 20% of the net worth of the lender.



C. The restriction on net worth under the previous paragraph shall not apply to inter-company loans of funds between overseas companies in which the Company holds, directly or indirectly, 100% of the voting shares, nor to loans of fund to the Company by any overseas company in which the Company holds, directly or indirectly, 100% of the voting shares. Total amount of loans granted for short-term financing and business transaction, as well as single loan amount, shall not exceed 100% of the net worth of the lender.

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

#### Article 5      Loan Period and Interest Accrual

##### A. Period:

Each loan period shall not exceed a maximum of one year from the date of advance, or two years in the case of loans between overseas companies in which the Company holds, directly or indirectly, 100% of the voting shares, or loans to the Company by any overseas company in which the Company holds, directly or indirectly, 100% of the voting shares. If the loan cannot be repaid upon maturity and an extension is required, a prior application shall be filed and this Procedure shall apply.

##### B. Interest Rate and Accrual:

Interest rate for each loan shall not be lower than the average interest rate for short-term loans taken out by the Company from financial institutions. Interest accrues on monthly basis. In special circumstances, interest rate may be adjusted based on the actual situation with the approval by the chairman of the Company.

#### Article 6      Review and Procedure for Loans

Before making a loan of funds to others, the Company or its subsidiary shall carefully evaluate whether the loan is in compliance with this Procedure. The company may loan funds to others only after the evaluation results in accordance with below review procedure have been submitted to and resolved upon by the board of directors of the Company or its subsidiary. The Company shall take into full consideration each independent director's opinions; independent directors' opinions specifically expressing assent or dissent and their reasons for dissent shall be included in the minutes of the board of directors' meeting.

A. For loans between the Company and its subsidiaries or between subsidiaries of the Company, in addition to the requirements under Article 3, the finance department shall first carefully review below matters and propose maximum loan amount, duration and interest for submission to the chairman for approval together with the evaluation results. The loan shall only be granted after approval by resolution of the board of directors of the Company or its subsidiary. The chairman may be authorized, for a specific borrowing counterparty, within a certain monetary limit resolved by the board of directors of the Company or its subsidiary, and within a period not to exceed one year, to give loans in installments or to make a revolving credit line available for the counterparty to draw down. The amount of authorization shall not exceed 10% of the net worth on the most current financial statements of the lending company.

1. The necessity of and reasonableness of extending loans to others.
  2. Borrower credit status and risk assessment.
  3. Impact on the company's business operations, financial condition, and shareholders' equity.
  4. Whether collateral must be obtained and appraisal of the value thereof.
- B. For loans to other companies or enterprises, in addition to the previous subparagraph, the finance department shall also acquire a receipt, security instrument with equivalent amount or collateral of equivalent value from the borrower as security for the loan. However, this restriction may be waived for loans granted by a subsidiary in which the Company holds 50% or more shares to the Company or loans between subsidiaries in which the Company holds 50% or more shares.
- C. The Company and its subsidiaries shall prepare memorandum books for their fund-lending activities and truthfully record the following information: borrower, amount, date of approval by the board of directors, lending/borrowing date, and matters to be carefully evaluated.
- D. The Company's internal auditors shall audit the procedure for loaning of funds and the implementation thereof no less frequently than quarterly and prepare written records accordingly. They shall promptly notify all the audit committee in writing of any material violation found.
- E. If, as a result of a change in circumstances, an entity for which a loan is granted does not meet the requirements of this Procedure or the loan balance exceeds the limit, the Company shall adopt rectification plans and submit the rectification plans to its audit committee, and shall complete the rectification according to the timeframe set out in the plan.

#### Article 7 Post-Loan Control Measures and Overdue Procedure

After a loan is advanced, regular due care shall be exercised as to the financial, business and relevant credit status of the borrower and the guarantor. If collateral is provided, due care shall be exercised as to whether the value of the collateral has varied. In case of material change, an immediate report shall be made to the chairman and proper handling shall be done in accordance with the chairman's instructions.

When the borrower repays or prepays the loan, interest payable shall first be calculated. After interest and principal is repaid, promissory note may be cancelled and returned and mortgage registration may be cancelled.

The borrower shall repay principal and interest immediately upon maturity of the loan. In case of breach, the Company may pursue sanctions and claims compensation against the collateral or guarantor provided.

### Chapter III Endorsement and Guarantee

#### Article 8 Scope of Endorsement/Guarantee

The term "endorsement/guarantee" as used in this Procedure refers to the following:

- A. Financing endorsements/guarantees: Referring to bill discount financing, endorsement or guarantee made to meet the financing needs of another

company, and issuance of a separate negotiable instrument to a non-financial enterprise as security to meet the financing needs of the Company or its subsidiary.

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

#### Article 9 Counterparty of Endorsement/Guarantee

The Company or its subsidiary may make endorsements/guarantees for the following companies:

- A. A company with which it does business.
- B. A company in which the Company directly and indirectly holds more than 50 percent of the voting shares.
- C. A company that directly and indirectly holds more than 50 percent of the voting shares in the Company.
- D. Companies in which the Company holds, directly or indirectly, 90% or more of the voting shares may provide endorsements/guarantees for each other, and the amount of endorsements/guarantees may not exceed 10% of the net worth of the Company, provided that this restriction shall not apply to endorsements/guarantees made between companies in which the Company holds, directly or indirectly, 100% of the voting shares.
- E. Where the Company fulfills its contractual obligations by providing mutual endorsements/guarantees for another company in the same industry or for joint builders for purposes of undertaking a construction project, or where all capital contributing shareholders provide endorsements/ guarantees for their jointly invested company in proportion to their shareholding percentages, or where companies in the same industry provide among themselves joint and several security for a performance guarantee of a sales contract for pre-construction homes pursuant to the Consumer Protection Act for each other, such endorsements/guarantees may be made free of the restriction of the preceding paragraph.

Capital contribution referred to in the preceding paragraph shall mean capital contribution directly by the public company, or through a company in which the Company or its subsidiary holds 100% of the voting shares.

#### Article 10 Limit Amount of Endorsement/Guarantee

- A. The aggregate amount of endorsement/guarantee provided by the Company or the Company together with its subsidiaries shall be limited to the net worth on the most current financial statements of the Company.
- B. The amount of endorsements/guarantees for any single entity provided by the

Company or its subsidiary shall not exceed 20% of the net worth on the most current financial statements of the Company. The amount of endorsements/guarantees for any subsidiaries in which it directly or indirectly holds 50% of the issued shares shall not exceed 50% of the net worth on the most current financial statements of the Company or the subsidiary.

- C. The amount of endorsement/guarantee provided for business dealings shall not exceed the amount of business dealings between the parties. "Amount of business dealings" means the amount of purchase or the amount of sale between the parties in the past year, whichever is higher, provided that the highest amount shall not exceed the limit under the previous subparagraph.
- D. For counterparties of endorsement/guarantee defined under paragraph 5, Article 9, the amount shall not exceed twice the total amount of investment made by the Company or its subsidiary in such firm.
- E. If the total amount of endorsements/guarantees provided by the Company and its subsidiaries reaches 50% or more of the net worth of the Company, an explanation of the necessity and reasonableness thereof shall be given at the shareholders' meeting.

#### Article 11 Decisions and Authorization Levels for Endorsement and Guarantee

- A. When the Company needs to provide guarantee or endorse negotiable instrument for business reason, the risk shall be evaluated and shall acquire approval by board resolution. However, as required for timeliness, the board of directors may empower the chairman to grant endorsements/guarantees within a specific limit, for subsequent submission to and ratification by the next board of directors' meeting.
- B. When the Company needs to exceed the limits set out in this Procedure to satisfy its business requirements, it shall obtain approval from the audit committee, submit it to the board of directors for resolution and half or more of the directors shall act as joint guarantors for any loss that may be caused to the Company by the excess endorsement/guarantee. It shall also amend this Procedure accordingly and submit the same to the shareholders' meeting for ratification after the fact. If the shareholders' meeting does not give consent, the Company shall adopt a plan to discharge the amount in excess within a given time limit.
- C. The Company shall also take into full consideration the opinions of each independent director; independent directors' opinions specifically expressing assent or dissent and the reasons for dissent shall be included in the minutes of the board of directors' meeting.

#### Article 12 Review and Procedure for Endorsement and Guarantee

- A. When the Company or its subsidiary provides an endorsement/guarantee, the processing department shall review the qualification of the guaranteed/endorsed company, analyze and evaluate the risk of the endorsement/guarantee, make records and acquire collateral as required. The analysis shall include at least the following:
  - (1) The necessity of and reasonableness of endorsements/guarantees.
  - (2) Credit status and risk assessment of the entity for which the endorsement/guarantee

is provided.

(3) The impact on the Company's business operations, financial condition, and shareholders' equity.

(4) Whether collateral must be obtained and appraisal of the value thereof.

- B. If the endorsement/guarantee is indeed necessary, first review whether the amount is consistent with the rules of this Procedure and whether it has reached the threshold for public announcement and reporting. A description of the relevant details, reason and risk evaluation result of the endorsement/guarantee shall be submitted to the chairman for approval, followed by submission to the board for discussion and approval. If it is within the authorized amount, the chairman may make a decision, followed by subsequent reporting to the board of directors for ratification after the fact.
- C. The Company and its subsidiaries shall prepare a memorandum book for its endorsement/guarantee activities. After the endorsement/guarantee is approved by the board of directors or decided by the chairman, in addition to applying for seal affixation in accordance with the prescribed procedure, the undertaken guarantee, name of the endorsed/guaranteed firm, risk evaluation result, amount of endorsement/guarantee, details of collateral acquired and conditions and dates for release of endorsement/guarantee liability shall be recorded in detail.
- D. The finance and accounting department shall prepare monthly statements of guarantees incurred and cancelled for control, follow-up, public announcement and reporting and shall adequately disclose relevant information in the financial reports and provide certified public accountants with relevant information.
- E. For circumstances in which an entity for which the Company or its subsidiary provides any endorsement/guarantee is a subsidiary whose net worth is lower than half of its paid-in capital, in addition to following this Procedure, the processing personnel of the finance department shall prepare monthly statements showing increase, decrease, change and balance of endorsements/guarantees and submit them to the responsible executive for approval. The internal auditors shall audit this Procedure and the implementation thereof no less frequently than quarterly and prepare written records accordingly. They shall promptly notify the audit committee in writing of any material violation found.
- F. Where as a result of changes of condition the entity for which an endorsement/guarantee is provided no longer meets the requirements of this Procedure, or the amount of endorsement/guarantee exceeds the limit, the Company shall adopt rectification plans and submit the rectification plans to the audit committee, and shall complete the rectification according to the timeframe set out in the plan.
- G. When the Company or its subsidiary provides endorsement/guarantee to a non-affiliated company, it shall follow this Procedure and the provision shall be subject to approval by the Company through board resolution.

Article 13    Use and Custody Procedure for Specimen Seal for Endorsement and Guarantee  
When the Company or its subsidiary provides endorsement/guarantee following

the approval under this Procedure, the guarantee agreement issued by the company shall be affixed with the corporate chop registered with the Ministry of Economic Affairs as the dedicated chop for endorsements/guarantees or signed by a person authorized by the board of directors.

The corporate chop registered with the Ministry of Economic Affairs as the dedicated chop for endorsements/guarantees under the previous paragraph shall be kept in the custody of a dedicated person agreed by the board of directors and the use of the seal or issuance of negotiable instrument shall be in accordance with the relevant procedures established by the company.

#### Chapter IV Public Announcement, Reporting and Information Disclosure

**Article 14** The term "announce and report" as used in this Procedure means the process of entering data to the information reporting website designated by the Financial Supervisory Commission. "Date of occurrence" in this Procedure means the date of contract signing, date of payment, dates of boards of directors resolutions, or other date that can confirm the counterparty and monetary amount of the loan of funds or endorsement/guarantee, whichever date is earlier.

#### **Article 15** Public Announcement and Report on Loaning of Funds

A. The Company shall announce and report the previous month's loan balances of its head office and subsidiaries by the 10th day of each month.

B. When the loans of funds reaches one of the following levels, the Company shall announce and report such event within two days commencing immediately from the date of occurrence:

1. The aggregate balance of loans to others by the Company and its subsidiaries reaches 20 percent or more of the Company's net worth as stated in its latest financial statement.
2. The balance of loans by the Company and its subsidiaries to a single enterprise reaches 10 percent or more of the Company's net worth as stated in its latest financial statement.
3. The amount of new loans of funds by the Company or its subsidiaries reaches NT\$10 million or more, and reaches 2 percent or more of the Company's net worth as stated in its latest financial statement.

The Company shall announce and report on behalf of any subsidiary thereof that is not a public company of the Republic of China any matters that such subsidiary is required to announce and report pursuant to the preceding paragraph.

#### **Article 16** Public Announcement and Report on Endorsement/Guarantee

A. The Company shall announce and report the previous month's balance of endorsements/guarantees of itself and its subsidiaries by the 10th day of each month.

B. When the balance of endorsements/guarantees reaches one of the following levels, the Company shall announce and report such event within two days commencing immediately from the date of occurrence:

1. The aggregate balance of endorsements/guarantees by the Company and its subsidiaries reaches 50 percent or more of the Company's net worth as

stated in its latest financial statement.

2. The balance of endorsements/guarantees by the Company and its subsidiaries for a single enterprise reaches 20 percent or more of the Company's net worth as stated in its latest financial statement.
3. The balance of endorsements/guarantees by the Company and its subsidiaries for a single enterprise reaches NT\$10 millions or more and the aggregate amount of all endorsements/guarantees for, carrying value of equity method investment in, and balance of loans to, such enterprise reaches 30 percent or more of Company's net worth as stated in its latest financial statement.
4. The amount of new endorsements/guarantees made by the public company or its subsidiaries reaches NT\$30 million or more, and reaches 5 percent or more of the public company's net worth as stated in its latest financial statement.

The Company shall announce and report on behalf of any subsidiary thereof that is not a public company of the Republic of China any matters that such subsidiary is required to announce and report pursuant to the preceding paragraph.

#### Article 17 Information Disclosure

The Company shall evaluate the status of its loans of funds and reserve sufficient allowance for bad debts in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and shall adequately disclose relevant information in its financial reports and provide certified public accountants with relevant information for implementation of necessary auditing procedures.

The Company shall evaluate or record the contingent loss for endorsements / guarantees in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, shall provide certified public accountants with relevant information on endorsements and guarantees for implementation of necessary audit procedures and shall adequately disclose information in its financial reports.

#### Article 18 Regulations for Loaning of Funds and Endorsement/Guarantee by Subsidiaries

1. The procedures for loaning of funds and endorsement/guarantee of the Company's subsidiaries shall be the same as the Company and the subsidiaries shall follow relevant regulations. Regulations of the local laws where the subsidiaries are located shall also be followed.
2. "Chairman" and "board of directors" referred to in this Procedure mean the chairman and board of directors of the Company (parent company), unless it is specified as chairman and board of directors of the subsidiary.
3. When a subsidiary processes loaning of funds among companies of which the Company directly or indirectly holds 50% or more voting shares, it shall be resolved by the board of directors of the subsidiary and the decided by the chairman of the Company (parent company) if the loan amount is below NT\$10,000,000 and does not exceed 20% of the net worth of the lending company, or resolved by the board of directors of the Company (parent company) if the loan amount exceeds NT\$10,000,000.
4. When a subsidiary processes endorsement/guarantee among companies of which the Company directly or indirectly holds 90% or more voting shares, it

shall be resolved by the board of directors of the subsidiary and decided by the chairman of the Company (parent company).

5. Subsidiaries of the Company shall provide relevant materials to the Company for verification.

## ChapteV Miscellaneous

Article 19 Any manager or organizing personnel who breaches this Procedure in handling loaning of funds or endorsement/guarantee by the Company, resulting in damage to the Company or in serious cases, shall be subject to sanction or compensation claim in accordance with the Company's relevant reward, discipline and evaluation regulations and personnel charters.

Article 20 This Procedure shall require the approval of one-half or more of all audit committee members and furthermore shall be submitted for a resolution by the board of directors. If the approval of one-half or more of all audit committee members is not obtained, it 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 and submitted to the board of directors for resolution, followed by submission to the shareholders' meeting for approval. Where any director expresses dissent and it is contained in the minutes or a written statement, the Company shall submit the dissenting opinions to the shareholders' meeting for discussion. The same shall apply to any amendments to this Procedure.

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

When the Company it submits this Procedure for discussion by the board of directors pursuant to the above, 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.

Article 21 Anything that is not stipulated in this Procedure shall be governed by applicable laws and relevant regulations of the Company.

Article 22 This Procedure was established on 23 June 2016.

The first amendment was approved by shareholders resolution on 12 June 2018.

The second amendment was approved by shareholders resolution on 6 June 2019.



## Amended Clauses of the Procedure for Loaning of Funds, Endorsement and Guarantee

Clause	Before Amendment	After Amendment	Remarks
Article 2	<p>The Company and its subsidiaries shall comply with this Procedure when making loans to and endorsements/guarantees for others.</p> <p>"Subsidiary" and "parent company" as referred to in this Procedure shall be as determined under the Regulations Governing the Preparation of Financial Reports by Securities Issuers.</p> <p>"Net worth" in this Procedure means the <del>balance sheet equity attributable to the owners of the parent company under the Regulations Governing the Preparation of Financial Reports by Securities Issuers.</del></p>	<p>The Company and its subsidiaries shall comply with this Procedure when making loans to and endorsements/guarantees for others.</p> <p>"Subsidiary" and "parent company" as referred to in this Procedure shall be as determined under the Regulations Governing the Preparation of Financial Reports by Securities Issuers.</p> <p>"Net worth" in this Procedure <u>is based on the latest financial statement audited or certified by the CPA.</u></p>	Amendment in accordance with the law
Article 4	<p><b>Loan Amount Limit</b></p> <p>The aggregate amount of loans and the maximum amount permitted to a single borrower are as follows:</p> <ol style="list-style-type: none"> <li>1. For inter-company or inter-firm business transactions, single loan amount shall be limited to the amount of business transaction between the parties. "Amount of business transaction" means the amount of purchase or the amount of sale between the parties in the preceding year, whichever is higher, provided that the highest amount shall not exceed <del>the limit under the previous paragraph.</del></li> <li>2. Inter-company or inter-firm short-term financing shall be limited to 40% of the net worth of the lender and single loan amount shall be limited to 20% of the net worth of the lender.</li> <li>3. The restriction on net worth under the previous paragraph shall not apply to inter-company loans of funds between overseas companies in which the Company holds, directly or indirectly, 100% of the voting shares, nor to loans of fund to the Company by any overseas company in which the Company holds, directly or indirectly, 100% of the voting shares. Total amount of loans granted for short-term financing and business transaction, as well as single loan amount, shall not exceed 100% of the net worth of the lender.</li> </ol> <p>When a responsible person of the Company violates the proviso of the</p>	<p><b>Loan Amount Limit</b></p> <p>The aggregate amount of loans and the maximum amount permitted to a single borrower are as follows:</p> <ol style="list-style-type: none"> <li>1. For inter-company or inter-firm business transactions, single loan amount shall be limited to the amount of business transaction between the parties. "Amount of business transaction" means the amount of purchase or the amount of sale between the parties in the preceding year, whichever is higher, provided that the highest amount shall not exceed <u>the amount of business dealing between the parties within the past year.</u></li> <li>2. Inter-company or inter-firm short-term financing shall be limited to 40% of the net worth of the lender and single loan amount shall be limited to 20% of the net worth of the lender. <u>The term "short-term" as used in the preceding paragraph means one year, or where the company's operating cycle exceeds one year, one operating cycle.</u></li> <li>3. The restriction on net worth under the previous paragraph shall not apply to inter-company loans of funds between overseas companies in which the Company holds, directly or indirectly, 100% of the voting shares, nor to loans of fund to the Company by any overseas company in which the Company holds, directly or indirectly, 100% of the voting shares. Total amount of loans granted for short-term financing and business transaction, as well as single loan amount, shall not exceed 100% of the net worth of the lender.</li> </ol> <p>When a responsible person of the Company violates the proviso of the</p>	Amendment in accordance with the law

Clause	Before Amendment	After Amendment	Remarks
	preceding paragraph, the responsible person shall bear joint and several liability with the borrower for repayment; if the Company suffers damage, the responsible person also shall be liable for damages.	preceding paragraph, the responsible person shall bear joint and several liability with the borrower for repayment; if the Company suffers damage, the responsible person also shall be liable for damages.	
Article 5	<p>Loan Period and Interest Accrual</p> <p>1. Period: Each loan period <del>shall not exceed a maximum of one year from the date of advance</del>, or two years in the case of loans between overseas companies in which the Company holds, directly or indirectly, 100% of the voting shares, or loans to the Company by any overseas company in which the Company holds, directly or indirectly, 100% of the voting shares. If the loan cannot be repaid upon maturity and an extension is required, a prior application shall be filed and this Procedure shall apply</p> <p>2. Interest Rate and Accrual: Interest rate for each loan shall not be lower than the average interest rate for short-term loans taken out by the Company from financial institutions. Interest accrues on monthly basis. In special circumstances, interest rate may be adjusted based on the actual situation with the approval by the chairman of the Company.</p>	<p>Loan Period and Interest Accrual</p> <p>1. Period: Each loan period <u>shall be within one year in principle, provided that if the company's business cycle is longer than one year, the business cycle shall prevail</u>, or two years in the case of loans between overseas companies in which the Company holds, directly or indirectly, 100% of the voting shares, or loans to the Company by any overseas company in which the Company holds, directly or indirectly, 100% of the voting shares. If the loan cannot be repaid upon maturity and an extension is required, a prior application shall be filed and this Procedure shall apply</p> <p>2. Interest Rate and Accrual: Interest rate for each loan shall not be lower than the average interest rate for short-term loans taken out by the Company from financial institutions. Interest accrues on monthly basis. In special circumstances, interest rate may be adjusted based on the actual situation with the approval by the chairman of the Company.</p>	Amendment in accordance with the law
Article 18	<p>Regulations for Loaning of Funds and Endorsement/Guarantee by Subsidiaries</p> <p>1. The procedures for loaning of funds and endorsement/guarantee of the Company's subsidiaries shall be the same as the Company and the subsidiaries shall follow relevant regulations. Regulations of the local laws where the subsidiaries are located shall also be followed.</p> <p>2. "Chairman" and "board of directors" referred to in this Procedure mean the chairman and board of directors of the Company (parent company), unless it is specified as chairman and board of directors of the subsidiary.</p> <p>3. When a subsidiary processes loaning of funds among companies of which the Company directly or indirectly holds 50% or more voting shares, it shall be resolved by the board of directors of the subsidiary and the decided by the chairman of the Company (parent company) if the loan amount is below</p>	<p>Regulations for Loaning of Funds and Endorsement/Guarantee by Subsidiaries</p> <p>1. The procedures for loaning of funds and endorsement/guarantee of the Company's subsidiaries shall be the same as the Company and the subsidiaries shall follow relevant regulations. Regulations of the local laws where the subsidiaries are located shall also be followed.</p> <p>2. "Chairman" and "board of directors" referred to in this Procedure mean the chairman and board of directors of the Company (parent company), unless it is specified as chairman and board of directors of the subsidiary.</p> <p>3. When a subsidiary processes loaning of funds among companies of which the Company directly or indirectly holds 50% or more voting shares, it shall be resolved by the board of directors of the subsidiary and the decided by the chairman of the Company (parent company) if the loan amount is below</p>	Amendment in accordance with operating requirements

Clause	Before Amendment	After Amendment	Remarks
	<p>NT\$10,000,000 and does not exceed 20% of the net worth of the lending company, or resolved by the board of directors of the Company (parent company) if the loan amount exceeds NT\$10,000,000.</p> <p>4. When a subsidiary processes endorsement/guarantee among companies of which the Company directly or indirectly holds 90% or more voting shares, it shall be resolved by the board of directors of the subsidiary and decided by the chairman of the Company (parent company).</p> <p>5. Subsidiaries of the Company shall provide relevant materials to the Company for verification.</p>	<p>NT\$10,000,000 and does not exceed 20% of the net worth of the lending company, or resolved by the board of directors of the Company (parent company) if the loan amount exceeds NT\$10,000,000.</p> <p>4. When a subsidiary processes endorsement/guarantee among companies of which the Company directly or indirectly holds 90% or more voting shares, it shall be resolved by the board of directors of the subsidiary and decided by the chairman of the Company (parent company).</p> <p>5. Subsidiaries of the Company shall provide relevant materials to the Company for verification.</p> <p><u>6. After the shares of the Company's subsidiary is publicly listed, it shall establish its procedure for loaning of funds, endorsement and guarantee. After such procedure is established, such publicly listed subsidiary and its subsidiaries shall comply with such procedure in the loaning of funds and endorsement/guarantee and shall not be bound by this Procedure.</u></p>	
Article 22	<p>This Procedure was established on 23 June 2016. The first amendment was approved by shareholders resolution on 12 June 2018. The second amendment was approved by shareholders resolution on 6 June 2019.</p>	<p>This Procedure was established on 23 June 2016. The first amendment was approved by shareholders resolution on 12 June 2018. The second amendment was approved by shareholders resolution on 6 June 2019. <u>The third amendment was approved by shareholders resolution on 14 June 2023.</u></p>	Date of this amendment added

## 【Appendix G】

### GrandTech C.G. Systems Inc. Articles of Association

#### Chapter I General

- Article 1 The Company is organized in accordance with the Company Act and is named GrandTech C.G. Systems Inc.
- Article 2 The Company operates the following businesses:
- F109010 Book wholesale business
  - F113050 Business machine equipment wholesale business
  - F213030 Business machine equipment retail business
  - F118010 Information software wholesale business
  - F218010 Information software retail business
  - F401010 International trade business
  - I301010 Information software service business
  - J304010 Book publishing business
  - JZ99990 Other service business (computer program design agency)
  - I199990 Other consulting service business (computer administration information and automated system analysis, planning and consultancy business).
  - I301020 Data processing service business
  - I301030 Electronic information supply service business
  - I401010 General advertising service business
  - F213040 Precision instrument retail business
  - F216010 Photographic equipment retail business
  - JA02010 Electric appliance repair business
  - JB01010 Exhibition service business
  - I103010 Enterprise operation management consultancy business
  - I199990 Other consulting service business – workshop event organization
  - J303010 Magazine business
  - J305010 Audio publication business
  - F209010 Book and stationary retail business
  - CC01050 Data storage and processing equipment manufacturing business
  - F209030 Toy and entertainment tool retail business
  - F113070 Telecommunications equipment wholesale business
  - F213060 Telecommunications equipment retail business
  - F119010 Electronic material wholesale business
  - F219010 Electronic material retail
  - F401021 Telecommunications controlled emission equipment import business
  - ZZ99999 Business that is not prohibited or restricted by law, except business that requires approval
- Article 3 The Company has its headquarters in Taipei City and may set up domestic and overseas branches or representative offices as required through board resolution.
- Article 4 The Company's total capital is NT\$1,050,000,000, divided into 105,000,000 shares of NT\$10 per share. The board of directors is authorized to issue such shares through multiple issuances. Among the above, 10,000,000 shares are reserved for subscription following exercise of warrants, special shares with warrants or corporate bonds with warrants.

Article 4-1 With the approval of shareholders holding 2/3 or more voting rights represented in a shareholders' meeting that is attended by shareholders holding the majority of all outstanding shares, the Company may transfer shares to its employees at a price that is lower than the average share buy-back price or issue employee warrants with a subscription price that is lower than the closing price of its ordinary shares on the issue date.

## Chapter II Shares

Article 5 All of the Company's shares are registered shares and are issued after they are affixed with the signatures or seals of 3 or more directors and following certification in accordance with the law. Shares may also be issued without share certificates. The same is applicable to other securities. Registration shall be made with a centralized securities custodian institution.

Article 6 Deleted

Article 7 Registration of share transfer is suspended during a period of 60 days before a general shareholders' meeting, 30 days before an extraordinary shareholders' meeting and 5 days before the record date for the Company's decision to distribute dividend, bonus or other interest.

Article 8 Shareholders shall submit their samples of their specimen seals to the Company, including any change thereto. Such specimen seals registered with the Company shall be used to collect dividends or exercise all other rights. Shareholder services of the Company are provided in accordance with the Regulations Governing the Administration of Shareholder Services of Public Companies.

## Chapter III Shareholders' Meetings

Article 9 Shareholders' meetings are divided into general meetings and extraordinary meetings. General meetings are held once a year within 6 months from the end of each accounting year. Extraordinary meetings are held as required in accordance with applicable laws.

Article 9-1 For shareholders holding less than 1,000 registered shares of the Company, notice for shareholders' meeting may be given by public announcement on the MOPS.

Article 9-2 The Company may hold shareholders' meetings through video conference or in other manners published by the Ministry of Economic Affairs.

Article 10 Any shareholder who cannot attend a shareholders' meeting may issue a proxy printed by the Company, specifying the scope of authorization, to designate a representative to attend the meeting on its behalf. In addition to Article 177 of the Company Act, shareholder attendance by proxy shall be in accordance with the Regulations Governing the Use of Proxies for Attendance at Shareholder Meetings of Public Companies.

Article 11 Shareholders of the Company are entitled to one vote per share, except those restricted by the Company Act or those without voting rights.

- Article 12 Unless otherwise provided by applicable laws, resolutions of shareholders' meetings shall be approved by shareholders holding the majority of voting rights in a meeting that is attended by shareholders representing the majority of all outstanding shares in person or by proxy.
- Article 13 Shareholders' meeting shall be convened by the board of directors and chaired by the chairman. If the chairman is absent, the chairman shall designate one director to act on his/her behalf. If there is no such designation, the directors shall elect one person from among themselves to act on the chairman's behalf. If the meeting is convened by any person other than the board of directors, such person convening the meeting shall chair the meeting. If the meeting is convened by two or more persons, they shall elect one person from among themselves to chair the meeting.
- Article 14 Matters resolved in a shareholders' meeting shall be recorded in minutes. The minutes shall be distributed and kept in accordance with Article 183 of the Company Act.

#### Chapter IV Directors and Supervisors

- Article 15 The Company has 9 to 11 directors. Directors shall be elected under the candidate nomination system in accordance with Article 192-1 of the Company Act. The shareholders' meeting shall elect the directors from a list of candidates. The term shall be 3 years. When the term of the directors elected by the shareholders' meeting in accordance with the law expires and re-election has not taken place in time, the duties of the directors shall be extended until the time when the re-elected directors come to office.

Relevant matters such as the manner of acceptance of director candidate nomination and public announcements, etc. shall be in accordance with the provisions of applicable laws such as the Company Act, the Securities and Exchange Act.

Among the number of directors of the Company under the previous paragraph, there shall be at least 3 independent directors, to be elected by the shareholders' meeting from a list of independent director candidates.

- Article 15-1 The Company has an audit committee in accordance with Article 14-4 of the Securities and Exchange Act. The audit committee is composed of all independent directors.

The number of audit committee members, their term, duties, meeting rules, etc. shall be in accordance with the Regulations Governing the Exercise of Powers by Audit Committees of Public Companies and shall be further stipulated under the organization charter for audit committee.

- Article 16 The board of directors is organized by the directors. The directors shall elect one person from among themselves as chairman through the approval of the majority of directors attending a meeting that is attended by 2/3 or more directors. The chairman is the Company's representative and shall generally manage all resolutions of the board of directors and all business activities.

Article16-1 Board meetings shall be convened at least once per quarter. Notice to convene a meeting shall be given to each director 7 days in advance. However, meetings may be convened at any time in case of emergency.

Board meetings of the Company may be convened in writing, by email or by fax.

Article 17 When the chairman is on leave or cannot perform his/her duties due to any reason, the representation shall be in accordance with Article 208 of the Company Act.

Article 18 A director may give written authorization for another director to attend a board meeting on his/her behalf and to exercise voting rights for all matters in the meeting on his/her behalf, provided that the representative shall represent no more than one person.

Article 19 Unless otherwise provided by the Company Act, board resolutions shall be approved by the majority of directors attending a meeting that is attended by the majority of directors.

Article 20 When director vacancy reaches 1/3 or when all independent directors have resigned, the board of directors shall convene an extraordinary shareholders' meeting within 60 days to fill the vacancies. The persons filling the vacancies shall serve until the end of the original term.

Article 21 As the directors of the Company perform duties for the Company, the Company may pay remuneration regardless of whether the Company is profit-making or loss-making. The board of directors is authorized to determine the remuneration in accordance with the level of participation in the company's operation and the value of contribution and based on the common standard of the industry.

## ChapteV Officers

Article 22 The Company may have one president and several vice presidents, the hiring, dismissal and remuneration of which shall be in accordance with Article 29 of the Company Act.

Article22-1 The Company may purchase liability insurance for its directors within the scope of their performance of business activities during their terms.

## ChapteVI Accounting

Article 23 At the end of each accounting year of the Company, the board of directors shall prepare statements such as (1) business report (2) financial statements (3) profit distribution or loss compensation proposals and submit them to the general shareholders' meeting for approval.

Profit distribution or loss compensation by the Company may be done at the end of each quarter. The Company's proposal for quarterly profit distribution or loss compensation shall be submitted to the audit committee for audit together with the business report and financial statements, which shall then be submitted to the board of directors for resolution.

Article 24 After the Company's profit before tax excluding employee remuneration and director remuneration is used to compensate losses, the balance amount, if any, shall be used to provision no more than 3% as director remuneration and 4-11% as employee remuneration. The recipients of employee stock or cash remuneration include employees of subsidiaries meeting certain conditions. Such certain conditions shall be established by the board of directors. When employee remuneration is distributed in stock or in cash, it shall be resolved by the board of directors through approval by the majority of directors attending a meeting that is attended by 2/3 or more directors and shall be reported to the shareholders' meeting.

Article 24-1 Profit distribution or loss compensation by the Company may be done at the end of each quarter. If there is profit at quarterly closing, taxes payable shall first be estimated and reserved, accumulated losses shall be compensated, employee remuneration shall be estimated and reserved. Then 10% shall be provisioned as legal reserve and special reserve shall be provisioned or recycled in accordance with the law. Any profit remaining, together with non-distributed profit accumulated from the previous quarter, may be subject to profit distribution proposal to be prepared by the board of directors. If distribution is made in cash, it shall be resolved by the board of directors. If distribution is made through issuance of new shares, distribution shall be subject to prior shareholder resolution.

If the Company has profit at annual closing, distribution shall be made in the following order:

- (A) Provision of and payment of taxes.
- (B) Compensation of accumulated losses.
- (C) 10% provision as legal reserve, except if legal reserve has reached the total capital amount.
- (D) Provision or recycling of special reserve in accordance with the law or requirement of the securities authority.
- (E) Any amount remaining, together with non-distributed profit from previous quarter, may be reserved or used to distribute shareholder dividend through issuance of new shares pursuant to board resolution depending on the funding status and economic development of the current year. Distribution shall be made after submission to the shareholders' meeting for resolution.

The Company authorizes the board of directors to issue all or part of the dividend and bonus to be distributed in cash through resolution approved by the majority of directors attending a meeting that is attended by 2/3 or more directors in accordance with paragraph 5, Article 240 of the Company Act, with a report to the shareholders' meeting.

Article 24-2 When the Company distributes all or part of its legal reserve or capital reserve through new shares or in cash in proportion to the shareholders' original shareholding percentages in accordance with Article 241 of the Company Act, the board of directors is authorized to pass a resolution by the majority of directors attending a meeting that is attended by 2/3 or more directors, with a report to the shareholders' meeting if distribution is made in cash. If distribution is made through issuance of new shares, it shall be subject to prior submission to the shareholders' meeting for resolution.



- Article 25 The Company executes its dividend policy in consideration of factors such as its future capital budget plan, satisfaction of shareholder requirements for cash flow and to ensure market competitiveness. Cash dividend shall not be lower than 10% of the total shareholder bonus.

## ChapteVII Miscellaneous

- Article 26 The Company may make investments in excess of 40% of its paid-in capital and the board of directors is authorized to execute such investment.
- Article 27 The Company may provide endorsements and guarantees for business or investment purposes.
- Article 28 Anything that is not stipulated in these articles of association shall be governed by the Company Act and applicable laws.
- Article 29 These articles of association were established on 22 July 1991. The first amendment was made on 11 July 1996. The second amendment was made on 20 December 1996. The third amendment was made on 11 September 1997. The fourth amendment was made on 4 December 1997. The fifth amendment was made on 23 February 1998. The sixth amendment was made on 29 April 1998. The seventh amendment was made on 4 May 1999. The eight amendment was made on 15 September 1999. The ninth amendment was made on 8 November 1999. The tenth amendment was made on 8 May 2000. The eleventh amendment was made on 1 June 2001. The twelfth amendment was made on 1 June 2001. The thirteenth amendment was made on 20 August 2001. The fourteenth amendment was made on 14 June 2002. The fifteenth amendment was made on 27 June 2003. The sixteenth amendment was made on 11 June 2004. The seventeenth amendment was made on 14 June 2005. The eighteenth amendment was made on 15 June 2007. The nineteenth amendment was made on 13 June 2008. The twentieth amendment was made on 16 June 2009. The twenty-first amendment was made on 17 June 2010. The twenty-second amendment was made on 15 June 2012. The twenty-third amendment was made on 18 June 2013. The twenty-fourth amendment was made on 11 June 2015. The twenty-fifth amendment was made on 23 June 2016. The twenty-sixth amendment was made on 22 June 2017. The twenty-seventh amendment was made on 6 June 2019. The twenty-eighth amendment was made on 9 June 2020. The twenty-ninth amendment was made on 10 June 2022.

## **【Appendix H】**

### **GrandTech C.G. Systems Inc. Rules of Procedure for Shareholders' Meetings**

#### **Article 1**

To establish a strong governance system and sound supervisory capabilities for the Company's shareholders' meetings, and to strengthen management capabilities, these Rules are adopted pursuant to Article 5 of the Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies.

#### **Article 2**

The rules of procedures for the Company's shareholders' meetings, except as otherwise provided by law, regulation, or the articles of incorporation, shall be as provided in these Rules.

#### **Article 3**

Unless otherwise provided by law or regulation, the Company's shareholders' meetings shall be convened by the board of directors.

Changes to how the Company convenes its shareholders' meeting shall be resolved by the board of directors, and shall be made no later than mailing of the shareholders' meeting notice.

The Company shall prepare the shareholders' meeting agenda and supplemental meeting materials and made them available for review by shareholders at any time before 15 days before the date of an extraordinary shareholders' meeting. The meeting agenda and supplemental materials shall also be displayed at the Company and the professional shareholder services agent designated thereby.

The Company shall make the meeting agenda and supplemental meeting materials in the preceding paragraph available to shareholders for review in the following manner on the date of the shareholders' meeting:

- A. For physical shareholders' meetings, to be distributed on-site at the meeting.
- B. For hybrid shareholders' meetings, to be distributed on-site at the meeting and shared on the virtual meeting platform.
- C. For virtual-only shareholders' meetings, electronic files shall be shared on the virtual meeting platform.

The reasons for convening a shareholders' meeting shall be specified in the meeting notice and public announcement. With the consent of the addressee, the meeting notice may be given in electronic form.

Election or dismissal of directors or independent directors, amendments to the articles of incorporation, reduction of capital, application for the approval of ceasing its status as a public company, approval of competing with the company by directors, surplus profit distributed in the form of new shares, reserve distributed in the form of new shares, the dissolution, merger, or demerger of the company, or any matter under Article 185, paragraph 1 of the Company Act, Articles 26-1 and 43-6 of the Securities Exchange Act, Articles 56-1 and 60-2 of the Regulations Governing the Offering and Issuance of Securities by Securities Issuers shall be set out and the essential contents explained in the notice of the reasons for convening the shareholders' meeting. None of the above matters may be raised by an extraordinary motion.

#### Article 4

For each shareholders' meeting, a shareholder may appoint a proxy to attend the meeting by providing the proxy form issued by the Company and stating the scope of the proxy's authorization.

A shareholder may issue only one proxy form and appoint only one proxy for any given shareholders' meeting, and shall deliver the proxy form to the Company before five days before the date of the shareholders' meeting. When duplicate proxy forms are delivered, the one received earliest shall prevail unless a declaration is made to cancel the previous proxy appointment.

After a proxy form has been delivered to the Company, if the shareholder intends to attend the meeting in person or to exercise voting rights by correspondence or electronically, a written notice of proxy cancellation shall be submitted to the Company before two business days before the meeting date. If the cancellation notice is submitted after that time, votes cast at the meeting by the proxy shall prevail.

If, after a proxy form is delivered to the Company, a shareholder wishes to attend the shareholders' meeting online, a written notice of proxy cancellation shall be submitted to the Company two business days before the meeting date. If the cancellation notice is submitted after that time, votes cast at the meeting by the proxy shall prevail.

#### Article 5

The venue for a shareholders' meeting shall be the premises of the Company, or a place easily accessible to shareholders and suitable for a shareholders' meeting. The meeting may begin no earlier than 9 a.m. and no later than 3 p.m. Full consideration shall be given to the opinions of the independent directors with respect to the place and time of the meeting.

The restrictions on the place of the meeting shall not apply when the Company convenes a virtual-only shareholders' meeting.

#### Article 6

The Company shall specify in its shareholders' meeting notices the time during which attendance registrations for shareholders, solicitors and proxies (collectively "shareholders") will be accepted, the place to register for attendance, and other matters for attention.

The time during which shareholder attendance registrations will be accepted, as stated in the preceding paragraph, shall be at least 30 minutes prior to the time the meeting commences. The place at which attendance registrations are accepted shall be clearly marked and a sufficient number of suitable personnel assigned to handle the registrations. For virtual shareholders' meetings, shareholders may begin to register on the virtual meeting platform 30 minutes before the meeting starts. Shareholders completing registration will be deemed as attend the shareholders' meeting in person.

Shareholders shall attend shareholders' meetings based on attendance cards, sign-in cards, or other certificates of attendance. The Company may not arbitrarily add requirements for other documents beyond those showing eligibility to attend presented by shareholders. Solicitors soliciting proxy forms shall also bring identification documents for verification.

The Company 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 Company shall furnish attending shareholders with the meeting agenda book, annual report, attendance card, speaker's slips, voting slips, and other meeting materials. Where there is an election of directors or supervisors, pre-printed ballots shall also be furnished.

When the government or a juristic person is a shareholder, it may be represented by more than one representative at a shareholders' meeting. When a juristic person is appointed to attend as proxy, it may designate only one person to represent it in the meeting.

In the event of a virtual shareholders' meeting, shareholders wishing to attend the meeting online shall register with the Company two days before the meeting date.

In the event of a virtual shareholders' meeting, the Company shall upload the meeting agenda book, annual report and other meeting materials to the virtual meeting platform at least 30 minutes before the meeting starts, and keep this information disclosed until the end of the meeting.

#### Article 6-1

To convene a virtual shareholders' meeting, the Company shall include the follow particulars in the shareholders' meeting notice:

- A. How shareholders attend the virtual meeting and exercise their rights.
- B. Actions to be taken if the virtual meeting platform or participation in the virtual meeting is obstructed due to natural disasters, accidents or other force majeure events, at least covering the following particulars:
  - (A) To what time the meeting is postponed or from what time the meeting will resume if the above obstruction continues and cannot be removed, and the date to which the meeting is postponed or on which the meeting will resume.
  - (B) Shareholders not having registered to attend the affected virtual shareholders' meeting shall not attend the postponed or resumed session.
  - (C) In case of a hybrid shareholders' meeting, when the virtual meeting cannot be continued, if the total number of shares represented at the meeting, after deducting those represented by shareholders attending the virtual shareholders' meeting online, meets the minimum legal requirement for a shareholder meeting, then the shareholders' meeting shall continue. The shares represented by shareholders attending the virtual meeting online shall be counted towards the total number of shares represented by shareholders present at the meeting, and the shareholders attending the virtual meeting online shall be deemed abstaining from voting on all proposals on meeting agenda of that shareholders' meeting.
  - (D) Actions to be taken if the outcome of all proposals have been announced and extraordinary motion has not been carried out.
- C. To convene a virtual-only shareholders' meeting, appropriate alternative measures available to shareholders with difficulties in attending a virtual shareholders' meeting online shall be specified.

#### Article 7

If a shareholders' meeting is convened by the board of directors, the meeting shall be chaired by the chairperson of the board. When the chairperson of the board is on leave or for any reason unable to exercise the powers of the chairperson, the chairperson shall appoint one of the directors to act as chair. Where the chairperson does not make such a designation, the directors shall select from among themselves one person to serve as chair.

When a director serves as chair, as referred to in the preceding paragraph, the director shall be one who has held that position for six months or more and who understands the financial and business conditions of the company. The same shall be true for a representative of a juristic person director that serves as chair.

It is advisable that shareholders' meetings convened by the board of directors be chaired by the chairperson of the board in person and attended by a majority of the directors, at least one independent director in person, and at least one member of each functional committee on behalf of the committee. The attendance shall be recorded in the meeting minutes.

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. When there are two or more such convening parties, they shall mutually select a chair from among themselves.

The Company may appoint its attorneys, certified public accountants, or related persons retained by it to attend a shareholders' meeting in a non-voting capacity.

#### Article 8

The Company shall make an uninterrupted audio and video recording of the proceedings of the shareholders' meeting.

The recorded materials of the preceding paragraph 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.

Where a shareholders' meeting is held online, the Company shall keep records of shareholder registration, sign-in, check-in, questions raised, votes cast and results of votes counted by the Company, and continuously audio and video record, without interruption, the proceedings of the virtual meeting from beginning to end.

The information and audio and video recording in the preceding paragraph shall be properly kept by the Company during the entirety of its existence, and copies of the audio and video recording shall be provided to and kept by the party appointed to handle matters of the virtual meeting.

#### Article 9

Attendance at shareholders' meetings shall be calculated based on numbers of shares. The number of shares in attendance shall be calculated according to the shares indicated by the attendance book and sign-in cards handed in, and the shares checked in on the virtual meeting platform, plus the number of shares whose voting rights are exercised by correspondence or electronically.

The chair shall call the meeting to order at the appointed meeting time and disclose information concerning the number of nonvoting shares and number of shares represented by shareholders attending the meeting.

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 and the attending shareholders still represent less than one third of the total number of issued shares, the chair shall declare the meeting adjourned. In the event of a virtual shareholders' meeting, the Company shall also declare the meeting adjourned at the virtual meeting platform.

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; all shareholders shall be notified of the tentative resolution and another shareholders' meeting shall be convened within one month. In the event of a virtual shareholders' meeting, shareholders intending to attend the meeting online shall re-register to the Company in accordance with Article 6.

When, prior to conclusion of the meeting, the attending shareholders represent a majority of the total number of issued shares, the chair may resubmit the tentative resolution for a vote by the shareholders' meeting pursuant to the Company Act.

#### Article 10

If a shareholders' meeting is convened by the board of directors, the meeting agenda shall be set by the board of directors. Votes shall be cast on each separate proposal in the agenda (including extraordinary motions and amendments to the original proposals set out in the agenda). 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. If the chair declares the meeting adjourned in violation of the rules of procedure, the other members of the board of directors shall promptly assist the attending shareholders in electing a new chair in accordance with statutory procedures, by agreement of a majority of the votes represented by the attending shareholders, and then continue the meeting.

The chair shall allow ample opportunity during the meeting for explanation and discussion of proposals and of amendments or extraordinary motions put forward by the shareholders; when the chair is of the opinion that a proposal has been discussed sufficiently to put it to a vote, the chair may announce the discussion closed, call for a vote, and schedule sufficient time for voting.

#### Article 11

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.

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 or exceeds the scope of the agenda item, the chair may terminate the speech.

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.

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.

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

Where a virtual shareholders' meeting is convened, shareholders attending the virtual meeting online may raise questions in writing at the virtual meeting platform from the chair declaring the meeting open until the chair declaring the meeting adjourned. No more than two questions for the same proposal may be raised. Each question shall contain no more than 200 words. The regulations in paragraphs 1 to 5 do not apply.

## Article 12

Voting at a shareholders' meeting shall be calculated based the number of shares.

With respect to resolutions of shareholders' meetings, the number of shares held by a shareholder with no voting rights shall not be calculated as part of the total number of issued shares.

When a shareholder is an interested party in relation to an agenda item, and there is the likelihood that such a relationship would prejudice the interests of the Company, that shareholder may not vote on that item, and may not exercise voting rights as proxy for any other shareholder.

The number of shares for which voting rights may not be exercised under the preceding paragraph shall not be calculated as part of the voting rights represented by attending shareholders.

With the exception of a trust enterprise or a shareholder services agent approved by the competent securities authority, when one person is concurrently appointed as proxy by two or more shareholders, the voting rights represented by that proxy may not exceed three percent of the voting rights represented by the total number of issued shares. If that percentage is exceeded, the voting rights in excess of that percentage shall not be included in the calculation.

## Article 13

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.

When the Company holds a shareholder meeting, it shall adopt exercise of voting rights by electronic means and may adopt exercise of voting rights by correspondence. When voting rights are exercised by correspondence or electronic means, the method of exercise shall be specified in the shareholders' meeting notice. A shareholder exercising voting rights by correspondence or electronic means will be deemed to have attended the meeting in person, but to have waived his/her rights with respect to the extraordinary motions and amendments to original proposals of that meeting; it is therefore advisable that the Company avoid the submission of extraordinary motions and amendments to original proposals.

A shareholder intending to exercise voting rights by correspondence or electronic means under the preceding paragraph shall deliver a written declaration of intent to the Company before two days before the date of the shareholders' meeting. When duplicate declarations of intent are delivered, the one received earliest shall prevail, except when a declaration is made to cancel the earlier declaration of intent.

After a shareholder has exercised voting rights by correspondence or electronic means, in the event the shareholder intends to attend the shareholders' meeting in person or online, a written declaration of intent to retract the voting rights already exercised under the preceding paragraph shall be made known to the Company, by the same means by which the voting rights were exercised, before two business days before the date of the shareholders' meeting. If the notice of retraction is submitted after that time, the voting rights already exercised by correspondence or electronic means shall prevail. When a shareholder has exercised voting rights both by correspondence or electronic means and by appointing a proxy to attend a shareholders' meeting, the voting rights exercised by the proxy in the meeting shall prevail.

Except as otherwise provided in the Company Act and in the Company'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. At the time of a vote, for each proposal, the chair or a person designated by the chair shall first announce the total number of voting rights represented by the attending shareholders, followed by a poll of the shareholders. After the conclusion of the meeting, on the same day it is held, the results for each proposal, based on the numbers of votes for and against and the number of abstentions, shall be entered into the MOPS.

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.

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 Company.

Vote counting for shareholders' meeting proposals or elections shall be conducted in public at the place of the shareholders' meeting. Immediately after vote counting has been completed, the results of the voting, including the statistical tallies of the numbers of votes, shall be announced on-site at the meeting, and a record made of the vote.

When the Company convenes a virtual shareholders' meeting, after the chair declares the meeting open, shareholders attending the meeting online shall cast votes on proposals and elections on the virtual meeting platform before the chair announces the voting session ends or will be deemed abstained from voting.

In the event of a virtual shareholders' meeting, votes shall be counted at once after the chair announces the voting session ends, and results of votes and elections shall be announced immediately.

When the Company convenes a hybrid shareholders' meeting, if shareholders who have registered to attend the meeting online in accordance with Article 6 decide to attend the physical shareholders' meeting in person, they shall revoke their registration two days before the shareholders' meeting in the same manner as they registered. If their registration is not revoked within the time limit, they may only attend the shareholders' meeting online.

When shareholders exercise voting rights by correspondence or electronic means, unless they have withdrawn the declaration of intent and attended the shareholders' meeting online, except for extraordinary motions, they will not exercise voting rights on the original proposals or make any amendments to the original proposals or exercise voting rights on amendments to the original proposal.

#### Article 14

The election of directors or independent directors at a shareholders' meeting shall be held in accordance with the applicable election and appointment rules adopted by the Company, and the voting results shall be announced on-site immediately, including the names of those elected as directors and independent directors and the numbers of votes with which they were elected.

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 the Company Act, the ballots shall be retained until the conclusion of the litigation.

#### Article 15

Matters relating to the resolutions of a shareholders' meeting shall be recorded in the meeting minutes. The meeting minutes shall be signed or sealed by the chair of the meeting and a copy distributed to each shareholder within 20 days after the conclusion of the meeting. The meeting minutes may be produced and distributed in electronic form.

The Company may distribute the meeting minutes of the preceding paragraph by means of a public announcement made through the MOPS.



The meeting minutes shall accurately record the year, month, day, and place of the meeting, the chair's full name, the methods by which resolutions were adopted, and a summary of the deliberations and their voting results (including the number of voting rights), and disclose the number of voting rights won by each candidate in the event of an election of directors. The minutes shall be retained for the duration of the existence of the Company.

Where a virtual shareholders' meeting is convened, in addition to the particulars to be included in the meeting minutes as described in the preceding paragraph, the start time and end time of the shareholders' meeting, how the meeting is convened, the chair's and secretary's name, and actions to be taken in the event of disruption to the virtual meeting platform or participation in the meeting online due to natural disasters, accidents or other force majeure events, and how issues are dealt with shall also be included in the minutes.

When convening a virtual-only shareholder meeting, other than compliance with the requirements in the preceding paragraph, the Company shall specify in the meeting minutes alternative measures available to shareholders with difficulties in attending a virtual-only shareholders' meeting online.

#### Article 16

On the day of a shareholders' meeting, the Company shall compile in the prescribed format a statistical statement of the number of shares obtained by solicitors through solicitation, the number of shares represented by proxies and the number of shares represented by shareholders attending the meeting by correspondence or electronic means, and shall make an express disclosure of the same at the place of the shareholders' meeting. In the event a virtual shareholders' meeting, the Company shall upload the above meeting materials to the virtual meeting platform at least 30 minutes before the meeting starts, and keep this information disclosed until the end of the meeting.

During the Company's virtual shareholders' meeting, when the meeting is called to order, the total number of shares represented at the meeting shall be disclosed on the virtual meeting platform. The same shall apply whenever the total number of shares represented at the meeting and a new tally of votes is released during the meeting.

#### Article 17

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 identification card or armband bearing the word "Proctor".

At the place of a shareholders' meeting, if a shareholder attempts to speak through any device other than the public address equipment set up by the Company, the chair may prevent the shareholder from so doing.

When a shareholder violates the rules of procedure and defies the chair's correction, obstructing the proceedings and refusing to heed calls to stop, the chair may direct the proctors or security personnel to escort the shareholder from the meeting.

#### Article 18

When a meeting is in progress, the chair may announce a break based on time considerations. If a force majeure event occurs, the chair may rule the meeting temporarily suspended and announce a time when, in view of the circumstances, the meeting will be resumed.

If the meeting venue is no longer available for continued use and not all of the items (including extraordinary motions) on the meeting agenda have been addressed, the shareholders' meeting may adopt a resolution to resume the meeting at another venue.

A resolution may be adopted at a shareholders' meeting to defer or resume the meeting within five days in accordance with the Company Act.

#### Article 19

In the event of a virtual shareholders' meeting, the Company shall disclose real-time results of votes and election immediately after the end of the voting session on the virtual meeting platform according to the regulations, and this disclosure shall continue at least 15 minutes after the chair has announced the meeting adjourned.

#### Article 20

When the Company convenes a virtual-only shareholders' meeting, both the chair and secretary shall be in the same location.

#### Article 21

In the event of a virtual shareholders' meeting, when declaring the meeting open, the chair shall also declare, unless under a circumstance where a meeting is not required to be postponed to or resumed at another time under the Regulations Governing the Administration of Shareholder Services of Public Companies, if the virtual meeting platform or participation in the virtual meeting is obstructed due to natural disasters, accidents or other force majeure events before the chair has announced the meeting adjourned, and the obstruction continues for more than 30 minutes, the meeting shall be postponed to or resumed on another date within five days, in which case the Company Act shall not apply.

For a meeting to be postponed or resumed as described in the preceding paragraph, shareholders who have not registered to participate in the affected shareholders' meeting online shall not attend the postponed or resumed session.

For a meeting to be postponed or resumed under the first paragraph, the number of shares represented by, and voting rights and election rights exercised by the shareholders who have registered to participate in the affected shareholders' meeting and have successfully signed in the meeting, but do not attend the postpone or resumed session, at the affected shareholders' meeting, shall be counted towards the total number of shares, number of voting rights and number of election rights represented at the postponed or resumed session.

During a postponed or resumed session of a shareholders' meeting held under the first paragraph, no further discussion or resolution is required for proposals for which votes have been cast and counted and results have been announced, or list of elected directors and supervisors.

When the Company convenes a hybrid shareholders' meeting, and the virtual meeting cannot continue as described in first paragraph, if the total number of shares represented at the meeting, after deducting those represented by shareholders attending the virtual shareholders' meeting online, still meets the minimum legal requirement for a shareholder meeting, then the shareholders' meeting shall continue, and not postponement or resumption thereof under the first paragraph is required.

Under the circumstances where a meeting should continue as in the preceding paragraph, the shares represented by shareholders attending the virtual meeting online shall be counted towards the total number of shares represented by shareholders present at the meeting, provided these shareholders shall be deemed abstaining from voting on all proposals on meeting agenda of that shareholders' meeting.

When postponing or resuming a meeting according to the first paragraph, the Company shall handle the preparatory work based on the date of the original shareholders' meeting in accordance with the requirements listed under the Regulations Governing the Administration of Shareholder Services of Public Companies.

For dates or period set forth under Article 12, second half, and Article 13, paragraph 3 of Regulations Governing the Use of Proxies for Attendance at Shareholder Meetings of Public Companies, and Article 44-5, paragraph 2, Article 44-15, and Article 44-17, paragraph 1 of the Regulations Governing the Administration of Shareholder Services of Public Companies, the Company shall handle the matter based on the date of the shareholders' meeting that is postponed or resumed under the second paragraph.

#### Article 22

When convening a virtual-only shareholders' meeting, the Company shall provide appropriate alternative measures available to shareholders with difficulties in attending a virtual shareholders' meeting online.

#### Article 23

These Rules shall take effect after having been submitted to and approved by a shareholders' meeting. Subsequent amendments thereto shall be effected in the same manner.

#### Article 24

These Rules were established on 10 June 2022.

**【Appendix I】****GrandTech C.G. Systems Inc.  
Director Shareholding**

Record Date: 16 April 2023

Title	Name	Shares Held on Record Date
Chairman	HSU, CHENG-CHIANG	2,009,622 shares
Director	NGOI, MIEW- HUAT	425,004 shares
Director	YANG, JUNG-KUNG	0 shares
Director	Longwei Co., Ltd. Representative CHUANG, TZU-HUA	2,739,738 shares
Director	LIU, YAO-YUAN	100,000 shares
Director	HUANG, LI-AN	0 shares
Independent Director	LIN, TE-JUI	180,626 shares
Independent Director	CHEN, WEI-YU	0 shares
Independent Director	CHEN, SU-LAN	0 shares
No. of shares held by all directors		5,454,990 shares

- Note: Above are shares held by individual and all directors based on the shareholders register as of the share transfer suspension date for 2023 general shareholders' meeting (16 April 2023).
- The statutory number of shares to be held by current directors of the Company is as follows:
  - Total number of issued shares as of 16 April 2023: 62,089,430 ordinary shares.
  - Statutory number of shares to be held by all directors is 4,967,154 shares. As of 16 April 2023, the number of shares held by all directors is 5,454,990 shares.
  - The Company has an audit committee. Therefore, there is no statutory number of shares required of supervisors.
  - The shareholding by all directors of the Company is consistent with the ratio required by the Rules and Review Procedures for Director and Supervisor Share Ownership Ratios at Public Companies.



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