

Stock Code: 2231



為升電裝工業股份有限公司
CUB ELECPARTS INC.

2022 Regular Shareholders' Meeting Handbook

Time of the shareholders' meeting: 10:00 a.m., Thursday, May 26, 2022

Location of shareholders meeting: No. 6, Lane 546, Section 6, Zhanglu Road,
Fuxing Township, Changhua County (the Company's employee restaurant)

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CUB ELECPARTS INC.

Procedures for 2022 Regular Shareholders' Meeting

I. Call the Meeting to Order

II. Meeting Chair Remarks

III. Report

IV. Adoption

V. Election

VI. Discussion

VII. Extempore Motions

VIII. Adjournment

CUB ELECPARTS INC.

Agenda for 2022 Regular Shareholders' Meeting

Time: 10:00 a.m., May 26, 2022

Location: No. 6, Lane 546, Section 6, Zhanglu Road, Fuxing
Township, Changhua County

I. Call the Meeting to Order

II. Meeting Chair Remarks

III. Report

(1) 2021 Business Report

(2) Report on Audit Committee's review of 2021 business
report and financial statements.

(3) Report on Investment in Mainland China

(4) Report on endorsement and guarantee in 2021

(5) Report on the distribution of profit sharing remuneration
for employees and directors in 2021

(6) Report on the Amendment to the Regulations for Employee
Stock Options

IV. Adoption

(1) The 2021 business report and financial statements are
hereby submitted for your adoption.

(2) The 2021 earnings distribution proposal is hereby
submitted for your adoption.

V. Election

(1) Full re-election of directors and independent directors

VI. Discussion

(1) Proposed amendment to the Company's "Regulations for
Acquisition or Disposal of Assets"

- (2) Proposed amendment to the Company's "Rules of Procedure for Shareholders' Meetings"
- (3) Proposed amendment to the Company's "Regulations for Endorsement and Guarantee"
- (4) Release of new directors from non-compete restriction
- (5) Capital increase from earnings with issuance of new shares

VII. Extempore Motions

VIII. Adjournment

[Report]

No. 1

Subject: 2021 Business Report is hereby submitted for your review.

Please refer to pages 13~30 of this Handbook (Attachment 1) for the Business Report.

No. 2

Subject: Audit Committee's report on 2021 business report and financial statements is hereby submitted for your review

Explanation:

- (1) The financial statements of the Company for the year ended December 31, 2021, including the balance sheet, statement of comprehensive income, statement of changes in equity, and statement of cash flows, have been audited by CPAs Chen, Cheng-Hsueh and Chang, Tzu-Shin from KPMG Taiwan, who have issued an unqualified audit report. The aforementioned financial statements, together with the business report and the earnings distribution proposal have been reviewed by the Audit Committee, which has issued a review report. Please refer to pages 20 to 38 of this Handbook (Attachments 2 to 5).
- (2) The Audit Committee is invited to present their review report.

No. 3

Subject: Report on Investment in Mainland China

Explanation:

1. Report on execution of reinvestment (Excluding investees in Mainland China)

USD amount in thousands / number of shares in thousands of shares

Investing company Name	Investee company Name	Its location	Main business items Item	Original investment amount		Holding at the end of the period			Investee company Profits (losses) for the period	Recognized in the period Gain (losses) in investment	Remarks
				End of the period	End of last year	Number of shares	Percentage	Carrying amount			
The Company	Silver Cub Inc.	Samoa	Investment holding	233,066 (USD7,110)	233,066 (USD7,110)	7,110	100%	913,780	43,601	43,601	Subsidiary (Note 1)
Silver Cub Inc.	Golden Cub Inc.	Anguilla	Investment holding	USD7,110	USD7,110	7,110	100%	USD33,017	USD1,557	USD1,557	Subsidiary (Note 1)
The Company	Royal Cub Inc.	Republic of Seychelles	Investment holding	56,175 (USD1,919)	56,175 (USD1,919)	1,919	70%	47,126	782	547	Subsidiary (Note 1)
Royal Cub Inc.	Ever Cub Inc.	Republic of Seychelles	Investment holding	USD2,741	USD2,741	2,741	100%	USD2,432	USD28	USD28	Subsidiary (Note 1)

Ever Cub Inc.	ITM Engine Components, Inc.	Carson, U.S.A.	Automobile Parts Trading	USD2,807	USD2,807	2,458	100%	USD2,432	USD28	USD28	Subsidiary (Note 1)
The Company	ITM AUTOPARTS INTERNATIONAL INC.	Taiwan	International Trade	10,500	10,500	1,050	70%	8,423	1	1	Subsidiary (Note 1)
The Company	HARBINGER TECHNOLOGY CORPORATION	Taiwan	Communications Electronics and Government Project Construction	1,509,865	927,841	44,534	76.72 %	1,447,413	(56,902)	(41,195)	Subsidiary (Note 1)
HARBINGER TECHNOLOGY CORPORATION	HARVEST OPTOELECTRONICS CORPORATION	Taiwan	Controlled Telecommunications Radio-Frequency Devices and Materials Imports	5,000	5,000	500	100%	5,375	(151)	(151)	Subsidiary (Note 1)
The Company	CUBTEK INC.	Taiwan	Motor Vehicles and Parts Manufacturing	596,907	513,200	40,595	44.61 %	430,395	14,541	11,236	Subsidiary (Note 1)
CUBTEK INC.	CHIMEI MOTOR ELECTRONICS CO., LTD.	Taiwan	Motor Vehicles and Parts Manufacturing	84,000	84,000	2,800	14.74 %	-	(14,921)	(3,693)	Note 2
CUBTEK INC.	Globe Cub Inc.	Anguilla	Investment holding	176,330 (USD 6,200)	36,436 (USD 1,200)	6,200	100%	224,283	46,081	46,081	Subsidiary (Note 1)
Globe Cub Inc.	Glory Cub Inc.	Republic of Seychelles	Investment holding	USD 6,200	USD 1,200	6,200	100%	USD 8,929	USD 1,646	USD 1,646	Subsidiary (Note 1)

Note: Eliminated when the consolidated financial statements were prepared.

2. Report on execution of investment in Mainland China

Unit: NT\$/Thousands of USD

Investee in Mainland China Company name	Main Business Items	Paid-up capital	Investment Method	Accumulated amount remitted from Taiwan at the beginning of the period Accumulated investment amount	Investment amount remitted or recovered for the current period		Accumulated investment amount remitted from Taiwan at the end of the period	Profit or loss of the investee company for the period	Shareholding percentage of the Company's direct or indirect investment	Gain (loss) in investment recognized during the period	Investment at the end of the period Book value	Investment income repatriated as of the period
					Remittance	Recovery						
CUB ELECPARTS INC., Shanghai	Manufacturing, processing and trading automobile parts and motorcycle switches	233,066 (USD7,110)	Investment in Mainland China through reinvestment in an existing company in a third region	233,066 (USD7,110)	-	-	233,066 (USD7,110)	43,602	100 %	43,601 (註)	913,780	-
CUBTEK INC. (Shanghai)	Motor Vehicles and Parts Manufacturing	176,330 (USD6,200)	Investment in Mainland China through reinvestment in an existing company	36,436 (USD1,200)	139,984 USD5,000	-	176,330 (USD6,200)	46,081	44.61 %	20,557 (註)	100,053	-

			in a third region									
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Note: Eliminated when the consolidated financial statements were prepared.

3. Reinvestment limit in Mainland China

Accumulated amount remitted from Taiwan at the end of the period Investment amount in Mainland China	Investment amount approved by the Investment Commission, Ministry of Economic Affairs (MOEA)	In accordance with the regulations of the Investment Commission, MOEA Investment limit in Mainland China
NTD\$409,396	NTD\$409,396	2,796,614
(USD\$13,310)	(USD\$13,310)	

No. 4

Subject: Report on endorsement and guarantee in 2021

Explanation:

Unit: Thousands of NTD (USD)

No.	Endorser/guarantor	Endorsee/guarantee		For a single enterprise	Maximum endorsement for the period	Endorsement at the end of the period	Actual amount	Guarantee by property	Accumulated endorsement amount	Endorsement and guarantee	By parent company	By subsidiary	For Mainland region
	Company name	Company name	Relationship (Note 3)	Endorsement and guarantee limit (Note 1)	Endorsement and guarantee balance	Guarantee balance	Drawn	Endorsement Guarantee amount	As a percentage of the net worth in the most recent financial statements	Maximum limit (Note 2)	For subsidiary	For parent company	Endorsement and guarantee for the region
0	The Company	ITM Engine Components, Inc.	2	705,152	25,682 (USD900)	24,912	17,438	-	0.71 %	1,762,881	Y	-	-
0	The Company	HARBINGER TECHNOLOGY CORPORATION	1.2	705,152	575,000	550,000	430,675	-	15.60 %	1,762,881	Y	-	-
0	The Company	BS System Technology Inc.	1.2	705,152	150,000	150,000	-	-	4.25 %	1,762,881	Y	-	-

Note 1: The amount of the Company's endorsement and guarantee for a single company shall not exceed 20% of the Company's current net worth.

Note 2: The total amount of the Company's external guarantee shall not exceed 50% of the Company's current net worth.

Note 3: The relationship between the endorser/guarantor and the endorsee/guarantee is as follows:

1. Companies with which the Company has a business relationship.

2. Subsidiaries in which the Company directly or indirectly holds more than 50% of the shares.

No. 5

Subject: Report on the distribution of profit sharing remuneration for employees and directors in 2021

Explanation:

- 1 、 In accordance with Article 28-1 of the Company's Articles of Incorporation, considering the shareholders' interests and taking into account the industry standard and the overall economic environment, the Company proposes to appropriate NT\$12,997,136 as employees' profit sharing remuneration and NT\$6,498,568 as directors' profit sharing remuneration for 2021.
- 2 、 The appropriation of employees' profit sharing remuneration of NT\$12,997,136 and directors' profit sharing remuneration of NT\$6,498,568 will be fully paid in cash.
- 3 、 The amount of profit sharing remuneration for employees and directors and the method of payment have been discussed and approved by the Remuneration Committee.

No. 6

Subject: Amendment to the Regulations for Employee Stock Options

Explanation: In response to the request of the competent authority, the Company amended the content of the Regulations for Issuance and Subscription of Employee Stock Options. Please refer to Attachment 6 for the comparison of the amended provisions.

[Adoption]

No. 1 (proposed by the Board of Directors)

Subject: The 2021 business report and financial statements are hereby submitted for your adoption.

Explanation:

- (1) The financial statements of the Company for the year ended December 31, 2021, including the balance sheet, statement of comprehensive income, statement of changes in equity, and statement of cash flows, have been audited by CPAs Chen, Cheng-Hsueh and Chang, Tzu-Shin from KPMG Taiwan, together with the business report have been reviewed by the Audit Committee, who has issued a written review report on record and are hereby submitted for your adoption.
- (2) For the independent auditor's report, the 2021 Business Report, and the financial statements, please refer to pages 13 to 38 (Attachments 1 to 4) of the Handbook.

Resolution:

No. 2 (proposed by the Board of Directors)

Subject: The 2021 earnings distribution proposal is hereby submitted for your adoption.

Explanation:

- (1) For 2021, net profit was NT\$515,927,070, and after deducting NT\$8,150,287 from special reserve set aside with deductions from equity, adding NT\$1,198,607 from remeasurement of defined benefit plans, providing NT\$51,712,568 for 10% legal reserve, and including NT\$319,836,419 from prior years' undistributed earnings, the available-for-distribution earnings for the period amounted to \$777,099,241 (see the balance sheet and income statement for details).
- (2) It is planned to distribute dividends of NT\$243,833,330 to shareholders from the available-for-distribution earnings for the period, of which NT\$121,916,670 will be distributed in cash, and the remaining NT\$121,916,660 will be capitalized by issuing shares, and will be distributed first from the net profit after tax for 2021. After the distribution, there will still be undistributed earnings of NT\$533,265,911.

- (3) Please refer to page 38 (Attachment) of the Handbook for the earnings distribution schedule.
- (4) After this case is passed at the regular shareholders' meeting, it is proposed that the Board of Directors be authorized by the regular shareholders' meeting to set the base date of ex-right and ex-dividend and other related matters.
- (5) In the event that the number of outstanding shares is affected by subsequent changes in the Company's capital stock and the shareholders' dividend distribution rate needs to be changed, it is proposed that the Board of Directors be authorized by the regular shareholders' meeting to handle the matters at its sole discretion.

[Election]

No. 1 (proposed by the Board of Directors)

Subject: Full re-election of directors and independent directors

Explanation:

1. The term of office of the original directors and independent directors will expire, and it is proposed to fully re-elect the 14th term directors and independent directors of the Company at the 2022 regular shareholders' meeting.
2. The new independent directors will take office immediately after the shareholders' meeting and their term of office shall be from May 26, 2022 to May 25, 2025.
3. In accordance with Article 17-1 of the Company's Articles of Incorporation, directors and independent directors shall be elected based on the candidate nomination system by the shareholders' meeting from a list of candidates.

[Discussion]

No. 1 (proposed by the Board of Directors)

Subject: Proposed amendment to the Company's "Regulations for Acquisition or Disposal of Assets."

Explanation: In line with the regulations issued by the Financial Supervisory Commission (FSC), the Company's "Regulations for Acquisition and Disposal of Assets" are amended. Please refer to Attachment 7 of the Handbook for the comparison of amended provisions.

Resolution:

No. 2 (proposed by the Board of Directors)

Subject: Proposed amendment to the Company's "Rules of Procedure for Shareholders' Meetings"

Explanation: In accordance with the FSC's letter Jin-Guan-Zheng-Jiao-Zi No. 1100365384, the goal is to strengthen the operation of the shareholders' meeting, to help investors know the content of the resolutions of the shareholders' meeting and to disclose the reporting schedule in advance. Please refer to Attachment 8 of this Handbook for the comparison of the amended provisions.

Resolution:

No. 3 (proposed by the Board of Directors)

Subject: Proposed amendment to the Company's "Regulations for Endorsement and Guarantee"

Explanation: The amendment is proposed in accordance with the Group's operational development plan and business needs. Please refer to Attachment 9 of this Handbook for the comparison of amended provisions.

Resolution:

No. 4 (proposed by the Board of Directors)

Subject: Release of new directors from non-compete restriction

Explanation:

1. In accordance with Article 209 of the Company Act, a director who does anything for himself or on behalf of another person that is within the scope

- of the Company's business, shall explain to the meeting of shareholders the essential contents of such an act and secure its approval.
2. The Company intends to agree to lift the non-compete restriction on the directors to be re-elected by the 2022 shareholders' meeting who operate companies for themselves or for other persons in the same or similar scope of business as the Company and act as directors, provided that the Company's interests are not harmed.
 3. Please refer to Attachment 10 for the concurrent positions held by the directors and independent directors of the Company in other companies.

Resolution:

No. 5 (proposed by the Board of Directors)

Subject: Capital increase from earnings with issuance of new shares

Explanation:

1. The Company proposes to appropriate NT\$121,916,660 for capital increase from the undistributed earnings for 2021 as shareholders' bonus with issuance of 12,191,666 new shares of common stock with par value of NT\$10 each.
2. For this capital increase from earnings with issuance of new shares, the allotment shall be made in proportion to the shareholding by the shareholders as stated in the shareholder roster on the base date of the stock dividends, and approximately 100 shares of stock dividends shall be allotted for every thousand shares. For any fractional shares, the shareholders may, within five days from the base date of stock dividends, pool the fractional shares of their own accord, after which the shareholder shall be paid in cash in accordance with Article 240 of the Company Act with calculation up to the NT\$1, and the Chairperson of the Board shall be authorized to contact certain persons to subscribe for the fractional shares that are not pooled or paid in cash at par value.
3. The rights and obligations of the new shares issued under the capital increase are the same as the original shares issued, and the Board of Directors is authorized to set the base date for the allotment of shares after the approval of the shareholders' meeting and the competent authorities. In

the event that the number of outstanding shares is affected by the exercise of employee stock options, the conversion of the Company's bonds, or the repurchase of the Company's shares, it is proposed to request the shareholders' meeting to fully authorize the Board of Directors to deal with matters related to changes.

4. The Board of Directors is authorized to handle all matters related to the capital increase with issuance of new shares if changes are required by the competent authorities or due to objective circumstances.
5. Please refer to page 38 (Attachment 5) of the Handbook for the earnings distribution schedule.

Resolution:

[Extempore Motions]

[Adjournment]

Business Report;

Hello, ladies and gentlemen!

First of all, welcome to this year's shareholders' meeting during your busy schedule. On behalf of the Company and its subsidiaries, we would like to express our highest appreciation for your support and encouragement. We would like to report the 2021 operating status and future outlook of the Company and its subsidiaries as follows:

I. 2021 Business Results

1. Implementation results of 2021 Business Plan

For 2021, the net operating revenues of the Company and its subsidiaries were \$4,080,435 thousand, representing a 22.16% increase over the previous year, and the net profits before tax were \$582,507 thousand, representing a 99.15% increase over the previous year.

In the past year, the Company and its subsidiaries adhered to their business priorities, actively expanding their business, on the one hand, strengthening cost control on the other, and investing in new product development in the hope of bringing greater performance and business growth.

Unit: In thousands of NTD

Item \ Year	2021	2020
Operating revenues	4,080,435	3,340,199
Operating gross profits	1,671,010	1,272,411
Net operating profits (losses)	592,662	386,368
Net profits after tax attributable to shareholders of the parent company	515,928	244,534
Earnings per share (NTD)	4.23	2.03

2. Implementation status of budget:

In accordance with the current regulations, the Company did not disclose its financial forecast for 2021, so it is not applicable.

3. Analysis of financial receipts and expenditures and profitability

(1)

Unit: In thousands of NTD

Item	2021	2020	Increase (decrease) in amount	Increase (decrease) in percentage %
Cash flows from operating activities	734,231	254,529	479,702	188.47
Cash flows from investing activities	-731,044	-285,695	-445,349	155.88
Cash flows from financing activities	1,099,156	-172,377	1,271,533	-737.65

Analysis of cash flows for the most recent year:

1. Operating activities: The net cash inflow of \$734,231 thousand was mainly due to the fact that the COVID-19 pandemic gradually went under control so that sales stabilized during the period.
2. Investing activities: The net cash outflow of \$731,044 thousand was mainly due to the acquisition of real estate and expansion of plant and equipment.
3. Financing activities: The net cash inflow of \$1,099,156 thousand was mainly due to the increase in short-term loans and the cash capital increase of subsidiaries.

(2) Profitability

Profitability (return on assets, return on equity, net profit margin, earnings per share, etc.): Although affected by the COVID-19 pandemic, revenue and profitability gradually recovered.

Item		2021	2020
Return on assets (%)		6.01%	3.66%
Return on equity (%)		11.85%	6.18%
As a percentage of paid-in capital (%)	Operating profits	48.61%	31.69%
	Net profits after tax	47.78%	23.99%
Net profit margin		11.95%	7.49%
Earnings per share (NTD)		4.23	2.03

4. Research and development

The sales of products of the Company and its subsidiaries have mainly been for export for a long time. Therefore, for the timeliness of product development, product manufacturing quality requirements and delivery accuracy, we adopt high standards for self-requirement, and also maintain a conscientious attitude towards strengthening the R&D personnel's software and hardware design capability, mold design and development capability, electromechanical

integration capability, modularization capability, and high-frequency RF design and development capability, and constantly ask for improvement, as well as constantly replenish the outstanding talents in the related technology fields to improve the Company's own research and development capabilities. In addition, in view of the diversification of the Company's and its subsidiaries' products, we need to be more cautious in investing and developing products, and we will analyze the actual sales situation to select hot-selling products, modular products, or models with potential for focused development and maintenance in order to maintain a highly competitive advantage. In addition, we will deepen the research and development of Universal TPMS (tire pressure monitoring system), and strengthen the decoding rate and simplification of tools for the replacement of European and American TPMS vehicles. For the market in China, we started to invest R&D resources to develop TPMS products for local vehicles in China, effectively utilizing the existing advantages of the Company and its subsidiaries to gradually enter the TPMS market in China.

The Company and its subsidiaries have independently developed the millimeter wave radar for automotive applications and possess the core technologies of 24GHz, 77GHz and 79GHz millimeter wave radar with many core key technologies such as phase antenna technology, radar algorithm technology and millimeter wave circuit technology, etc. In recent years, we have not only developed a number of millimeter wave radar modules (24GHz, 77GHz and 79GHz), but also used them to develop and integrate various ADAS systems, including blind spot detection (BSD), rear cross traffic alert (RCTA), door open warning (DOW), lane change alert (LCA), Forward Collision Warning (FCW), Pedestrian Detection (PD), Automatic Emergency Braking (AEB), Automatic Cruise Control (ACC), Stop-and-go, Drone Obstacle Avoidance Radar, Level Crossing Obstacle Detection, Internal Wheel Differential Active Warning, Radar and Image Fusion (Forward Collision and Lane Diversion Warning Fusion). The Company's Blind Spot Detection (BSD) and Forward Collision Warning (FCW) systems have passed the tests by TUV NORD of Germany, an international certification unit, and we are the first local company to pass the ISO 15623 and Mainland China's GB/T 33577 standard tests in the automotive field on both sides of the Taiwan Strait, which will help to win orders from vehicle manufacturers for ADAS Through the existing and newly developed AM and OEM market channels, we will also be able to secure huge business opportunities for general passenger cars, pick up, RV campers, heavy motorcycles, motorcycles, school buses, and other large commercial vehicles (e.g. tour buses, commuter buses, and tour buses).

II. Summary of 2021 Business Plan

Item	Description of Contents
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Product Direction	<ol style="list-style-type: none"> 1. Continue to increase the completeness of our product lineup and add new vehicle models (e.g. Korean and European models) to reduce our customers' procurement costs and satisfy their needs in one purchase. 2. Related derivative applications of TPMS tire pressure monitoring system products 3. Gradually increase the launch of electronic products, develop towards higher margin and higher technology categories, and enhance the depth of products. 4. Develop parts for original manufacturers and take the initiative to launch more competitive products in the market. 5. Actively participate in the system development after TPMS and ADAS legislation. 6. Strengthen the design capability of vehicle switches, sensors and vehicle electronics, and command the key technologies of automotive components. 7. Strengthen engineering management and information integration, and bring in electromechanical talents to respond to new technologies. 8. Independently research and develop millimeter wave radar for automotive applications, with core technologies of high-end 24GHz, 77GHz and 79GHz millimeter wave radar and radar and image fusion. 9. In addition to traditional passenger car applications, expand the application of ADAS technology and introduce ADAS-related application innovations into many new vehicle models and new product applications, such as school buses, heavy motorcycles, motorcycles, RV campers, and other large vehicles (e.g., tour buses, commuter buses, and linkage vehicles). 10. Millimeter wave radar is used in non-vehicle applications such as intelligent transportation, public constructions, security, water conservancy, industry, and drones.
Production Strategy	<ol style="list-style-type: none"> 1. Implement scheduling and mass production point inspection to ensure the quality of production and reduce unnecessary rework and waste in production process.

	<ol style="list-style-type: none"> 2. Continuously carry out COST DOWN in response to the increase of raw material prices. 3. Strengthen product manufacturing specification standards and verification capabilities. 4. Enhance automatic production capability and increase production value. 5. Reduce the quantity and amount of inventory to prevent the stock from becoming obsolete and respond early.
Scale of Operations	<ol style="list-style-type: none"> 1. In addition to consolidating the U.S., Central and South American markets, developing the European market as the business objective 2. Expand millimeter wave radar AM application products and millimeter wave radar OEM products for automakers, and strengthen the self-developed technology and application of millimeter wave radar. In addition to the application of ADAS systems (BSD, FCW, AEB, etc.) in general passenger cars, it also introduces more innovations into new vehicle model markets and applications, such as school buses, drones, public transportation and traffic facilities (e.g., level crossings), large commercial vehicles, etc. ...and other markets. 3. Ensure the quality of existing products to consolidate the existing market, and enhance the accuracy and timeliness of delivery to respond to the sales pattern of small volume and multiple SKU. 4. Expand the Company's product sales channels and generate higher revenue through the integration of resources from affiliates and the development and cooperation with new and existing channel vendors to generate higher revenue results.

III. Future development strategy of the Company

Since its establishment, the Company has been adhering to an active and steady management policy, gradually recruiting outstanding talents in various related fields to create maximum profits for the Company and all employees. In addition to our own demands for speed of product development and quality of products, we also continue to maintain stable and good cooperative relationships with our existing customers, and expand our product sales channels or increase the diversity of our products through reinvestment, etc. We are striving for stable profitability year

after year to create the best return on investment.

IV. Effect of the external competitive environment, regulatory environment and general business environment

The Company has been responding to changes in the external competitive environment, regulations and the general business environment through a sound and effective internal control system, and has steadily gone through each economic cycle. Only institutionalized management can lead the Company to sustainable business development. In addition, the Company is constantly recruiting talents in various fields to enrich our human resources, so that we can flexibly adjust the pace of our development and move forward toward our established goals in response to the rapidly changing external factors.

1. Maintain a complete supply system: The Company and its subsidiaries have formed a complete supply network with various suppliers, so that the Company's production is flexible enough to cope with changes in market demand in the face of cyclical fluctuations in the economy.
2. Strengthen research and development capabilities: The Company and its subsidiaries focus on product development and cultivation of research and development personnel, actively strengthening the Company's research and development capabilities, improving process and product quality, and actively developing related diverse products in line with market trends and developing niche products with higher technological thresholds to increase the Company's product breadth, which can mitigate the impact of the economic cycle on the Company's business.
3. Strengthen customer relationships and actively explore new sources of customers: the Company and its subsidiaries, in addition to actively strengthening customer relationships, continue to explore new markets and gain channel benefits through new channel development and cooperation or reinvestment, which can increase the sales visibility of the Company's products and reduce the impact on the Company's business caused by fluctuations in the economic conditions of individual regions or operational risks arising from individual sales customers.
4. Strengthen the Company's financial structure: In the face of the global economic cycle and the impact of COVID-19 on the global economy, the Company and its subsidiaries maintain good relationships with major cooperative banks in order to obtain better interest rates and reduce interest expenses, and use capital market resources to strengthen the Company's financial structure in a timely manner.

5. Talent cultivation and development: The Company strengthens the education and training of its employees, actively cultivates professional talents, and provides related welfare measures to strengthen the motivation of the employees and the Company's ability to respond to changes in the economic climate.

Finally, we would like to thank all of the shareholders, ladies and gentlemen, as well as our enthusiastic and dedicated colleagues for their long-standing support and encouragement of the Company. And I wish you all

Good health All the best

Chairperson: Yu, Shan-Chuan



Managerial Officer, Yu, Shan-Chuan



Accounting Officer: Liu, Wan-Hua



Audit Committee's Report

The Board of Directors has prepared the Company's 2021 financial statements, business report and earnings distribution proposal. Among them, the Company's 2021 financial statements have been audited by CPAs from KPMG Taiwan, who have issued an independent auditor's report. The above-mentioned 2021 financial statements, business report, and earnings distribution proposal have been reviewed by the Audit Committee and no discrepancies have been found. In accordance with the provisions of the Securities and Exchange Act and the Company Act, we hereby report the above for your examination.

To
2022 Regular Shareholders' Meeting

CUB ELECPARTS INC.

Convener of the Audit Committee: Chang, Chuan-Li



Date: March 8, 2022

Independent Auditors' Report

To the Board of Directors of CUB ELECPARTS INC.:

Opinion

We have audited the parent-company-only financial statements of CUB ELECPARTS INC. ("the Company"), which comprise the parent-company-only balance sheets as of December 31, 2021 and 2020, the parent-company-only statements of comprehensive income, changes in equity and cash flows for the years then ended and notes to the parent-company-only financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying parent-company-only financial statements present fairly, in all material respects, the parent-company-only financial position of the Company as of December 31, 2021 and 2020, and its parent-company-only financial performance and its parent-company-only cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

We conducted our audit in accordance with the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants and the auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Parent-company-only Financial Statements section of our report. We are independent of the Company in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of 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 parent-company-only financial statements of the current period. These matters were addressed in the context of our audit of the parent-company-only financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matters to be communicated in our report.

1. Revenue recognition

Please refer to note 4(m) "Revenue recognition" for the accounting policy on revenue recognition; note 6(t) "Revenues from contracts with customers" for revenue recognition of contract.

Description of key audit matter:

Revenue is the key performance indicator to evaluate the performance by the investors and management. Since the revenue is recognized based on each sale order and contract terms to be identified, for expanding the sales market, the management is devoted to developing a new distributor; therefore, the test for revenue recognition is one of the important assessment items performed by the accountants for the purpose of auditing the financial statements of the Company.

How the matter was addressed in our audit:

The principal audit procedures for the above key audit matters by the accountant include testing the controls surrounding revenue recognition; Analyzing there is any significant abnormality in a change in customers between the current year and the prior year; sampling the top ten customers, and reviewing the contracts and sales orders to evaluate the influence on revenue recognition and assess the accounting treatment of related contracts is applied appropriately; performing a sample test on sales transactions that took place before and after the balance sheet date, reviewing the relevant documents, and assessing the accuracy of the timing of revenue recognition.

2. Assessment of accounts receivable impairment

Please refer to Note 4(f) “Financial Instruments” for accounting policy of assessment of accounts receivable impairment, Note 5(a) for accounting assumption, judgments and estimation uncertainty of assessment of accounts receivable impairment, and Note 6(b) for the disclosure of assessment of notes and accounts receivable.

Description of key audit matter:

The Company's accounts receivable are mainly from automobile component customers and are concentrated on certain customers. The impairment loss of accounts receivable assessment is based on management's subjective judgment. Thus, the assessment of accounts receivable impairment is one most important evaluations in performing our audit procedures.

How the matter was addressed in our audit:

The principal audit procedures for the above key audit matters by the accountant include analyzing the aging of accounts receivable; sampling and reviewing the relevant documents as well as calculating the accuracy of the aging of accounts receivable; understanding and evaluating the management's consideration relating to overdue receivables, considering the receipt of cash after the year-end, and understanding the possibility of remaining receivables collection. In addition, the reasonableness of the provision for impairment losses is understood and assessed based on the customer's historical receipt status, industrial economic condition, and the concentration of the credit risk.

3. Assessment of impairment of investments (Goodwill) accounted for using equity method

Please refer to Note 4(k) “intangible assets” for the accounting policies. Note 5(b) for accounting assumptions, judgments and estimation uncertainty of assessment of impairment of investments accounted for using equity method, and Note (6) for details.

Description of key audit matter:

The assessment of impairment of investments accounted for using equity method is based on the estimation of the future cash flow of the investee's operation to determine the recoverable amount. We list Equity method investments as one of our key audit matters because it is significant uncertainty and contains the significant subjective judgment of the management.

How the matter was addressed in our audit:

The principal audit procedures for the above key audit matters by the accountant include: assessing whether the cash-generating unit and its related tested assets that the management has identified to impair show possible signs of impairment and further understanding and testing the evaluation models and key assumptions such as future cash flow projections, use period and a weighted average cost of capital that the management use in the impairment test, and assessing the accuracy of previous management forecasts; and carrying out sensitivity analysis of results. In addition to the above assessment process, reviewing and assessing the reasonability of assumptions through the report of the assessment of impairment loss of goodwill provided by the evaluation expert; evaluating the qualifications and independence of the evaluator, and assessing whether the accounting policies for goodwill impairment test and other relevant information have been appropriately disclosed.

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

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

In preparing the 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 members of the Audit Committee) are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Parent-company-only Financial Statements

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

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

1. Identify and assess the risks of material misstatement of the parent-company-only financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the parent-company-only financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the parent-company-only financial statements, including the disclosures, and whether the parent-company-only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the parent-company-only financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Cheng-Hsueh, Chen and Tsu-Hsin, Chang.

KPMG

Taipei, Taiwan (Republic of China)
March 8, 2022

Notes to Readers

The accompanying parent company only financial statements are intended only to present the consolidated statement of financial position, financial performance and cash flows in accordance with the accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such parent company only financial statements are those generally accepted and applied in the Republic of China.

The independent auditors' audit report and the accompanying parent company only financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' audit report and parent company only financial statements, the Chinese version shall prevail.

Balance Sheets

December 31, 2021 and 2020

(Expressed in Thousands of New Taiwan Dollars)

	December 31, 2021		December 31, 2020		December 31, 2021		December 31, 2020	
	Amount	%	Amount	%	Amount	%	Amount	%
Assets								
Current assets:								
1100 Cash and cash equivalents (Note 6(a))	\$ 901,669	13	732,605	13	2100		1,980,000	28
1150 Notes receivable, net (Note 6(b))	5,979	-	738	-	2130		41,351	-
1170 Accounts receivable, net (Note 6(b))	924,357	13	645,906	11	2170		291,462	4
1180 Accounts receivable due from related parties, net (Notes 6(b), 7)	31,011	-	84,670	1	2180		35,162	-
1200 Other receivables, net (Note 6(c))	16,078	-	14,435	-	2200		123,533	2
1210 Other receivables due from related parties, net (Notes 6(c) and 7)	5,972	-	296,427	5	2220		23,685	-
1310 Inventories, manufacturing business, net (Note 6(d))	684,923	10	557,555	10	2280		882	-
1470 Other current assets (Note 6(j))	148,567	2	152,880	2	2230		119,066	2
	<u>2,718,556</u>	<u>38</u>	<u>2,485,216</u>	<u>42</u>	2300		3,822	-
					2320		115,833	2
Non-current assets:							<u>2,734,796</u>	<u>38</u>
1550 Investments accounted for using equity method, net (Notes 6(e) and (f))	3,240,256	45	2,110,100	37				
1600 Property, plant and equipment (Notes 6(g) and 8)	1,059,700	15	1,068,481	18				
1755 Right-of-use assets (Note 6(h))	2,825	-	3,717	-	2541		902,500	13
1780 Intangible assets (Note 6(i))	49,345	1	40,320	1	2570		3,966	-
1840 Deferred tax assets (Note 6(p))	10,337	-	2,653	-	2640		6,792	-
1980 Other non-current financial assets (Note 8)	29	-	55,429	1	2580		1,983	-
1990 Other non-current assets (Note 6(j))	94,888	1	66,540	1	2645		137	-
	<u>4,457,380</u>	<u>62</u>	<u>3,347,240</u>	<u>58</u>			<u>915,378</u>	<u>13</u>
							<u>3,650,174</u>	<u>51</u>
Total assets	<u>\$ 7,175,936</u>	<u>100</u>	<u>5,832,456</u>	<u>100</u>				
					Total liabilities			
					Equity (Note 6(q)):			
					Ordinary shares	3100	1,219,166	17
					Capital surplus	3200	666,220	9
					Retained earnings	3300	1,687,724	24
					Other equity	3400	(47,348)	(1)
					Total equity		<u>3,525,762</u>	<u>49</u>
					Total liabilities and equity		<u>\$ 7,175,936</u>	<u>100</u>
							<u>5,832,456</u>	<u>100</u>
					Liabilities and Equity			
					Current liabilities:			
					Short-term borrowings (Note 6(k))	2100		
					Current contract liabilities (Note 6(l))	2130		
					Accounts payable	2170		
					Accounts payable to related parties (Note 7)	2180		
					Other payables	2200		
					Other payables to related parties (Note 7)	2220		
					Current lease liabilities (Note 6(n))	2280		
					Current tax liabilities (Note 7)	2230		
					Other current liabilities (Note 6(l))	2300		
					Long-term borrowings, current portion (Notes 6(m) and 8)	2320		
					Non-current liabilities:			
					Long-term borrowings (Notes 6(m) and 8)	2541		
					Deferred tax liabilities (Note 6(p))	2570		
					Defined benefit liability (Note 6(o))	2640		
					Non-current lease liabilities (Note 6(n))	2580		
					Guarantee deposits received	2645		

CUB ELECPARTS INC.
Statements of Comprehensive Income
For the years ended December 31, 2021 and 2020
(Expressed in Thousands of New Taiwan Dollars , Except for Earnings Per Common Share)

		2021		2020	
		Amount	%	Amount	%
4000	Operating revenue(Notes 6(t) and 7)	\$ 2,640,062	100	1,804,953	100
5000	Operating costs (Notes 6(d), (u), and 7)	<u>1,540,754</u>	<u>58</u>	<u>1,120,239</u>	<u>62</u>
	Gross profit	<u>1,099,308</u>	<u>42</u>	<u>684,714</u>	<u>38</u>
	Operating expenses (Note 6(o),(r), (u), and 7):				
6100	Selling expenses	125,808	5	49,358	3
6200	Administrative expenses	118,526	4	96,934	5
6300	Research and development expenses	182,244	7	189,986	10
6450	Expected credit losses (reversal gains) (Note 6(b))	<u>35,069</u>	<u>1</u>	<u>(461)</u>	<u>-</u>
		<u>461,647</u>	<u>17</u>	<u>335,817</u>	<u>18</u>
	Net operating income	<u>637,661</u>	<u>25</u>	<u>348,897</u>	<u>20</u>
	Non-operating income and expenses (Note 6(v)):				
7100	Interest income (Note 7)	3,397	-	4,243	-
7010	Other income (Note 7)	47,322	2	18,485	1
7020	Other gains and losses	(30,787)	(1)	(83,251)	(5)
7050	Finance costs(Note 6(n))	(22,602)	(1)	(17,036)	(1)
7070	Share of profit (loss) of associates and joint ventures accounted for using equity method	<u>(4,629)</u>	<u>-</u>	<u>11,554</u>	<u>1</u>
		<u>(7,299)</u>	<u>-</u>	<u>(66,005)</u>	<u>(4)</u>
7900	Profit (loss) from continuing operations before tax	630,362	25	282,892	16
7950	Less: Income tax expenses(Note 6(p))	<u>114,434</u>	<u>4</u>	<u>38,358</u>	<u>2</u>
	Profit (loss)	<u>515,928</u>	<u>21</u>	<u>244,534</u>	<u>14</u>
8300	Other comprehensive income:				
8310	Components of other comprehensive income that will not be reclassified to profit or loss				
8311	Gains (losses) on remeasurements of defined benefit plans	1,432	-	(1,154)	-
8330	Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using equity method, components of other comprehensive income that will not be reclassified to profit or loss	(234)	-	179	-
8341	Other components of other comprehensive income that will not be reclassified to profit or loss	-	-	571	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
		<u>1,198</u>	<u>-</u>	<u>(404)</u>	<u>-</u>
8360	Components of other comprehensive income (loss) that will be reclassified to profit or loss				
8361	Exchange differences on translation of foreign financial statements	(8,152)	-	11,800	1
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	Components of other comprehensive income that will be reclassified to profit or loss	<u>(8,152)</u>	<u>-</u>	<u>11,800</u>	<u>1</u>
	Other comprehensive income(after tax)	<u>(6,954)</u>	<u>-</u>	<u>11,396</u>	<u>1</u>
8500	Total comprehensive income	<u>\$ 508,974</u>	<u>21</u>	<u>255,930</u>	<u>15</u>
	Earnings per share (in dollars) (Note 6(s)):				
	Basic earnings per share	<u>\$ 4.23</u>		<u>2.03</u>	
	Diluted earnings per share	<u>\$ 4.23</u>		<u>2.03</u>	

See accompanying notes to parent company only financial statements.

Statements of Changes in Equity

For the years ended December 31, 2021 and 2020

(Expressed in Thousands of New Taiwan Dollars, Except for Earnings Per Common Share)

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See accompanying notes to parent company only financial statements.

CUB ELECPARTS INC.

Statements of Cash Flows

For the years ended December 31, 2021 and 2020

(Expressed in Thousands of New Taiwan Dollars , Except for Earnings Per Common Share)

	<u>2021</u>	<u>2020</u>
Cash flows from (used in) operating activities:		
Profit before tax	\$ 630,362	282,892
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	96,690	88,086
Amortization expense	13,515	9,884
Expected credit losses (Reversal gains)	35,069	(461)
Interest expense	22,602	17,036
Interest income	(3,397)	(4,243)
Share-based payments	30,033	4,861
Write-down, disposal, and obsolescence losses of inventory	20,506	12,401
Share of profit (loss) of subsidiaries, associates and joint ventures accounted for using equity method	4,629	(11,554)
Loss (gain) on disposal of property, plan and equipment	340	149
Gains on disposals of intangible assets	(233)	-
Adjustments to reconcile profit (loss)	<u>219,754</u>	<u>116,159</u>
Changes in operating assets and liabilities:		
Net changes in operating assets:		
(Increase) decrease in notes receivable	(5,241)	217
(Increase) decrease in accounts receivable (including related parties)	(259,861)	469,954
Decrease (increase) in other receivables (including related parties)	8,812	(2,094)
Increase in inventories	(147,874)	(88,146)
Decrease (increase) in other current assets	4,313	(15,429)
Net changes in operating assets	<u>(399,851)</u>	<u>364,502</u>
Net changes in operating liabilities:		
Increase in contract liabilities	5,871	10,111
Increase in accounts payable (including related parties)	80,542	10,890
Increase (decrease) in other payables (including related parties)	27,087	(16,519)
(Decrease) increase in other current liabilities	(9,855)	11,680
Decrease in defined benefit liabilities	(377)	(361)
Net changes in operating liabilities	<u>103,268</u>	<u>15,801</u>
Total changes in operating assets and liabilities	<u>(296,583)</u>	<u>380,303</u>
Adjustments:	<u>(76,829)</u>	<u>496,462</u>
Cash inflows generated from operations	553,533	779,354
Interest received	3,397	4,243
Interest paid	(22,602)	(17,036)
Income taxes paid	<u>(33,787)</u>	<u>(112,444)</u>
Net cash flows from operating activities	<u>500,541</u>	<u>654,117</u>
Cash flows from (used in) investing activities:		
Acquisition of investments accounted for using equity method	(1,067,919)	(440,980)
Dividends received	1,046	2,485
Acquisition of property, plant and equipment	(77,119)	(71,632)
Proceeds from disposal of property, plant and equipment	1,001	7,767
Increase in prepayments for plants and equipments	(58,870)	(42,126)
Decrease in restricted assets	55,400	-
Acquisition of intangible assets	(26,408)	(15,512)
Proceeds from disposal of intangible assets	239	-
Decrease (increase) in receivables of loans from related parties	280,000	(200,000)
Net cash flows used in investing activities	<u>(892,630)</u>	<u>(759,998)</u>
Cash flows from (used in) financing activities:		
Increase in short-term borrowings	8,410,000	9,546,500
Decrease in short-term borrowings	(7,720,000)	(9,306,500)
Proceeds in long-term borrowings	(781,667)	1,480,000
Repayments of long-term borrowings	800,000	(560,000)
Repayments of lease liabilities	(874)	(722)
Cash dividends paid	(146,300)	(835,184)
Decrease in guarantee deposits received	(6)	-
Payments to acquire treasury shares	-	(431,160)
Net cash inflows (outflows) form financing activities	<u>561,153</u>	<u>(107,066)</u>
Net increase (decrease) in cash and cash equivalents	169,064	(212,947)
Cash and cash equivalents at beginning of period	<u>732,605</u>	<u>945,552</u>
Cash and cash equivalents at end of period	<u>\$ 901,669</u>	<u>732,605</u>

See accompanying notes to parent company only financial statements.

Representation Letter

The entities that are required to be included in the combined financial statements of CUB ELECPARTS INC. as of and for the year ended December 31, 2021 under the Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with the International Financial Reporting Standard No. 10, “Consolidated Financial Statements” endorsed by the Financial Supervisory Commission of the Republic of China. In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, CUB ELECPARTS INC. and its subsidiaries do not prepare a separate set of combined financial statements.

Hereby declare

Company name: CUB ELECPARTS INC.

Chairman: YU,SAN-CHUAN

Date: March 8, 2022

Independent Auditors' Report

To the Board of Directors of CUB ELECPARTS INC.:

Opinion

We have audited the consolidated financial statements of CUB ELECPARTS INC. and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as of December 31, 2021 and 2020, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2021 and 2020, 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 with the International Financial Reporting Standards ("IFRSs"), International Accounting Standards ("IASs"), Interpretations developed by the International Financial Reporting Interpretations Committee ("IFRIC") or the former Standing Interpretations Committee ("SIC") endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and the auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of 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 consolidated financial statements of the current period. These matters were addressed in the context of our audit of consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Based on our judgment, the key audit matters that should be disclosed in this report are as follows:

1. Revenue recognition

Please refer to note 4(p) "Revenue recognition" for the accounting policy on revenue recognition; note 5(c) for details on accounting judgment and major sources of the estimation uncertainty; note 6(y) "Revenues from contracts with customers" for revenue recognition of contract.

Description of key audit matter:

Revenue is the key performance indicator to evaluate the performance by the investors and management. Since the revenue is recognized based on each sale order and contract terms to be identified and because the Group is devoted to developing a new distributor, the timing and amount of revenue recognition have a significant impact on the financial statement. Therefore, the test for revenue recognition is one of the important assessment items performed by the accountants for the purpose of auditing the financial statements of the Group.

How the matter was addressed in our audit:

The principal audit procedures for the above key audit matters by the accountant include testing the controls surrounding revenue recognition; Analyzing there is any significant abnormality in a change in customers between the current year and the prior year; sampling the top ten customers, and reviewing the contracts and sales orders to evaluate the influence on revenue recognition and assess the accounting treatment of related contracts is applied appropriately; performing a sample test on sales transactions that took place before and after the balance sheet date, reviewing the relevant documents, and assessing the accuracy of the timing of revenue recognition.

2. Assessment of accounts receivable impairment

Please refer to Note 4(g) “Financial Instruments” for accounting policy of assessment of accounts receivable impairment, Note 5(a) for accounting assumption, judgments and estimation uncertainty of assessment of accounts receivable impairment, and Note 6(d) for the disclosure of assessment of accounts receivable.

Description of key audit matter:

The Group's accounts receivable are mainly automobile component customers and are concentrated on certain specific customers. The impairment loss of accounts receivable assessment is based on management's subjective judgment. Thus, the assessment of accounts receivable impairment is one of the most important evaluations in performing our audit procedures.

How the matter was addressed in our audit:

The principal audit procedures for the above key audit matters by the accountant include analyzing the aging of accounts receivable; sampling and reviewing the relevant documents as well as calculating the accuracy of the aging of accounts receivable; understanding and evaluating the management's consideration relating to overdue receivables, considering the receipt of cash after the year-end, and understanding the possibility of remaining receivables collection. In addition, the reasonableness of the provision for impairment losses is understood and assessed based on the customer's historical receipt status, industrial economic condition, and the concentration of the credit risk.

3. Assessment of goodwill impairment

Please refer to Note 4(n) “Impairment of non-financial assets” for accounting policies, Note 5(b) for accounting assumptions, judgments and estimation uncertainty of assessment of goodwill impairment, and Note 6(m) for the intangible assets.

Description of key audit matter:

The Group's goodwill arising from the acquisition is significant. The assessment process of goodwill impairment requires identifying the cash-generating unit and the estimation of the future cash flow of the operation to determine the recoverable amount. We list the assessment as one of our key audit matters because it is significant uncertainty and contains the significant subjective judgment of the management.

How the matter was addressed in our audit:

The principal audit procedures for the above key audit matters by the accountant include: assessing whether the cash-generating unit and its related tested assets that the management has identified to impair show possible signs of impairment and further understanding and testing the evaluation models and key assumptions such as future cash flow projections, use period and a weighted average cost of capital that the management use in the impairment test, and assessing the accuracy of previous management forecasts; and carrying out sensitivity analysis of results. In addition to the above assessment process, reviewing and assessing the reasonability of assumptions through the report of the assessment of impairment loss of goodwill provided by the evaluation expert; evaluating the qualifications and independence of the evaluator, and assessing whether the accounting policies for goodwill impairment test and other relevant information have been appropriately disclosed.

Other Matter

CUB ELECPARTS INC. has additionally prepared its parent company only financial statements as of and for the years ended December 31, 2021 and 2020, on which we have issued an unmodified audit opinion.

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 Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the IFRS, IAS, IFRIC, SIC endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, 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 members of the Audit Committee) are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error 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 auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and 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 and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Cheng Hsueh, Chen and Tsu-Hsin, Chang.

KPMG

Taipei, Taiwan (Republic of China)
March 8, 2022

Notes to Readers

The accompanying consolidated financial statements are intended only to present the consolidated statement of financial position, financial performance and cash flows in accordance with the accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such consolidated financial statements are those generally accepted and applied in the Republic of China.

The independent auditors' report and the accompanying consolidated financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' report and consolidated financial statements, the Chinese version shall prevail.

Consolidated Balance Sheets

(Expressed in Thousands of New Taiwan Dollars)

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)

CUB ELECPARTS INC. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the years ended December 31, 2021 and 2020

(Expressed in Thousands of New Taiwan Dollars , Except for Earnings Per Common Share)

		2021		2020	
		Amount	%	Amount	%
4000	Operating revenues (Note 6(y))	\$ 4,080,435	100	3,340,199	100
5000	Operating costs (Notes 6(e), (m), (t), (z), and 7)	2,409,425	59	2,067,788	62
	Gross profit	<u>1,671,010</u>	<u>41</u>	<u>1,272,411</u>	<u>38</u>
	Operating expenses (Notes 6(m), (t), and (z))				
6100	Selling expenses	286,243	7	254,612	8
6200	Administrative expenses	250,860	6	213,009	6
6300	Research and development expenses	506,176	12	417,454	12
6450	Impairment loss determined in accordance with IFRS 9 (Note 6(d))	35,069	1	968	-
		<u>1,078,348</u>	<u>26</u>	<u>886,043</u>	<u>26</u>
	Operating income	<u>592,662</u>	<u>15</u>	<u>386,368</u>	<u>12</u>
	Non-operating income and expenses: (Note 6(aa))				
7100	Interest income	4,460	-	8,556	-
7010	Other income	60,652	1	22,309	1
7020	Other gains and losses	(39,498)	(1)	(91,121)	(3)
7050	Finance costs (note 6(r))	(32,076)	(1)	(24,379)	(1)
7060	Share of profit (loss) of associates and joint ventures accounted for using equity method (Note 6(g))	(3,693)	-	(9,230)	-
		<u>(10,155)</u>	<u>(1)</u>	<u>(93,865)</u>	<u>(3)</u>
7900	Profit before income tax	582,507	14	292,503	9
7950	Income tax expenses (Note 6(u))	94,819	3	42,332	1
	Net profit	<u>487,688</u>	<u>11</u>	<u>250,171</u>	<u>8</u>
8300	Other comprehensive income:				
8310	Items that will not be reclassified subsequently to profit or loss				
8311	Gains (losses) on remeasurements of defined benefit plans (Note 6(t))	1,127	-	(894)	-
8316	Unrealized losses from investments in equity instruments measured at fair value through other comprehensive income	-	-	571	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	-	-	-	-
		<u>1,127</u>	<u>-</u>	<u>(323)</u>	<u>-</u>
8360	Items that may be reclassified subsequently to profit or loss				
8361	Exchange differences on translation of foreign financial statements	(8,328)	-	11,304	-
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss	-	-	-	-
		<u>(8,328)</u>	<u>-</u>	<u>11,304</u>	<u>-</u>
8300	Other comprehensive income	<u>(7,201)</u>	<u>-</u>	<u>10,981</u>	<u>-</u>
8500	Total comprehensive income	<u>\$ 480,487</u>	<u>11</u>	<u>261,152</u>	<u>8</u>
	Profit attributable to:				
8610	Owners of the parent	\$ 515,928	12	244,534	8
8620	Non-controlling interests	(28,240)	(1)	5,637	-
		<u>\$ 487,688</u>	<u>11</u>	<u>250,171</u>	<u>8</u>
	Comprehensive income attributable to:				
8710	Owners of the parent	\$ 508,974	12	255,930	8
8720	Non-controlling interests	(28,487)	(1)	5,222	-
		<u>\$ 480,487</u>	<u>11</u>	<u>261,152</u>	<u>8</u>
	Earnings per share (NT dollar) (note 6(t))				
9750	Basic earnings per share	\$ 4.23		2.03	
9850	Diluted earnings per share	\$ 4.23		2.03	

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

CUB ELECPARTS INC. AND SUBSIDIARIES

Consolidated Statements of Changes in Equity

For the years ended December 31, 2021 and 2020

(Expressed in Thousands of New Taiwan Dollars)

	Equity attributable to owners of parent												
	Retained earnings					Total other equity interest							
	Ordinary shares	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Total	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	Total	Treasury shares	Total	Non-controlling interests	Total equity
Balance at January 1, 2020	\$ 1,228,212	951,999	696,328	30,310	1,272,738	1,999,376	(50,996)	(14,461)	(65,457)	-	4,114,130	415,975	4,530,105
Profit for the year	-	-	-	-	244,534	244,534	-	-	-	-	244,534	5,637	250,171
Other comprehensive income for the year	-	-	-	-	(975)	(975)	11,800	571	12,371	-	11,396	(415)	10,981
Total comprehensive income for the year	-	-	-	-	243,559	243,559	11,800	571	12,371	-	255,930	5,222	261,152
Appropriation and distribution of retained earnings:													
Legal reserve	-	-	97,510	-	(97,510)	-	-	-	-	-	-	-	-
Special reserve	-	-	-	35,147	(35,147)	-	-	-	-	-	-	-	-
Stock dividends of ordinary share	24,564	-	-	-	(24,564)	(24,564)	-	-	-	-	-	-	-
Cash dividends of preference share	-	-	-	-	(835,184)	(835,184)	-	-	-	-	(835,184)	(1,065)	(836,249)
Changes in ownership interests in subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-
Purchase of treasury shares	-	-	-	-	-	-	-	-	-	(431,160)	(431,160)	-	(431,160)
Retirement of treasury share	(33,610)	(397,550)	-	-	-	-	-	-	-	431,160	-	-	-
Other changes in capital surplus:													
Expenses of share option	-	4,861	-	-	-	-	-	-	-	-	4,861	-	4,861
Changes in equity of associates and subsidiaries accounted for using equity method	-	579	-	-	(52,399)	(52,399)	-	-	-	-	(51,820)	439	(51,381)
Proceeds from disposal of financial assets at fair value through other comprehensive income	-	-	-	-	(13,890)	(13,890)	-	13,890	13,890	-	-	-	-
Change in non-controlling interests	-	-	-	-	-	-	(39,196)	-	(39,196)	-	3,056,757	511,991	3,568,748
Balance at December 31, 2020	\$ 1,219,166	559,889	793,838	65,457	457,603	1,316,898	(39,196)	-	(39,196)	-	3,056,757	511,991	3,568,748
Balance at January 1, 2021	\$ 1,219,166	559,889	793,838	65,457	457,603	1,316,898	(39,196)	-	(39,196)	-	3,056,757	511,991	3,568,748
Profit for the year	-	-	-	-	515,928	515,928	-	-	-	-	515,928	(28,240)	487,688
Other comprehensive income for the year	-	-	-	-	1,198	1,198	(8,152)	-	(8,152)	-	(6,954)	(247)	(7,201)
Total comprehensive income for the year	-	-	-	-	517,126	517,126	(8,152)	-	(8,152)	-	508,974	(28,487)	480,487
Appropriation and distribution of retained earnings:													
Legal reserve	-	-	17,727	-	(17,727)	-	-	-	-	-	-	-	-
Special reserve	-	-	-	(26,261)	26,261	-	-	-	-	-	-	-	-
Cash dividends of ordinary shares	-	-	-	-	(146,300)	(146,300)	-	-	-	-	(146,300)	(448)	(146,748)
Other changes in capital surplus:													
Expenses of share option	-	30,785	-	-	-	-	-	-	-	-	30,785	-	30,785
The difference in net equity resulting from the subscription of new shares not in proportion	-	75,546	-	-	-	-	-	-	-	-	75,546	(75,546)	-
Change in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	727,751	727,751
Balance at December 31, 2021	\$ 1,219,166	666,220	811,565	39,196	836,963	1,687,724	(47,348)	-	(47,348)	-	3,525,762	1,135,261	4,661,023

See accompanying notes to consolidated financial statements.

CUB ELECPARTS INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the years ended December 31, 2021 and 2020

(Expressed in Thousands of New Taiwan Dollars)

	2021	2020
Cash flows from (used in) operating activities:		
Profit (loss) before tax	\$ 582,507	292,503
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	192,409	161,697
Amortization expense	43,723	25,699
Impairment loss determined in accordance with IFRS 9	35,069	968
Interest expense	32,076	24,379
Interest income	(4,460)	(8,556)
Share-based payments	30,785	4,861
The losses of inventory write-down, disposal, and obsolescence	33,162	16,743
Share of loss of associates and joint ventures accounted for using equity method	3,693	9,230
Losses on disposals of property, plant and equipment	(471)	170
Gains on disposals of intangible assets	(233)	-
Gains on disposals of investments	(1,707)	-
Gain on lease modifications	(6)	-
Total adjustment	364,040	235,191
Changes in operating assets and liabilities:		
Changes in operating assets:		
Decrease (increase) in contract assets	186,756	(97,567)
Increase in notes receivable	(64,527)	(60,610)
(Increase) decrease in accounts receivable (including related parties)	(275,882)	31,893
Decrease (increase) in other receivables (including related parties)	36,183	(2,099)
Increase in inventories	(279,636)	(85,329)
Decrease (increase) in other current assets	258,132	(234,129)
Net changes in operating assets	(138,974)	(447,841)
Changes in operating liabilities:		
Increase in contract liabilities	139,875	14,449
Increase in notes payable	109	-
(Decrease) increase in accounts payable (including related parties)	(47,399)	210,945
(Decrease) increase in other payables (including related parties)	(5,426)	47,338
Increase in provisions	3,370	21,602
(Decrease) increase in other current liabilities	(67,686)	14,351
Decrease in defined benefit liabilities	(1,644)	(480)
Net changes in operating liabilities	21,199	308,205
Total changes in operating assets and liabilities	(117,775)	(139,636)
Total adjustments	246,265	95,555
Cash inflows generated from operations	828,772	388,058
Interest received	5,266	9,679
Interest paid	(32,336)	(24,143)
Income taxes paid	(67,471)	(119,065)
Net cash flows from operating activities	734,231	254,529
Cash flows from (used in) investing activities:		
Acquisition of subsidiaries (deducted the cash received)	(55,979)	-
Acquisition of property, plant and equipment	(563,117)	(151,793)
Proceeds from disposal of property, plant and equipment	15,229	6,613
Acquisition of intangible assets	(48,702)	(27,195)
Proceeds from disposal of intangible assets	239	-
Acquisition of investment properties	(135)	(3,510)
Decrease in other financial assets	43,183	-
Increase in refundable deposits	(101,583)	(20,502)
Increase in prepayment for equipment	(20,179)	(89,308)
Net cash flows used in investing activities	(731,044)	(285,695)
Cash flows from (used in) financing activities:		
Increase in short-term borrowings	9,593,192	11,224,068
Decrease in short-term borrowings	(8,899,828)	(11,240,057)
Proceeds from long-term borrowings	845,000	1,639,933
Repayments of long-term borrowings	(796,668)	(560,000)
Increase (decrease) in guarantee deposits received	(901)	1,626
Repayments of lease liabilities	(11,526)	(9,559)
Cash dividends paid	(146,748)	(836,249)
Issuance of shares for cash	516,635	39,021
Payments to acquire treasury shares	-	(431,160)
Net cash inflows (outflows) form financing activities	1,099,156	(172,377)
Effect of exchange rate changes on cash and cash equivalents	4,680	6,454
Net increase (decrease) in cash and cash equivalents	1,107,023	(197,089)
Cash and cash equivalents at beginning of period	1,194,110	1,391,199
Cash and cash equivalents at end of period	\$ 2,301,133	1,194,110

See accompanying notes to consolidated financial statements.

CUB ELECTRIC PARTS INC.

Earnings Distribution Schedule

2021

Unit: NTD \$

Item	Amount
Undistributed retained earnings at the beginning of the period	\$ 319,836,419
Add: Net profits after tax for the year	515,927,070
Less: Provisions of special reserve set aside with deductions from equity	8,150,287
Add: Remeasurement of defined benefit plans	1,198,607
Less: Provision of 10% of legal reserve	51,712,568
Available-for-distribution earnings	\$ 777,099,241
Distributable items:	
Shareholders' bonuses - cash dividends (NT\$1 per share)	121,916,670
Shareholders' bonuses - stock dividends (NT\$1 per share)	121,916,660
Undistributed retained earnings at the end of the period	\$ 533,265,911
Note: Distributed up to NT\$1, with an amount less than NT\$! rounded off.	

Note 1: Priority is given to the 2021 earnings for distribution

Chairperson: Yu, Shan-Chuan



President, Yu, Shan-Chuan



Accounting Officer: Liu, Wan-Hua



CUB ELECPARTS INC.

Comparison of the amended provisions of the Regulations for Issuance and Subscription of Employee Stock Options

Before amendment	After amendment	Description of amendment
<p>III. Holder of stock option warrants</p> <p>(1) All full-time employees of the Company and its domestic and foreign controlled or subordinate companies only (the definition of controlled or subordinate companies are in accordance with FSC's letter Jin-Guan-Zheng-Fa-Zi No. 1070121068 dated December 27, 2018). The base date of eligibility for stock options is determined by the Chairperson of the Board of Directors.</p> <p>(2) The employees and the number of stock options they receive will be granted with reference to factors such as years of service, rank, work performance, overall contribution or special contribution, past and expected future contribution to the Company as a whole or future development potential, etc. After approval by the Chairperson, with the consent of the Remuneration Committee and the presence of at least two-thirds of the Board of Directors and the consent of more than one-half of the directors present, the stock option warrants can be granted.</p> <p>(3) The cumulative number of shares subscribable granted to a single warrant holder by the Company pursuant to Article 60-9 of the Regulations Governing the Offering and Issuance of Securities by Securities Issuers: Where an issuer issues employee stock option warrants under Article 56-1, Paragraph 1, the</p>	<p>III. Holder of stock option warrants</p> <p>(1) All full-time employees of the Company and its domestic and foreign controlled or subordinate companies only (the definition of controlled or subordinate companies are in accordance with FSC's letter Jin-Guan-Zheng-Fa-Zi No. 1070121068 dated December 27, 2018). The base date of eligibility for stock options is determined by the Chairperson of the Board of Directors.</p> <p>(2) The employees and the number of stock options they receive will be granted with reference to factors such as years of service, rank, work performance, overall contribution or special contribution, past and expected future contribution to the Company as a whole or future development potential, etc. After approval by the Chairperson, with the consent of the Remuneration Committee and the presence of at least two-thirds of the Board of Directors and the consent of more than one-half of the directors present, the stock option warrants can be granted. follow the below procedures:</p> <p>(A) Grants to the Company's managerial officers or employees who are also</p>	<p>Amended in accordance with the FSC's May 2021 Employee Stock Option Warrants Question and Answer Series.</p>

<p>cumulative number of shares subscribable by a single warrant holder of the employee stock warrants, in combination with the cumulative number of new employee restricted stock obtained by the single warrant holder, may not exceed 0.3 percent of the issuer's total issued shares. And the above, in combination with the cumulative number of shares subscribable by the single warrant holder of employee stock warrants issued by an issuer under Article 56, Paragraph 1, may not exceed 1 percent of the issuer's total issued shares.</p>	<p>directors of the Company shall be approved by the Remuneration Committee of the Company before submitting to the Company's Board of Directors for resolution. If the controlled or subordinate company is a listed company on TWSE or TPEx or the emerging market, and if the individual has a concurrent position as a managerial officer of the Company or a director of the Company, resolutions of the Remuneration Committee of the Company and the controlled or subordinate company and the Board of Directors of the Company shall be made; if the managerial officer is working in the controlled or subordinate company and is not also a managerial officer of the Company or does not have any concurrent position, resolutions of the Remuneration Committee of the controlled or subordinate company and the Board of Directors of the Company shall be required.</p> <p>(B) For employees of the Company, controlled and subordinate companies other than those mentioned in (1), the approval of the Audit Committee of the Company shall be obtained before a resolution of the Board of Directors of the Company is made.</p> <p>1.5.1. (III) The cumulative</p>	
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	<p>number of shares subscribable granted to a single warrant holder by the Company pursuant to Article 60-9 of the Regulations Governing the Offering and Issuance of Securities by Securities Issuers: Where an issuer issues employee stock option warrants under Article 56-1, Paragraph 1, the cumulative number of shares subscribable by a single warrant holder of the employee stock warrants, in combination with the cumulative number of new employee restricted stock obtained by the single warrant holder, may not exceed 0.3 percent of the issuer's total issued shares. And the above, in combination with the cumulative number of shares</p>	
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	<p>subscribable by the single warrant holder of employee stock warrants issued by an issuer under Article 56, Paragraph 1, may not exceed 1 percent of the issuer's total issued shares.</p>	
<p>(2) In the event of a reduction in the number of common shares not due to the cancellation of treasury stock, the adjusted share option price and the adjusted share option percentage shall be calculated according to the following formula, and a letter shall be sent to TWSE or TPEx to announce the adjustment on the base date of the capital reduction:</p> <p>In case of capital reduction to make up for the loss: Subscription price before adjustment = Subscription price after adjustment × (number of issued shares before capital reduction / number of issued shares after capital reduction)</p> <p>In case of cash capital reduction Subscription price after adjustment = (Subscription price before adjustment - cash refund per share) × (number of shares issued before the capital reduction / number of shares issued after the capital reduction)</p>	<p>(2) In the event of a reduction in the number of common shares not due to the cancellation of treasury stock, the adjusted share option price and the adjusted share option percentage shall be calculated according to the following formula, and a letter shall be sent to TWSE or TPEx to announce the adjustment on the base date of the capital reduction. If the reduction in the number of common shares is due to a change in the par value of the stock, the adjustment is made on the basis date of the new share exchange.</p> <p>In case of capital reduction to make up for the loss: Subscription price before adjustment = Subscription price after adjustment × (number of issued shares before capital reduction / number of issued shares after capital reduction)</p> <p>In case of cash capital reduction Subscription price after adjustment = (Subscription price before adjustment - cash refund per share) × (number of shares issued before the capital reduction / number of shares issued after the capital reduction)</p> <p>In case of change in the par value of stock Subscription price after</p>	<p>Amended in accordance with the FSC's May 2021 Employee Stock Option Warrants Question and Answer Series.</p>

	adjustment = Subscription price before adjustment × (number of common shares issued before the change in stock par value / number of common shares issued after the change in stock par value)	
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CUB ELECPARTS INC.

Comparison of the amended provisions of the "Regulations for Acquisition or Disposal of Assets"

Before amendment	After amendment	Description of amendment
5.9.1.5. Acquisition or disposal by the Company in the construction business of real estate or right-of-use assets thereof for construction use, and furthermore the transaction counterparty is not a related party, and the transaction amount does not reach NT\$500 million; among such cases, if the public company has paid-in capital of NT\$10 billion or more, and it is disposing of real estate from a completed construction project that it constructed itself, and furthermore the transaction counterparty is not a related party, then the threshold shall be a transaction amount reaching NT\$1 billion or more.	5.9.1.5. Acquisition or disposal by the Company in the construction business of real estate or right-of-use assets thereof for construction use, and furthermore the transaction counterparty is not a related party, and the transaction amount does not reaches NT\$500 million; among such cases, if the public company has paid-in capital of NT\$10 billion or more, and it is disposing of real estate from a completed construction project that it constructed itself, and furthermore the transaction counterparty is not a related party, then the threshold shall be a transaction amount reaching NT\$1 billion or more.	In compliance with the provisions of Article 31, Paragraph 5 of the Regulations Governing the Acquisition and Disposal of Assets by Public Companies issued by the FSC.
5.9.1.6. 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 does not reach NT\$500 million.	5.9.1.6. 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 does not reaches NT\$500 million.	In compliance with the provisions of Article 31, Paragraph 6 of the Regulations Governing the Acquisition and Disposal of Assets by Public Companies issued by the FSC.
5.13.1 After being approved by the Board of Directors, the Regulations will be sent to each supervisor and submitted to the shareholders' meeting for approval before	5.13.1 The Regulations shall be approved by the Board of Directors, sent to each supervisor and approved by at least one-half of all members of the Audit	In compliance with the provisions of Article 6,

<p>implementation, and the same applies to any amendment. If any 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 supervisor.</p>	<p>Committee, and submitted to the Board of Directors for resolution and then submitted to the shareholders' meeting for approval before implementation, and the same applies to any amendment. If any 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 supervisor and Audit Committee member.</p>	<p>Paragraph 3 of the Regulations Governing the Acquisition and Disposal of Assets by Public Companies issued by the FSC.</p>
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CUB ELECPARTS INC.

Comparison of amended provisions of the Rules of Procedure for Shareholders' Meetings

Before amendment	After amendment	Remarks
5.1 The Company's rules of procedure for shareholders' meetings shall be in accordance with the Rules unless otherwise provided by law or the Articles of Incorporation.	5.1 The Company's rules of procedure for shareholders' meetings shall be in accordance with the Rules unless otherwise provided by law or the Articles of Incorporation and should be announced. The foregoing announcement shall be made on the information reporting website designated by the FSC.	In accordance with the FSC's letter Jin-Guan-Zheng-Jiao-Zi No. 1100365384, the goal is to strengthen the operation of the shareholders' meeting, help investors know the content of the resolutions of the shareholders' meeting and to disclose the reporting schedule in advance.
5.4 The shareholders shall be notified of the convening of the regular shareholders' meeting by notice of the shareholders' meeting 20 days in advance; the shareholders shall be notified of the convening of the special shareholders' meeting by notice of the shareholders' meeting 10 days in advance. After the public offering of the Company's shares, the Company shall prepare a handbook for the shareholders' meeting and notify the shareholders by sending a notice of the shareholders' meeting 30 days in advance. The meeting handbook and supplementary materials should be made available to shareholders at any time 15 days before the shareholders' meeting, and are exhibited on the premises of the Company and the professional stock affairs agency appointed by the Company, and are distributed on-site at the shareholders' meeting; shareholders shall be notified 15 days in advance of the convening of the special shareholders' meeting, and for shareholders holding less than 1,000 registered shares, the meeting shall be announced by means of a public post on the	5.4 The shareholders shall be notified of the convening of the regular shareholders' meeting by notice of the shareholders' meeting 230 days in advance; the shareholders shall be notified of the convening of the special shareholders' meeting by notice of the shareholders' meeting 10 days in advance. After the public offering of the Company's shares, the Company shall prepare a handbook for the shareholders' meeting and notify the shareholders by sending a notice of the shareholders' meeting 30 days in advance. The meeting handbook and supplementary materials should be made available to shareholders at any time 15 days before the shareholders' meeting, and are exhibited on the premises of the Company and the professional stock affairs agency appointed by the Company, and are distributed on-site at the shareholders' meeting; shareholders shall be notified 15 days in advance of the convening of the special shareholders' meeting, and for shareholders holding less than 1,000 registered shares, the meeting shall be announced by means of a public post on the Market Observation Post System 15 days in advance. The Company shall send the shareholders' meeting	

<p>Market Observation Post System 15 days in advance. The causes or subjects of a meeting of shareholders to be convened shall be indicated in the individual notice to be given to shareholders and in the announcement; and the notice may, as an alternative, be given by means of electronic transmission, after obtaining prior consent from the recipient(s) thereof. Matters related to election or dismissal of directors, change of articles of incorporation, dissolution, merger, or split of the Company, or matters under Article 185, Paragraph 1 of the Company Act, Article 26-1 and 43-6 of the Securities and Exchange Act, Article 50-1 and Article 60-2 of the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, shall be listed and described in the causes and subjects for the convening of the meeting, and shall not be proposed as an extempore motion.</p>	<p>handbook and supplementary information to the designated information reporting website as electronic files no later than 21 days before the regular shareholders' meeting or 15 days before the special shareholders' meeting. However, if the Company has a paid-in capital of NT\$10 billion or more as of the end of the most recent fiscal year, or if the shareholding of foreign and Mainland shareholders as recorded in the shareholder roster for the regular shareholders' meeting in the most recent fiscal year has reached 30% or more, the electronic transmission of the aforementioned electronic file shall be completed 30 days before the convening of the regular shareholders' meeting. The causes or subjects of a meeting of shareholders to be convened shall be indicated in the individual notice to be given to shareholders and in the announcement; and the notice may, as an alternative, be given by means of electronic transmission, after obtaining prior consent from the recipient(s) thereof. Matters related to election or dismissal of directors, change of articles of incorporation, dissolution, merger, or split of the Company, or matters under Article 185, Paragraph 1 of the Company Act, Article 26-1 and 43-6 of the Securities and Exchange Act, Article 50-1 and Article 60-2 of the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, shall be listed and described in the causes and subjects for the convening of the meeting, and shall not be proposed as an extempore motion.</p>	
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CUB ELECPARTS INC.

Comparison of the amended provisions of the Regulations for Endorsement and Guarantee

Before amendment	After amendment	Remarks
<p>1.1.1. The total amount of the endorsement and guarantee shall not exceed 50% of the net worth of the Company (inclusive).</p> <p>1.1.2. For a single enterprise, up to 20% of the Company's net worth. The Chairperson is authorized to decide on the amount up to 15% of the net worth of the Company (inclusive).</p>	<p>1.1.3. The total amount of the endorsement and guarantee shall not exceed 100% of the net worth of the Company (inclusive).</p> <p>1.1.4. For a single enterprise, up to 100% of the Company's net worth. The Chairperson is authorized to decide on the amount up to 15% of the net worth of the Company (inclusive).</p>	<p>Amended in accordance with the Group's operational development plan and business needs</p>

Concurrent positions held by the directors and independent directors in other companies

Name	Title	Concurrent positions in other companies
Hsieh, Hsiu-Chi	Candidate of Director, CUB ELECPARTS INC.	Director, DEPO INDUSTRIAL CO., LTD. (Kunshan) Director, Jiangsu Chenyang Traffic Equipment Limited Company Director, DEPO INDUSTRIAL CO., LTD. (Danyang) Supervisor, Ningbo Depo Traffic Facilities Co., Ltd. Chairperson, DEPO AUTO PARTS IND. CO., LTD.
Chang Tzu-Hsiung	Candidate of Director, CUB ELECPARTS INC.	Chairperson, LANDWIN ELECTRONIC CORPORATION Chairperson, LANDWIN ELECTRONIC CORPORATION (Shenzhen) Executive director, Hu Lane Electronics (Nanjing) Director, Hu Lane Electronics (Shenzhen) Director, Hu Lane Electronics (Dongguan) Executive director, DongGuan Hulane PuGuang Trading Co.,Ltd. Chairperson, Hu Lane Associate Inc.
Representative of Jun Chang Investment Co., Ltd.: Yu, Shan-Chuan	Candidate of Director, CUB ELECPARTS INC.	Chairperson, CUB ELECPARTS INC.(Shanghai) Chairperson, ITM Engine Components Inc. Chairperson and President, ITM AUTOPARTS INTERNATIONAL INC. Chairperson, 3S System Technology Inc. Chairperson, CUBTEK INC.

Regulations for Issuance and Subscription of Employee Stock Options [before amendment]

I. Purpose of Issuance

In order to attract and retain the talents needed by the Company and to motivate employees and promote their alignment with the Company, so as to jointly increase the interests of the Company and its shareholders, the Company has established the Regulations for Issuance and Subscription of Employee Stock Options in accordance with Article 28-3 of the Securities and Exchange Act and the "Regulations for Issuance and Subscription of Employee Stock Options" issued by the FSC and other relevant regulations.

II. Period of issuance

The period of issuance of the Company's employee stock options is scheduled to be one year from the date of the effective notification of the FSC (hereinafter referred to as the competent authority), and will be issued in one or several batches depending on the actual needs. The actual issue date is authorized to be determined by the Chairperson.

III. Holder of stock option warrants

- (4) All full-time employees of the Company and its domestic and foreign controlled or subordinate companies only (the definition of controlled or subordinate companies are in accordance with FSC's letter Jin-Guan-Zheng-Fa-Zi No. 1070121068 dated December 27, 2018). The base date of eligibility for stock options is determined by the Chairperson of the Board of Directors.
- (5) The employees and the number of stock options they receive will be granted with reference to factors such as years of service, rank, work performance, overall contribution or special contribution, past and expected future contribution to the Company as a whole or future development potential, etc. After approval by the Chairperson, with the consent of the Remuneration Committee and the presence of at least two-thirds of the Board of Directors and the consent of more than one-half of the directors present, the stock option warrants can be granted.
- (6) The cumulative number of shares subscribable granted to a single warrant holder by the Company pursuant to Article 60-9 of the Regulations Governing the Offering and Issuance of Securities by Securities Issuers: Where an issuer issues employee stock option warrants under Article 56-1, Paragraph 1, the cumulative number of shares subscribable by a single warrant holder of the employee stock warrants, in combination with the cumulative number of new employee restricted stock obtained by the single warrant holder, may not exceed 0.3 percent of the issuer's total issued shares. And the above, in combination with the cumulative number of shares subscribable by the single warrant holder of employee stock warrants issued by an issuer under Article 56, Paragraph 1, may not exceed 1 percent of the issuer's total issued shares.

IV. Total number issued

The total number issued was 800,000 units, with 1 share per unit of stock option warrants. The total number of new shares of common stock to be issued upon exercise of stock options is 800,000 shares.

V. Criteria of stock options subscription

- (I) Subscription price: The closing price of the Company's common stock on the date of issuance is used as the subscription price.
- (II) Rights period:
 - (1) The stock option holder may exercise the stock option in accordance with the Regulations two years after the employee stock option warrant granted to him or her. The duration of stock option warrant is four years, and it is not transferable, except for inheritance. After the expiration of the stock option duration, the unexercised stock option is deemed to have abstained, and the stock option holder shall not assert its stock option right again.

<u>stock options</u>	<u>Period of granting stock option warrant</u>	<u>Cumulative percentage of exercisable</u>
	At the expiration of 2 years	40%
	At the expiration of 3 years	100%

- (2) In the event of a breach of the labor contract or work rules by employees after the Company has granted stock options to them, the Company has the right to withdraw and cancel the stock options for which the stock options have not yet been exercised.
- (3) The Board of Directors may adjust the period and percentage of the aforementioned rights depending on the circumstances of each issuance.
- (III) Type of stock options for subscription: Shares of the Company's common stock.
- (IV) If the stock option holder has any of the following conditions, he or she shall be treated as follows during the duration of the stock option warrant:
1. Termination from employment or dismissal or layoff in accordance with the Labor Standards Act
The employee who has exercised the stock options can exercise the stock option right within one month from the date of termination. The stock option warrant that has not been exercised is regarded as a waiver of stock option right on the date of termination.
 2. Leave without pay
 - (1) In accordance with the government regulations and in case of personal major illness, major family changes, overseas study, etc., the stock option warrant with exercised rights can be exercised within one month from the starting date of the leave without pay.
 - (2) For the above overdue unexercised warrant, the stock option exercise right shall be suspended and deferred until reinstatement; the stock option warrant with unexercised right shall be reinstated after the reinstatement, but in the case of the first item of Article 8, the stock option exercise period shall be deferred in the order of the duration of the stock option, but the stock option exercise period shall be deferred in the order of the duration of the leave without pay, and shall be limited to the duration of the stock option warrant.
 3. Retirement
The stock options granted can be exercised in full upon retirement. Except that the stock options shall be exercised after two years from the date of grant, the restriction about the percentage of stock options that can be exercised after the expiration specified in the second Paragraph of this Article shall not apply. However, the stock options shall be exercised within six months from the date of retirement or the expiration of two years from the granting of the stock options, whichever is later, and shall remain limited to the duration of the stock options.
 4. General death
In the event of the death of an employee with exercised rights, the legal successor shall exercise the stock option within one year from the date of death of the employee, and if the right is not exercised within the aforementioned period, it shall be deemed as giving up its stock option rights. The stock option certificate without exercise right shall lose the qualification of the stock option holder on the date of death and no longer enjoy the right of the Regulations.
 5. Disability or death by occupational disaster
 - (1) If an employee is physically disabled due to an occupational disaster and cannot continue to work, he or she can exercise all the stock option rights when leaving the job. Except that the stock options shall be exercised after two years from the date of grant, the restriction about the percentage of stock options that can be exercised

after the expiration specified in the second Paragraph of this Article shall not apply. However, the stock options shall be exercised within 1 year from the date of termination or the expiration of two years from the granting of the stock options, whichever is later, and shall remain limited to the duration of the stock options.

- (2) In the event of the death of an employee due to an occupational disaster, his or her successor can exercise all the stock option rights upon the death. Except that the stock options shall be exercised after two years from the date of grant, the restriction about the percentage of stock options that can be exercised after the expiration specified in the second Paragraph of this Article shall not apply. However, the stock options shall be exercised within 1 year from the date of death or the expiration of two years from the granting of the stock options, whichever is later, and shall remain limited to the duration of the stock options.

6. Transfer to affiliates

Employees who are transferred to the Company's affiliates for the Company's operation and approved by the President are not affected by the transfer of their rights and obligations under the granted stock options.

7. If the stock option holder or his or her successor fails to exercise the stock options within the above period, it is considered as a waiver of the stock option right.

(V) Handling of the waiver of stock options

The Company will cancel and not issue the stock options that have been renounced.

VI. Performance method

The Company will issue new shares for delivery.

VII. Adjustment of subscription price

- (I) After the issuance of the warrant, except for the issuance of various securities with common stock conversion rights or stock options in exchange for common shares or the issuance of new shares for employee profit sharing remuneration, in the event of changes in common shares (including private placement), i.e., cash capital increase, capitalization of earnings, capitalization of capital surplus, merger, issuance of new shares due to transfer of shares of other companies, stock split, and cash capital increase for the issuance of overseas depository receipts, the subscription price shall be adjusted according to the following formula (rounded to the nearest NT\$0.1)

Subscription price after adjustment = Subscription price before adjustment \times [(number of issued shares + (each new share payment amount \times number of new shares issued) \div current price per share)] \div (number of issued shares + number of new shares issued)

- (1) The number of shares issued refers to the total number of shares of common stock issued, excluding the number of shares of preferred stock, bond conversion certificates and employee stock option warrants, and shall be reduced by the number of shares of treasury stock repurchased by the Company but not yet cancelled or transferred.
- (2) The "amount paid per share" shall be zero in the case of stock dividends or stock split. If the Company merges with another company and is the surviving company, the "amount paid per share" shall be the simple arithmetic average of the closing prices of the Company's common shares for 30 consecutive business days from the 45th business day prior to the date of the merger. If the Company issues new shares for the transfer of shares of another company, the amount shall be the simple arithmetic average of the closing prices of the Company's common shares for the 30 consecutive business days immediately preceding the 45th business day before the date of completion of the ownership transfer of the transferred shares.

- (3) The calculation of subscription price after adjustment is rounded to the nearest NT\$0.1.
- (4) In case the subscription price after adjustment is higher than the subscription price before adjustment, no adjustment will be made.

- (II) In the event of a reduction in the number of common shares not due to the cancellation of treasury stock, the adjusted share option price and the adjusted share option percentage shall be calculated according to the following formula, and a letter shall be sent to TWSE or TPEx to announce the adjustment on the base date of the capital reduction:

In case of capital reduction to make up for the loss:

Subscription price before adjustment = Subscription price after adjustment \times (number of issued shares before capital reduction / number of issued shares after capital reduction)

In case of cash capital reduction

Subscription price after adjustment = (Subscription price before adjustment - cash refund per share) \times (number of shares issued before the capital reduction / number of shares issued after the capital reduction)

- (III) After the issuance of employee stock option warrants, if the Company pays cash dividends on common stock, the Company shall adjust the subscription price per unit on the ex-dividend date according to the following formula (rounded to the nearest NT\$0.1):

Subscription price after adjustment = Subscription price before adjustment \times (1 - percentage of cash dividends per unit to the current price per share)

The above current price per share shall be determined based on the simple arithmetic average of the closing price of the common shares for the one, three and five business days prior to the announced ex-dividend date of stock transfer suspension for cash dividend.

VIII. Procedures for exercising stock options

- (I) Except for the period of stock transfer suspension in accordance with the law, the stock option holder may exercise the stock option right in accordance with the Regulations, and fill out the employee stock subscription application form and submit the application to the stock affairs agency of the Company or the Company.
- (II) After the stock affairs agency of the Company or the Company accepts the request for stock subscription, the stock option holder will be notified to pay the stock price to the designated bank.
- (III) After the Company's stock affairs agency has received the full amount of shares, the number of shares subscribed will be recorded in the Company's shareholder roster and the certificate of payment of stock options will be issued by the centralized depository and book-entry services within five business days.
- (IV) The certificate of payment of stock options will be listed and traded from the date of delivery to the stock option holder. If the Company's common shares are legally traded on the Taiwan Stock Exchange (or Taipei Exchange), the certificate of payment of stock options will be listed and traded from the date of delivery to the stock option holders.
- (V) The Company shall, at least once a quarter, register with the competent authority the change in the capital of additional shares issued upon completion of the exercise of the employee stock options.

IX. Restriction of rights after exercise of stock options

The rights and obligations of the Company's common stock issued for the exercise of stock options are the same as those of the Company's issued common stock.

- X. Enforcement rules
- (I) The stock option holders shall bear the taxes arising from the certificates of payment or shares and their transactions for the stock options subscribed hereunder in accordance with the then current tax laws of the ROC.
 - (II) The individual stock option holders will be notified by the Company of the granting, the number, the exercising of stock option warrants, the payment of stock options, and the exchange of stock warrants and the related operations and the time of each such operation.
 - (III) In the future, the new shares issued by the Company due to the performance of employee stock options shall be delivered by book-entry and not printed in physical form, and shall be exempted from certification in accordance with the Regulations Governing Certification of Corporate Stock and Bond Issues by Public Companies.
- XI. Other important matters
- (I) The Regulations shall be effective upon approval by the Board of Directors and approval by the competent authority. If there is any amendment after approval by the competent authority prior to the issuance, the amendment shall be made with the attendance of at least two-thirds of the Board of Directors and the approval of a majority of the directors present. If, in the course of a review by the competent authority, the competent authority requests an amendment to the Regulations, the Chairperson of the Board of Directors is authorized to amend the Regulations in accordance with the request, and then submit it to the Board of Directors for ratification.
 - (II) Any matters not covered by the Regulations shall be handled in accordance with the relevant laws and regulations.
- XII. Date of establishment and amendment
- The Regulations were established on November 9, 2021

Regulations for Acquisition or Disposal of Assets [before amendment]

1. Purpose: In order to enhance the management of the Company's assets and to serve the purpose of full public disclosure, the Regulations are established in accordance with the provisions of Article 36-1 of the Securities and Exchange Act and the relevant provisions of the "Regulations Governing the Acquisition and Disposal of Assets by Public Companies" published by the Securities and Futures Bureau.
2. Scope: Assets as defined by the competent authorities.
3. Definition:
 - 3.1. Asset:
 - 3.1.1. Marketable securities: Including 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.
 - 3.1.2. Real estate (including land, houses and buildings, investment property, and construction enterprise inventory) and equipment.
 - 3.1.3. Memberships.
 - 3.1.4. Intangible assets: Including patents, copyrights, trademarks, franchise rights, and other intangible assets.
 - 3.1.5. Right-of-use assets.
 - 3.1.6. Creditor's claims of financial institutions (including receivables, bills purchased and discounted, loans, and overdue receivables).
 - 3.1.7. Derivatives.
 - 3.1.8. Assets acquired or disposed of in connection with mergers, demergers, acquisitions, or transfer of shares in accordance with the law.
 - 3.1.9. Other significant assets.
 - 3.2. Derivatives:

Forward contracts, options contracts, futures contracts, leverage contracts, or swap contracts, whose value is derived from ~~an asset~~, 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 other instruments of interest and~~; hybrid contracts combining the above ~~instrument~~ contracts; or hybrid contracts containing embedded derivatives or ~~hybrid contracts containing~~ structured products. 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.

- 3.3. Assets acquired or disposed of in connection with 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 Institutions 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-(8) of the Company Act.

- 3.4. Related party or subsidiary: As defined in the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

- 3.5. Professional appraiser: Refers to a real estate appraiser or other person duly authorized by law to engage in the value appraisal of real estate or equipment.

- 3.6. Date of occurrence of the fact:

The earlier of the date of contract signing, the date of payment, the date of settlement of the transaction, the date of ownership transfer, the date of resolution of the Board of Directors, or any other date that is sufficient to determine the counterparty and the amount of the transaction. However, for investors subject to the approval of the competent authority, it should be the earlier of the preceding dates or the date of receipt of approval from the competent authority.

- 3.7. Investment in Mainland China:

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.

- 3.8. 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.

- 3.9. 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.

- 3.10. Business premises of securities firms: Business premises of domestic securities firms refer to the places where securities firms have set up counters to conduct transactions in accordance with the Regulations Governing Securities Trading on the Taipei Exchange; business premises of foreign securities firms refer to the business offices of financial institutions that are under the control of the foreign securities competent authorities and are allowed to conduct securities business.
- 3.11. The "within the preceding year" as mentioned in the Regulations 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.
- 3.12. The "latest financial statements" as mentioned in the Regulations refer to the financial statements of the Company that have been audited and attested or reviewed by CPAs prior to the acquisition or disposal of assets in accordance with the law.

4. Unit of authority and responsibility

- 4.1. The acquisition, sale, disposal of the Company's real estate, investment and disposal of marketable securities shall be handled in accordance with the Company's "Regulations Governing the Management of Assets", to the extent that they do not violate the provisions described in Paragraph 5 below.
- 4.2. When the Company engages in investment in marketable securities, the Company shall follow the approval authority described in 5.3. procedures for handling investment in marketable securities below and submit it to the Finance and Accounting Unit for execution.
- 4.3. The Company's derivative transactions.
 - 4.3.1. Finance unit.
 - 4.3.1.1. Responsible for strategy formulation for the entire Company's foreign exchange operations.
 - 4.3.1.2. In response to changes in the foreign exchange market, the Finance Department should collect relevant information regular, judge the trend and risk assessment, be familiar with financial products and legal regulations, and then consider the Company's foreign exchange position and prepare an operation strategy plan, and submit it for approval in accordance with the approval authority as a basis for risk avoidance.
 - 4.3.1.3. Regularly calculate the realized or possible future risk exposure and conduct various

hedging transactions according to the authorized authority.

4.3.2. Accounting unit:

4.3.2.1. The transaction and settlement receipts of derivative transactions entered into by the finance unit for hedging purposes should be reconciled with the transactions notified by the finance department, and the related accounting treatment should be performed.

4.3.2.2. The confirmation letter of each transaction is sent to the counterparty and the broker to ensure the correctness of the transaction and to reconcile the confirmation data with the existing transaction contracts.

5. Operation contents:

5.1. Determination process for authorized limit

- 5.1.1. When acquiring or disposing of real estate, the Company shall make reference to the announced current value, the assessed value, and the actual transaction price of the neighboring real estate, decide the transaction terms and transaction price, and prepare an analysis report and submit it to the Chairperson; if the amount is less than NT\$20 million, it shall be submitted to the Chairperson for approval and reported at the coming Board meeting; if the amount exceeds NT\$20 million, it shall be submitted to the Board of Directors for approval.
- 5.1.2. The acquisition or disposal of equipment shall be carried out by one of the means of price quotation, comparison, bargaining or tender, and if the amount of which is less than NT\$10 million (inclusive), it shall be approved along the hierarchy in accordance with the authorization method. If the amount exceeds NT\$10 million, it shall be approved by the Chairman and submitted to the Board of Directors for approval.
- 5.1.3. With respect to the Company's acquisition or disposal of assets that are 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 supervisor. Where the position of independent director has been created by the Company in accordance with the provisions of the Securities and Exchange Act, when a transaction involving the acquisition or disposal of assets is submitted for discussion by the Board of Directors pursuant to the preceding Paragraph, the Board of Directors shall take into full consideration each independent director's opinions. If an independent director objects to or

expresses reservations about any matter, it shall be recorded in the minutes of the Board of Directors meeting.

5.2. Valuation report for real estate and equipment

In acquiring or disposing of real estate, equipment, or right-of-use assets thereof where the transaction amount reaches 20 percent of the Company's paid-in capital or NT\$300 million or more, the Company, unless transacting with a domestic government agency, engaging others to build on its own land, engaging others to build on rented land, or acquiring or disposing of equipment or right-of-use assets thereof held for business use, shall obtain an appraisal report prior to the date of occurrence of the event from a professional appraiser. In the event that the Company obtains an appraisal report or an opinion from a CPA, attorney or securities underwriter, the professional appraiser and its appraising personnel, CPAs, attorney or securities underwriter shall comply with the following requirements:

- 5.2.1. 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.
- 5.2.2. May not be a related party or de facto related party of any party to the transaction.
- 5.2.3. 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.
- 5.2.4. When issuing an appraisal report or opinion, the personnel referred to in the preceding Paragraph shall comply with the following:
 - 5.2.4.1. Prior to accepting a case, they shall prudently assess their own professional capabilities, practical experience, and independence.
 - 5.2.4.2. When examining 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.
 - 5.2.4.3. They shall undertake an item-by-item evaluation of the comprehensiveness, accuracy, 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.

- 5.2.4.4. 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 reasonable and accurate, and that they have complied with applicable laws and regulations.
- 5.2.5. 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. In the event of any subsequent change in the transaction terms in the future, the above procedures shall be followed.
- 5.2.6. Where the transaction amount is NT\$1 billion or more, appraisals from two or more professional appraisers shall be obtained.
- 5.2.7. 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 perform the appraisal in accordance with the provisions of Statement of Auditing Standards No. 20 published by the ROC Accounting Research and Development Foundation (ARDF) and render a specific opinion regarding the reason for the discrepancy and the appropriateness of the transaction price:
 - 5.2.7.1. The discrepancy between the appraisal result and the transaction amount is 20 percent or more of the transaction amount.
 - 5.2.7.2. The discrepancy between the appraisal results of two or more professional appraisers is 10 percent or more of the transaction amount.
 - 5.2.7.3. The date of the issue of the professional appraiser's report and the date of the establishment of the contract shall not exceed three months. However, if the publicly announced current value of the same period is applicable and is less than six months old, an opinion may still be obtained from the original professional appraiser.
 - 5.2.7.4. Where the Company acquires or disposes of assets through court auction procedures, the evidentiary documentation issued by the court may be substituted for the appraisal

report or CPA opinion.

5.3. Procedures for handling investment in marketable securities.

5.3.7. Trading terms and authorized limits.

5.3.7.1. If the underlying marketable securities traded are publicly quoted in an active market or as otherwise specified by the competent authority, the responsible unit shall make a decision based on market conditions, and the Chairperson shall make the decision based on the prevailing market price through the centralized trading market or over-the-counter trading center.

5.3.7.2. In the case of transactions in marketable securities that do not fall under the provisions of the preceding Paragraph, the most recent audited and attested or reviewed financial statements of the subject company shall be used as a reference for evaluating the transaction price, taking into account the net worth per share, profitability and future development potential of the subject company. If the amount of the transaction is less than NT\$30 million (inclusive), the Chairperson shall approve the transaction and submit a report to the coming Board meeting, and at the same time, submit an analysis report of the unrealized gain or loss on long- and short-term marketable securities. If the amount exceeds NT\$30 million, it must be submitted to the Board of Directors for approval.

5.3.7.3. With respect to the Company's acquisition or disposal of assets that are 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 supervisor. Where the position of independent director has been created by the Company in accordance with the provisions of the Securities and Exchange Act, when a transaction involving the acquisition or disposal of assets is submitted for discussion by the Board of Directors pursuant to the preceding Paragraph, the Board of Directors shall take into full consideration each independent director's opinions. If an independent director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the Board of Directors meeting.

5.3.8. Obtaining expert opinion:

5.3.8.1. Where the Company acquires or disposes of marketable securities and the transaction amount reaches 20 percent or more of paid-in capital or NT\$300 million or more, 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; if it is necessary to use an expert report, the CPA shall comply with the provisions of Statement of Auditing Standards No. 20 published by ARDF. This requirement does not apply, however, to publicly quoted prices of securities that have an active market, or where otherwise provided by regulations of FSC.

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

5.4. Total amounts of real estate and right-of-use assets thereof or securities acquired by the Company and each subsidiary individually for business use, and limits on individual securities.

- 5.4.1. Total amount of real estate and right-of-use assets thereof or marketable securities acquired by the Company or its subsidiaries, not for business use shall not exceed 100% of the total assets at the time of purchase.
- 5.4.2. The limit on individual marketable securities shall not exceed 50% of the total assets at the time of purchase.
- 5.4.3. Marketable securities acquired through mergers, demergers, acquisitions or share transfers in accordance with domestic or foreign laws and regulations are not subject to the limits set forth in 5.4.1 and 5.4.2 above.

5.5. Procedures for handling investment in memberships and intangible assets

Where the Company acquires or disposes of memberships or intangible assets or right-of-use assets thereof or memberships and the transaction amount reaches 20 percent or more of paid-in capital or NT\$300 million or more, except in transactions with a 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 CPA shall comply with the provisions of Statement of Auditing Standards No. 20 published by the ARDF.

5.6. Procedures for handling related party transactions

When the Company engages in any acquisition or disposal of assets from or to a related party, in addition to following the procedures of 5.2, 5.3 and 5.5 for handling, if the transaction amount reaches 10 percent or more of the Company's total assets, the Company shall also

obtain an appraisal report from a professional appraiser or a CPA's opinion. In addition, when judging whether a transaction counterparty is a related party, in addition to legal formalities, the substance of the relationship shall also be considered.

5.6.1. Evaluation and Operating Procedures

When the Company intends to acquire or dispose of real estate 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 estate or right-of-use assets thereof from or to a related party and the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the Company's total assets, or NT\$300 million or more, except in trading of domestic government bonds or bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises, the Company may not proceed to enter into a transaction contract or make a payment until the following matters have been approved by the Board of Directors and recognized by the supervisors. In addition, if the Company has independent directors, the opinions of each independent director shall be fully considered and any opposing views or reservations of the independent directors shall be set forth in the minutes of the Board meeting.

- 5.6.1.1. The purpose, necessity and anticipated benefit of the acquisition or disposal of assets.
 - 5.6.1.2. The reason for choosing the related party as a transaction counterparty.
 - 5.6.1.3. With respect to the acquisition of real estate or right-of-use assets thereof from a related party, information regarding appraisal of the reasonableness of the preliminary transaction terms in accordance with 5.6.2.1~2 of the Regulations.
 - 5.6.1.4. The date and price at which the related party originally acquired the real estate, the original transaction counterparty, and that transaction counterparty's relationship to the Company and the related party.
 - 5.6.1.5. 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.
 - 5.6.1.6. An appraisal report from a professional appraiser or a CPA's opinion obtained in compliance with the 5.6
 - 5.6.1.7. Restrictive covenants and other important stipulations associated with the transaction.
- The calculation of the transaction amounts referred to in the preceding Paragraph shall be made in accordance with 5.9.1.6 of the Regulations, 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 Board of Directors and recognized by the supervisors need not be counted toward the transaction amount.

With respect to the types of transactions listed below, when to be conducted between the Company and its parent or subsidiaries, or between its subsidiaries in which it directly or indirectly holds 100 percent of the issued shares or authorized capital, the Company's Board of Directors may pursuant to 5.1 of the Regulations delegate the Chairperson to decide such matters when the transaction is within a certain amount and have the decisions subsequently submitted to and ratified by the next Board of Directors meeting for the acquisition or disposal of machinery and equipment for business use.

5.6.1.7.1. Acquisition or disposal of equipment or right-of-use assets thereof held for business use.

5.6.1.7.2. Acquisition or disposal of real estate right-of-use assets held for business use.

5.6.2. Evaluation of the reasonableness of costs:

5.6.2.1. 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.

5.6.2.2. Total loan value appraisal from a financial institution where the related party has previously created a mortgage on the property as security for a loan; provided, the actual cumulative amount loaned by the financial institution shall have been 70 percent or more of the financial institution's appraised loan value of the property and the period of the loan shall have been 1 year or more. However, this shall not apply where the financial institution is a related party of one of the transaction counterparties.

5.6.2.3. 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.

5.6.2.4. For related party transactions, the Company shall evaluate the cost of real estate or right-of-use assets thereof in accordance with 5.6.2.1. to 5.6.2.3. of the Regulations, and shall also engage a CPA to check the appraisal and render a specific opinion.

5.6.2.5. If the appraisal results of the Company's related party transactions are lower than the transaction price in accordance with the provisions of 5.6.2.1. to 5.6.2.3. of the Regulations, the Company shall follow the provisions of 5.6.2.6. of the Regulations. However, where the following circumstances exist, objective evidence has been submitted and specific opinions on reasonableness have been obtained from a professional real estate appraiser and a CPA have been obtained, this restriction shall not apply:

- a. 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 or neighboring or closely valued parcels of land, where the 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.
- b. Where the Company acquiring real estate, or obtaining real estate right-of-use assets through leasing, from a related party provides evidence that the terms of the transaction are similar to the terms of completed transactions involving neighboring or closely valued parcels of land of a similar size by unrelated parties within the preceding year. Completed transactions involving neighboring or

closely valued parcels of land in the preceding Paragraph in principle refer to parcels on the same or an adjacent block and within a distance of no more than 500 meters or parcels close in publicly announced current value; transactions involving similarly sized parcels in principle refers to transactions completed by unrelated parties for parcels with a land area of no less than 50 percent of the property in the planned transaction; within the preceding year refers to the year preceding the date of occurrence of the acquisition of the real estate or obtainment of the right-of-use assets thereof.

- 5.6.2.6. If the appraisal results of the Company's related party transactions are lower than the transaction price in accordance with the provisions of 5.6.2.1. to 5.6.2.3. of the Regulations, the Company shall do the following. The Company and public companies whose investments in the Company are accounted for using the equity method that has a set aside a special reserve may not utilize the special reserve until it has recognized a loss on decline in the 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 competent authority has given its consent.
- a. A special reserve shall be set aside by the Company in accordance with Article 41, Paragraph 1 of the Securities and Exchange Act against the difference between the real estate transaction price and the appraised cost, and may not be distributed or used for capital increase or issuance of bonus shares. Where the Company uses the equity method to account for its investment in another company, then the special reserve called for, under Article 41, Paragraph of the Securities and Exchange Act shall be set aside pro rata in a proportion consistent with the share of public company's equity stake in the other company.
 - b. Supervisors shall comply with Article 218 of the Company Act. Where an audit committee has been established in accordance with the provisions of the Act, the preceding part of this Subparagraph shall apply mutatis mutandis to the independent director members of the audit committee.
 - c. Actions taken pursuant to the 5.6.2.6 a and b of the Regulations shall be reported to a shareholders meeting, and the details of the transaction shall be disclosed in the

annual report and any investment prospectus.

5.6.2.7. The Company's related party transactions shall be handled in accordance with the provisions of the first and second Paragraphs of this Article regarding evaluation and operating procedures under one of the following circumstances, and the provisions of 5.6.2.1~5.6.2.4 of the Regulations regarding the evaluation of the reasonableness of the transaction costs shall not apply:

- a. The related party acquired the real estate or right-of-use assets thereof through inheritance or as a gift.
- b. More than 5 years will have elapsed from the time the related party signed the contract to obtain the real estate or right-of-use assets thereof to the signing date for the current transaction.
- c. The real estate is acquired through signing of a joint development contract with the related party, or through engaging a related party to build real estate, either on the Company's own land or on rented land.
- d. The real estate right-of-use assets for business use are acquired by the Company with its parent or subsidiaries, or by its subsidiaries in which it directly or indirectly holds 100 percent of the issued shares or authorized capital.

5.6.2.8. If there is any other evidence that the Company's related party transaction is not in accordance with business practice, the Company shall also handle it in accordance with the provisions of 5.6.2.6. of the Regulations.

5.7. Procedures for handling derivatives

5.7.1. Trading principles and guidelines.

5.7.1.1. Transaction types

- a. If the Company engages in derivative operations, the Company shall obtain approval from the leader with the approval authority before trading.
- b. Bond margin trading shall also be conducted in the same manner as above and only after obtaining approval from the leader with the approval authority and in accordance with the provisions of the Regulations.
- c. Operation and hedging strategies: The purpose of trading derivatives shall be to hedge risks and the instruments to be traded shall be selected to hedge the risks arising from the Company's business operations. The counterparties should also be

selected among banks with which the Company has business dealings as far as possible to avoid credit risk. Before foreign exchange operations, the type of transaction must be clearly defined as a hedge or a financial operation in pursuit of investment income as the basis for accounting.

5.7.2. Trading limit:

5.7.2.1. Hedging limit: The limit needed to hedge the risk arising from the transaction should be determined according to the realized and possible future parts. Take the demand for USD as an example:

- a. The finance unit uses 100% of the monthly net foreign exchange exposure as the hedge limit.
- b. If the amount exceeds 100%, it should be approved by the leader with the approval authority.

5.7.2.2. Financial transaction limit: If the amount exceeds 100%, it should be approved by the leader with the approval authority.

5.7.3. Division of authority and responsibility:

5.7.3.1. Finance unit.

- a. Responsible for strategy formulation for the entire Company's foreign exchange operations.
- b. In response to changes in the foreign exchange market, the Finance Department should collect relevant information regularly, judge the trend and risk assessment, be familiar with financial products and legal regulations, and then consider the Company's foreign exchange position and prepare an operation strategy plan, and submit it to the leader with approval authority for approval in accordance with the approval authority as a basis for risk avoidance.
- c. Regularly calculate the realized or possible future risk exposure and conduct various hedging transactions according to the authorized authority.

5.7.3.2. Accounting unit: The transaction and settlement receipts of derivative transactions entered into by the finance unit for hedging purposes should be reconciled with the transactions notified by the finance department, and the related accounting treatment should be performed.

5.7.4. Performance evaluation:

5.7.4.1. Hedging transaction:

- a. According to the size of the foreign exchange position, the foreign exchange profit and loss target is set, and this target must be included in the performance evaluation and reviewed periodically.
- b. The foreign exchange trading personnel shall try their best to achieve the target exchange rate of the budget according to the type of financial instruments they set, and use it as the basis for performance evaluation.
- c. Foreign exchange operating personnel should calculate the net exposure to risk to the management on a monthly basis for management and reference.

5.7.4.2. Financial transactions: Monthly net profit and loss statements are prepared for management's reference.

5.7.4.3. The setting of loss limit: For the above hedging and financial foreign exchange transactions, the single stop-loss amount shall be set at US\$10,000 at any point in time, and the overall stop-loss amount shall be set at one percent of the total amount of transactions undertaken as the stop loss target. Therefore, if the stop-loss amount is surpassed, appropriate countermeasures such as early settlement or reversal should be taken to prevent the loss from expanding.

5.7.5. Authorized limit and executive unit:

5.7.5.1. Authorize limit:

- a. Recurring foreign exchange transactions (the following currencies are limited to USD to NTD and USD to JPY): Based on the growth of the Company's revenues and changes in the risks, the authorized limit table is established, approved into effect by the leader with the approval authority, and submitted to the coming Board meeting.

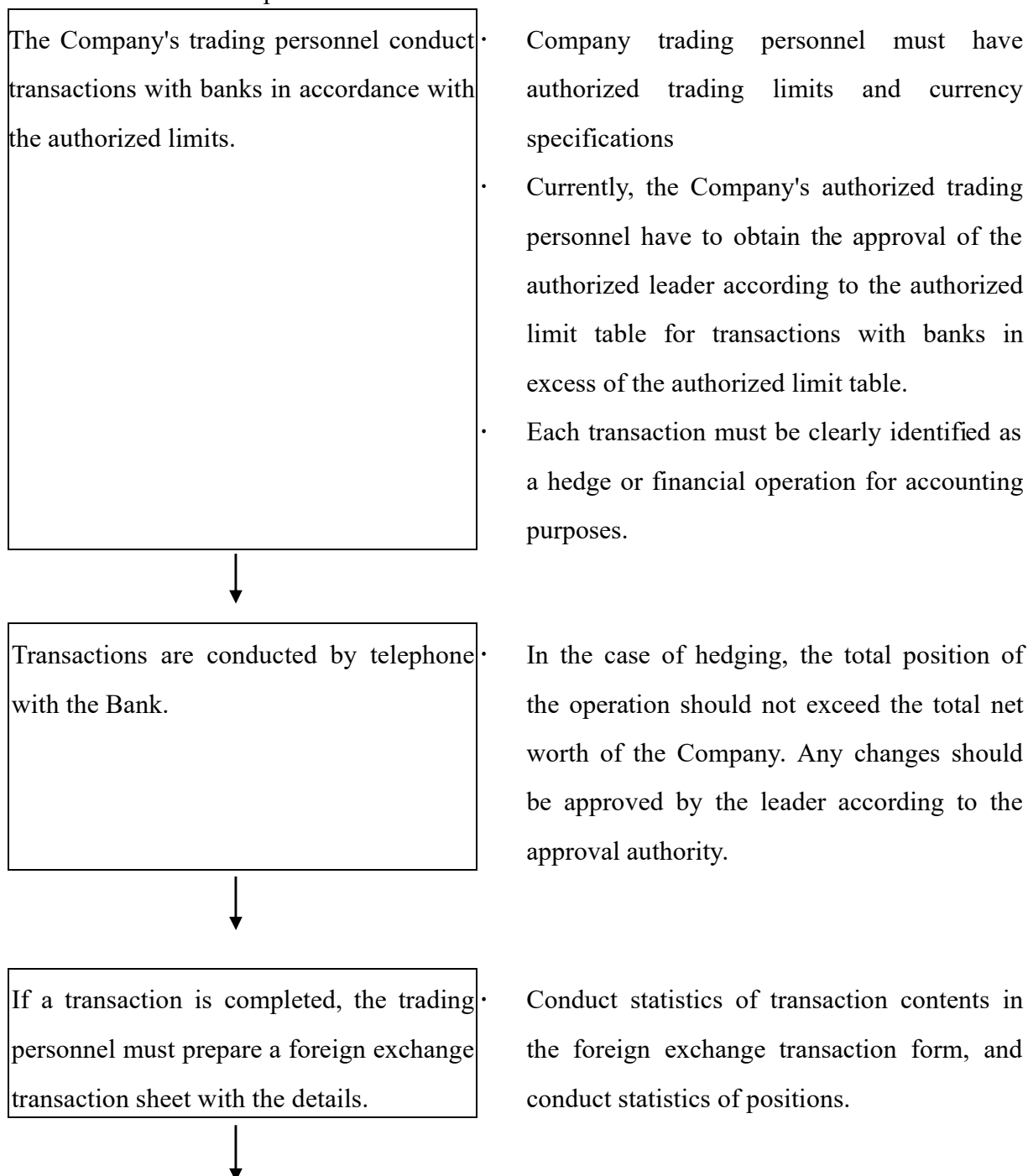
The same applies to any amendment. If the total amount of transactions undertaken every day or accumulated net positions exceeds the authorized limit, it must be approved by the person who has the authorized limit.

The authorized personnel and the authorized limit shall be in accordance with the provisions of the "Approval Authority Table".

- b. Capital expenditures for specific purposes: Hedging transactions for specific purposes, such as the purchase of equipment with large foreign exchange amounts, can only be made after receiving instructions from the finance leader.

- 5.7.5.2. Executive unit: Due to the special nature of derivative transactions, which are fast-changing, significant in amount, frequently traded and complex, the transactions and their management must be performed by highly professional personnel. Currently, the Company authorizes the finance personnel to perform such transactions, and the matter should be reported to the coming Board meeting.

5.7.6. Execution process:



In addition to informing accounting of the transaction details and handling the related accounting affairs, the confirming personnel will confirm and send back the transaction sheet provided by the bank with a seal.

The trading personnel cannot confirm the transaction sheet.



A profit and loss analysis report is prepared regularly on a monthly basis and future position generation and hedging strategies are discussed for future operating guidelines.

In the case of financial transactions, trading personnel should have access to profit and loss estimates for decision-making purposes, and should take stop-loss actions if stop-loss points are reached.

5.7.7. Operation instruction:

Operation instruction	Person in charge
1. The operation strategy is formulated annually according to the annual plan and submitted to the President for approval as the basis for the annual foreign exchange operation.	Finance personnel
2. According to the overall market conditions, the operating strategy is revised in a timely manner and submitted to the leader with approval authority.	Finance personnel
3. If the trading personnel place orders with the bank within the authorized scope, they must obtain prior written approval from the Vice President or above if the amount	Financial transaction personnel

exceeds the authorized amount.	
4. According to the bank's transaction return, after confirmation, fill out the "Foreign Exchange Transaction Sheet".	Financial transaction personnel
5. Check the foreign exchange transaction confirmation document of the bank according to the content of the foreign exchange transaction sheet and send it back with a seal.	President
6. When foreign exchange transactions result in exchange gains or losses, the processing personnel must attach the "Foreign Exchange Transaction Sheet" as the basis for accounting.	Financial settlement personnel
7. The announcement is made monthly in accordance with the regulations of the competent authority.	Stock affairs personnel

- 5.7.8. Announcement and reporting procedures: After listing on TWSE, the Company and its subsidiaries shall announce and report to the competent authorities monthly the total amount of open contracts, net profit or loss from market valuation, the amount of deposits paid, the total amount of contracts liquidated or settled in the previous month, and the realized profit or loss, together with the monthly operating conditions.
- 5.7.9. Accounting treatment: The accounting treatment of the Company's derivative financial instruments is in accordance with Statement of Financial Accounting Standards (SFAS) No. 34, "Accounting for Financial Instruments".
- 5.7.10. Internal control system:
- 5.7.10.1. Risk management measures:
- 5.7.10.1.1. Credit risk considerations:
- The counterparties of the transactions shall, as far as possible, be banks with which the Company has dealings and which can provide professional information as a principle.
 - The products traded are limited to those offered by internationally renowned

banks.

- c. If the product to be traded is a specific product of a communist country, a credit risk aversion plan shall be established and approved by the Chairperson before proceeding.

- 5.7.10.1.2. Market Risk Consideration: The Company's major positions of the accounts are targeted for hedging operations to avert possible market risks.
- 5.7.10.1.3. To ensure the liquidity of the market, the financial products selected should have a high degree of liquidity (i.e., they can readily be offset in the market), and the financial institution entrusted with the transaction must have sufficient information and the ability to trade in any market at any time.
- 5.7.10.1.4. Operation consideration: The Company should follow the authority limit, operating procedures and include them in internal audits to avoid operating risks. The Finance Department should establish a "derivative referendum book".
- 5.7.10.1.5. Legal consideration: Documents signed with banks should be reviewed by specialized personnel in finance and legal affairs or legal counsel before they are formally signed to avoid legal risks.
- 5.7.10.1.6. Instrument considerations: Internal trading personnel and counterparty banks should have complete and accurate expertise in the financial instruments traded, and banks are required to fully disclose the risks to avoid losses caused by misuse of financial instruments.
- 5.7.10.1.7. Cash settlement consideration: In addition to complying with various provisions of the authorized limits, authorized trading personnel should also pay attention to the cash flow in NTD and foreign currencies to ensure that sufficient cash is available at the time of settlement.
- 5.7.11. Internal control:
 - 5.7.11.1. Trading personnel may not serve concurrently in other capacities such as confirmation and settlement.
 - 5.7.11.2. The trading personnel shall deliver the transaction certificate or contract to the confirming personnel for recordation.
 - 5.7.11.3. Confirmation personnel shall regularly reconcile or confirm by letter with the correspondent bank.
 - 5.7.11.4. The trading personnel shall check whether the total amount of transactions exceeds the

net positions of foreign currency assets, liabilities and commitments at any time.

- 5.7.11.5. At the end of each month, the finance personnel shall evaluate the profit and loss based on the closing rate on that day and prepare a statement for review by the management above the leader of the Finance Department.

5.7.12. Regular evaluation:

- 5.7.12.1. The Board of Directors shall designate senior management to monitor and evaluate from time to time whether the derivative transactions are conducted in accordance with the Company's established trading procedures, whether the performance of the transactions is consistent with the established business strategies, and whether the risks assumed are within the Company's tolerances. The Company shall evaluate the position of derivative transactions that are held for trading purposes based on the market price, at least twice a month for hedging transactions required for business purposes, and at least once a week for non-hedging transactions. If there is any abnormal situation in the market price evaluation report (e.g., the holding position has exceeded the loss limit), it should be reported to the Board of Directors immediately and countermeasures should be taken

- 5.7.13. Internal audit system: The internal audit personnel shall regularly understand the appropriateness of the internal control, check the trading department's compliance with the Regulations and analyze the trading cycle, and prepare audit reports. If significant violations are discovered, each supervisor shall be notified in writing. After listing on TWSE, the Company shall report to the competent authorities by the end of February of the following year the implementation of the annual audit plan for internal audit operations.

Where independent directors have been appointed in accordance with the provisions of the Act, for matters for which notice shall be given to the supervisors under the preceding Paragraph, written notice shall also be given to the independent directors.

Where an audit committee has been established in accordance with the provisions of the Act, the provisions of Paragraph 1 relating to supervisors shall apply mutatis mutandis to the audit committee.

5.8. Procedures for handling merger, demerger, acquisition, or transfer of shares.

5.8.1. Evaluation and Operating Procedures

- 5.8.1.1. In the event the Company is engaged in a merger, demerger, acquisition or transfer of

shares, the Company shall appoint an attorney, a CPA and a securities underwriter to jointly discuss the estimated timetable for the statutory procedures and organize a dedicated project team to carry out the deal in accordance with the statutory procedures. Prior to convening the Board of Directors to resolve the matter, shall engage a CPA, attorney, or securities underwriter to give an opinion on the reasonableness of the share exchange ratio, acquisition price, or distribution of cash or other property to shareholders, and submit it to the 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 percent of the issued shares or authorized capital, and in the case of a merger between subsidiaries in which the public company directly or indirectly holds 100 percent of the respective subsidiaries' issued shares or authorized capital.

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

5.8.2. Other matters that should be noted:

- 5.8.2.1. Date of the Board of Directors' meeting: A company participating in a merger, demerger, or acquisition shall convene a Board of Directors meeting and shareholders meeting on the day of the transaction to resolve matters relevant to the merger, demerger, or acquisition, unless another act provides otherwise or the competent authority 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 competent authority is notified in advance of extraordinary circumstances and grants consent.

When participating in a merger, demerger, acquisition, or transfer of another company's shares, a company that is listed on an exchange or has its shares traded on an OTC market shall prepare a full written record of the following information and retain it for 5 years for reference:

- 5.8.2.1.1. 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 the disclosure of the information.
- 5.8.2.1.2. 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.
- 5.8.2.1.3. 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.
- 5.8.2.1.4. In the event of acquisition, or transfer of another company's shares, a company that is listed on an exchange or has its shares traded on an OTC market shall, within 2 days counting inclusively from the date of passage of a resolution by the Board of Directors, report (in the prescribed format and via the Internet-based information system) the information set out in Subparagraphs 1 and 2 of the preceding Paragraph to the competent authority for recordation.
- 5.8.2.2. Prior non-disclosure 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.
- 5.8.2.3. Principles for determining and changing the share exchange ratio or acquisition price: A company that conducts a merger, demerger, acquisition, or transfer of shares, prior to

convening the board meetings of both companies to resolve the matter, shall engage a CPA, attorney, or securities underwriter to give an opinion on the reasonableness of the share exchange ratio, acquisition price, or distribution of cash or other property to shareholders, and submit it to the shareholders' meeting. In principle, the share exchange ratio or acquisition price shall not be changed arbitrarily, except when the conditions for such change have been stipulated in the contract and have been publicly disclosed. The conditions under which the share exchange ratio or the acquisition price may be changed are as follows:

- a. 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.
- b. An action, such as disposal of major assets, that affects the Company's financial operations.
- c. An event, such as a major disaster or major change in technology, that affects shareholder equity or share price.
- d. An adjustment where any of the companies participating in the merger, demerger, acquisition, or transfer of shares from another company, buys back treasury stock.
- e. An increase or decrease in the number of entities or companies participating in the merger, demerger, acquisition, or transfer of shares.
- f. Other terms/conditions that the contract stipulates may be altered and that have been publicly disclosed.

5.8.2.4. Contents that should be contained in the contract: In addition to the provisions of Article 317-1 of the Company Act and Article 22 of the Business Mergers and Acquisitions Act, the contract of the merger, demerger, acquisition, or transfer of shares shall also contain the following information:

- a. Handling of breach of contract.
- b. 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.
- c. 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.

- d. The manner of handling changes in the number of participating entities or companies.
- e. Preliminary progress schedule for plan execution, and anticipated completion date.
- f. Scheduled date for convening the legally mandated shareholders meeting if the plan exceeds the deadline without completion, and relevant procedures.

5.8.2.5. Procedures for handling merger, demerger, acquisition, or transfer of shares.

In the event of a change in the number of companies involved in a merger, demerger, acquisition or transfer of shares. 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 the matter anew.

5.8.2.6. Where any of the companies participating in a merger, demerger, acquisition, or transfer of shares is not a public company, the Company shall sign an agreement with the non-public company and shall comply with the provisions of 5.8.2.1. of the Regulations on the date of convening a board meeting, 5.8.2.2. of the Regulations on prior non-disclosure undertaking, and 5.8.2.5. of the Regulations on Procedures for handling merger, demerger, acquisition, or transfer of shares

5.9. Procedures for Public Disclosure of Information

5.9.1. The items and criteria for announcement and reporting are:

- 5.9.1.1. When the Company intends to acquire or dispose of real estate 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 estate or right-of-use assets thereof from or to a related party and the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the Company's total assets, or NT\$300 million or more, except in trading of domestic government bonds or bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust

enterprises.

- 5.9.1.2. Merger, demerger, acquisition, or transfer of shares.
- 5.9.1.3. Losses from derivatives trading reaching the limits on aggregate losses or losses on individual contracts set out in the procedures adopted by the Company.
- 5.9.1.4. Where the type of asset acquired or disposed of is equipment or right-of-use assets thereof for business use, and furthermore the transaction counterparty is not a related party, and the transaction amount meets any of the following criteria:
 - a. For a public company whose paid-in capital is less than NT\$10 billion, the transaction amount reaches NT\$500 million or more.
 - b. For a public company whose paid-in capital is NT\$10 billion or more, the transaction amount reaches NT\$1 billion or more.
- 5.9.1.5. Acquisition or disposal by the Company in the construction business of real estate or right-of-use assets thereof for construction use, and furthermore the transaction counterparty is not a related party, and the transaction amount reaches NT\$500 million; among such cases, if the public company has paid-in capital of NT\$10 billion or more, and it is disposing of real estate from a completed construction project that it constructed itself, and furthermore the transaction counterparty is not a related party, then the threshold shall be a transaction amount reaching NT\$1 billion or more.
- 5.9.1.6. 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.
- 5.9.1.7. 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 percent or more of paid-in capital or NT\$300 million. However, this shall not apply to the following circumstances:
 - a. Trading of domestic government bonds.
 - b. Where done by professional investors—securities trading on domestic or foreign securities exchanges or OTC markets, or subscription of ordinary corporate bonds or general bank debentures without equity characteristics (excluding subordinated debt)

that are offered and issued in the primary market by securities firms, or subscription or redemption of securities investment trust funds or futures trust funds, or subscription by a securities firm of securities as necessitated by its undertaking business or as an advisory recommending securities firm for an emerging stock company, in accordance with the rules of the Taipei Exchange.

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

5.9.1.8. The amount of the aforementioned transactions is calculated as follows, and "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.

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

5.9.2. Time limit for making announcement and reporting:

Under any of the aforementioned circumstances, the Company acquiring or disposing of assets shall publicly announce and report the relevant information as prescribed by regulations within 2 days counting inclusively from the date of occurrence of the event

5.9.3. Announcing and reporting procedures.

5.9.3.1. The Company shall announce and report the relevant information on the website designated by the competent authority.

5.9.3.2. 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.

- 5.9.3.3. 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 knowledge of such error or omission.
- 5.9.3.4. The Company, when acquiring or disposing of assets, shall keep all relevant contracts, meeting minutes, logbooks, 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.
 - a. Change, termination, or rescission of a contract signed in regard to the original transaction.
 - b. The merger, demerger, acquisition, or transfer of shares is not completed by the scheduled date set forth in the contract.
 - c. Change to the originally publicly announced and reported information.
- 5.10. Professional appraisers and their officers, certified public accounts, attorneys, and securities underwriters that provide the Company with appraisal reports, certified public accountant's opinions, attorney's opinions, or underwriter's opinions shall meet the following requirements must not be related to the parties to the transaction.
- 5.11. Control procedures for the acquisition and disposal of assets by subsidiaries.
 - 5.11.1. The Company shall supervise its subsidiaries to establish procedures for the management of the acquisition or disposal of assets in accordance with the "Regulations Governing the Acquisition and Disposal of Assets by Public Companies"
 - 5.11.2. The Company's subsidiaries shall acquire or dispose of assets in accordance with the relevant regulations, and shall report to the Company in writing in aggregate the acquisition or disposal of assets for the previous month by the 10th day of each month.
 - 5.11.3. If the subsidiary is not a public company and the assets acquired or disposed of meet the standards for public announcement and reporting as stipulated in Article 5.1.1 of the "Regulations for Acquisition and Disposal of Assets", the Company shall make the announcement and report on behalf of the subsidiary.
- 5.12. Penalty:
 - 5.12.1. If the Company's managerial officers and responsible processing personnel violate the

Regulations, they shall be punished in accordance with the relevant regulations of the Company.

5.13. Implementation and amendment:

5.13.1. After being approved by the Board of Directors, the Regulations will be sent to each supervisor and submitted to the shareholders' meeting for approval before implementation, and the same applies to any amendment. If any 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 supervisor.

5.13.2. Where the position of independent director has been created by the Company in accordance with the provisions of the preceding Paragraph, when the Procedures are 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.

5.13.3. The Company shall not waive its capital increase to Silver Cub Inc. (hereinafter referred to as "SILVER") in future years; SILVER shall not waive its capital increase to Golden Cub Inc. (hereinafter referred to as "GOLDEN") in future years; GOLDEN shall not waive its capital increase to CUB ELECPARTS INC., Shanghai. (hereinafter referred to as CUB Shanghai) in future years. In the future, if the Company waives its capital increase to the above companies or disposes of its shareholdings in the above companies, a special resolution of the Company's Board of Directors is required.

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

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

6. Related forms:

6.1 Derivative referendum book

M2_4-FA0006

Rules of Procedure for Shareholder Meetings [before amendment]

1. Purpose: To establish a good governance system for the shareholders' meeting, to improve the supervisory function and to strengthen the management function of the Company, the Rules are established for compliance.
2. Scope: All matters relating to the convening of shareholders' meetings, speeches at shareholders' meetings, and procedures for conducting meetings shall be governed by the Rules.
3. Definition: None.
4. Flowchart: None.
5. Operation contents:
 - 5.1. The Company's rules of procedure for shareholders' meetings shall be in accordance with the Rules unless otherwise provided by law or the Articles of Incorporation.
 - 5.2. There are two types of shareholders' meeting: regular and extraordinary. The regular meeting is held once a year and shall be convened by the Board of Directors in accordance with Article 172 of the Company Act within six months after the end of each fiscal year. A special meeting can be convened according to the law when necessary.
 - 5.3. The entries in the shareholder roster referred to in the preceding Paragraph shall not be altered within 30 days prior to the convening date of a regular shareholders' meeting, or within 15 days prior to the convening date of a special shareholders' meeting, or within 5 days prior to the target date fixed by the issuing company for distribution of dividends, bonus or other benefits. After the public offering of the Company's shares, the Company shall suspend the transfer of shares within 60 days prior to the regular shareholders' meeting and within 30 days prior to the special shareholders' meeting.
 - 5.4. The shareholders shall be notified of the convening of the regular shareholders' meeting by notice of the shareholders' meeting 20 days in advance; the shareholders shall be notified of the convening of the special shareholders' meeting by notice of the shareholders' meeting 10 days in advance. After the public offering of the Company's shares, the Company shall prepare a handbook for the shareholders' meeting and notify the shareholders by sending a notice of the shareholders' meeting 30 days in advance. The meeting handbook and supplementary materials should be made available to shareholders at any time 15 days before the shareholders' meeting, and are exhibited on the premises of the Company and the professional stock affairs agency appointed by the Company, and are distributed on-site at the shareholders' meeting; shareholders shall be notified 15 days in advance of the convening of the special shareholders' meeting, and for shareholders holding less than 1,000 registered shares, the meeting shall be announced by means of a public post on the Market Observation Post System 15 days in advance. The causes or subjects of a meeting of shareholders to be convened shall be indicated in the individual notice to be given to shareholders and in the announcement; and the notice may, as an alternative, be given by means of electronic transmission, after obtaining prior consent from the recipient(s) thereof. Matters related to election or dismissal of directors, change of articles of incorporation, dissolution, merger, or split of the Company, or matters

under Article 185, Paragraph 1 of the Company Act, Article 26-1 and 43-6 of the Securities and Exchange Act, Article 50-1 and Article 60-2 of the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, shall be listed and described in the causes and subjects for the convening of the meeting, and shall not be proposed as an extempore motion. Shareholders holding more than 1% of the total number of issued shares may submit a proposal to the Company for a regular shareholders' meeting. However, the number of items in the proposal is limited to one. Proposal containing more than one item will not be included in the meeting agenda.

In addition, when any of the circumstances of Paragraph 4 of Article 172-1 of the Company Act applies to a proposal put forward by a shareholder, the Board of Directors may exclude it from the meeting agenda. Shareholders may submit proposals to urge the Company to promote public interests or fulfill its social responsibilities. In terms of procedures, the number of items in the proposals should be limited to one in accordance with the relevant provisions of Article 172-1 of the Company Act. Any proposal with more than one item shall not be included in the meeting agenda.

Prior to the date on which share transfer registration is suspended before the convention of a regular shareholders' meeting, the Company shall give a public notice announcing acceptance of proposal, the place and the period for shareholders to submit proposals to be discussed at the meeting; and the period for accepting such proposals shall not be less than ten (10) days.

The number of words of a proposal to be submitted by a shareholder shall be limited to not more than three hundred (300) words. The shareholder who has submitted a proposal shall attend, in person or by a proxy, the regular shareholders' meeting whereat his proposal is to be discussed and shall take part in the discussion of such proposal.

The company shall, prior to preparing and delivering the shareholders' meeting notice, inform, by a notice, all the proposal submitting shareholders of the proposal screening results, and shall list in the shareholders' meeting notice the proposals conforming to the requirements set out in this Article. With regard to the proposals submitted by shareholders but not included in the agenda of the meeting, the cause of exclusion of such proposals and explanation shall be made by the Board of Directors at the shareholders' meeting to be convened.

- 5.5. The location for a shareholders' meeting should 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. When the Company has independent directors, independent directors' opinions on the meeting location and time shall also be fully considered.
- 5.6. A shareholder may appoint a proxy to attend a shareholders' meeting on his/her/its behalf by executing a proxy form prepared and issued by the Company stating therein the scope of power authorized to the proxy.

A shareholder may only execute one proxy form and appoint one proxy only and shall serve such written proxy to the Company no later than 5 days prior to the meeting date of the shareholders' meeting. In case two or more written proxies are received from one shareholder,

the first one received by the Company shall prevail; unless an explicit statement to revoke the previously written proxy is made in the proxy, which comes later.

After the service of the proxy form of a proxy to the Company, in case the shareholder issuing the said proxy intends to attend the shareholders' meeting in person, a proxy rescission notice shall be filed with the Company at least two days prior to the date of the shareholders' meeting as scheduled in the shareholders' meeting notice so as to rescind the proxy at issue. Otherwise, the voting power exercised by the authorized proxy at the meeting shall prevail.

- 5.7. The Company should specify in its shareholders' meeting notice the time during which shareholder attendance registrations will be accepted, the place to register for attendance, and other matters for attention.

The time at which shareholder attendance registrations will be accepted should be at least 30 minutes prior to the time the meeting commences. The place at which attendance registrations are accepted should be clearly marked and a sufficient number of suitable personnel should be assigned to handle the registrations.

Shareholders or their proxies (hereinafter referred to as the shareholders) should present attendance cards, sign-in cards, or other attendance certificates to attend a shareholders' meeting. The Company must not arbitrarily add requirements for other documents from the shareholders in support of their eligibility to attend. Solicitors seeking proxy forms should also bring identification documents for verification.

The Company should furnish a signature book for attending shareholders, or the attending shareholders may hand in a sign-in card instead.

The Company should furnish attending shareholders with the meeting handbook, annual report, attendance card, speaker slips, voting ballots, and other meeting materials. Where there is an election of directors, election ballots should also be furnished.

When a shareholder is a government or a corporation, the number of representatives to attend the shareholders' meeting is not limited to one. When a corporation is entrusted to attend a shareholders' meeting, only one representative can be appointed to attend.

- 5.8. If a shareholders' meeting is convened by the Board of Directors, the Chairperson of the Board shall chair the meeting. In case the Chairperson is on leave or absent or cannot exercise his power and authority for any cause, the Vice Chairperson shall act on his behalf. In case there is no Vice Chairperson, or the Vice Chairperson is also on leave or absent or unable to exercise his power and authority for any cause, the Chairperson shall designate one of the managing directors, or where there are no managing directors, one of the directors to act on his behalf. In the absence of such a designation, the managing directors or the directors shall elect from among themselves an acting Chairperson. A majority of the Board of Directors and at least one member of each functional committee shall be present at a shareholders' meeting called by the Board of Directors, and the attendance shall be recorded in the minutes of the shareholders' meeting.

If a shareholders' meeting is convened by someone with the convening right but other than the

Board of Directors, the convening person shall chair the meeting and if there are more than two such persons, one of them shall be elected as the chair of the meeting. The Company may appoint lawyers, CPA, or related personnel to attend the shareholders' meeting.

- 5.9. Attendance in a shareholders' meeting should be calculated based on numbers of shares. The number of shares in attendance shall be calculated based on the shares indicated by the signature book or sign-in cards handed in, plus the number of shares whose voting rights are exercised by correspondence or electronically.

When a managing director or a director serves as chair, 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 corporate director that serves as chair.

The chair should call the meeting to order at the scheduled meeting time, and at the same time, announce the number of shares with no voting rights and the number of shares present, etc.

However, when the attending shareholders do not represent a majority of the total number of issued shares, the chair may announce a postponement. No more than two such postponements may be made for a combined total of no more than one hour. When there are still insufficiently attending shareholders representing more than one-third of the total issued shares after two postponements, the chair shall announce the meeting to be aborted.

When there are still insufficiently attending shareholders representing more than one-third of the total issued shares after two postponements, a tentative resolution may be adopted in accordance with Article 175, Paragraph 1 of the Company Act and all shareholders shall be notified of the tentative resolution and another shareholders' meeting shall be convened within one month.

Before the conclusion of the meeting, if the attending shareholders represent a majority of the total number of issued shares, the chair may submit a tentative resolution for voting by the shareholders' meeting in accordance with Article 174 of the Company Act.

- 5.10. The Company, beginning from the time it accepts shareholder attendance registrations, should make an uninterrupted audio and video recording of the registration procedure, the proceedings of the shareholders' meeting, and the voting and vote counting processes.

The recorded materials of the preceding Paragraph should be kept for at least one year.

However, if any shareholder files a lawsuit in accordance with Article 189 of the Company Act, they shall be kept until the end of the lawsuit

- 5.11. If a shareholders' meeting is convened by the Board of Directors, the meeting agenda shall be set by the Board of Directors. The meeting should proceed in the order set by the agenda, which may not be changed without a resolution of the shareholders' meeting.

The provision referred to above is applicable even when the shareholders' meeting is convened by other than the Board of Directors *mutatis mutandis*.

The chair must not declare the meeting adjourned before the conclusion of the meeting agenda of the preceding two Paragraphs (including extempore motions), except by a resolution of the

shareholders' meeting. However, if the chair violates the rules of procedure and adjourns the meeting, the other members of the Board of Directors shall promptly assist the shareholders present in accordance with the legal procedures and a majority of the shareholders present may vote to elect a chair to continue the meeting.

The chair shall give sufficient explanation and opportunity to discuss the proposals and any amendments or extraordinary motions proposed by the shareholders, and when he/she is of the opinion that the motion is ready to be voted on, he/she may declare that the discussion is closed, and put to the vote.

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

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

An attending shareholder who has submitted a speaker 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 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 topic, the chair may terminate the speech or declare the discussion closed, and proceed with other agenda or procedures.

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

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

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

- 5.13. The Company's shareholders have one voting right per share. The shares shall have no voting power under any of the following circumstances:

5.13.1. The share(s) of a company that are held by the issuing company itself in accordance with the laws;

5.13.2. The shares of a holding company that are held by its subordinate company, where the total number of voting shares or total shares equity held by the holding company in such a subordinate company represents more than one half of the total number of voting shares or the total shares equity of such a subordinate company; or

5.13.3. The shares of a holding company and its subordinate company(ies) that are held by another company, where the total number of the shares or total shares equity of that company held by the holding company and its subordinate company(ies) directly or indirectly represents more than one half of the total number of voting shares or the total share equity of such a company.

5.14. Resolution at a shareholders' meeting should be calculated based on numbers of shares.

The shares held by shareholders having no voting right shall not be counted in the total number of issued shares while adopting a resolution at a meeting of shareholders.

A shareholder who has a personal interest in the matter under discussion at a meeting, which may impair the interest of the Company, shall not vote nor exercise the voting right on behalf of another shareholder.

The number of shares for which voting rights are not allowed to be exercised in the preceding Paragraph shall not be calculated as part of the voting rights represented by attending shareholders.

Except for trust enterprises or stock agencies approved by the competent authority, when a person who acts as the proxy for two or more shareholders, the number of voting power represented by him/her shall not exceed 3% of the total number of voting shares of the Company, otherwise, the portion of excessive voting power shall not be counted.

5.15. Resolutions at a shareholders' meeting shall, unless otherwise provided for in the Company Act and other regulations, be adopted by a majority vote of the shareholders present, who represent more than one-half of the total number of voting shares.

During voting, if the chair solicits and receives no dissents, the motion is deemed passed, with equivalent force as a resolution by vote. On the day of the shareholders' meeting, after the meeting, the results of shareholders' approval, disapproval and abstention are entered into the Market Observation Post System.

If shareholders disagree with a motion, they shall vote by a poll in accordance with the preceding provision. In addition to the motions listed on the agenda, any other motions or amendments or alternatives to the original motions proposed by shareholders shall be seconded by other shareholders.

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 made into record.

5.16. In the event of an election of directors at a shareholders' meeting, the election results, including the list of elected directors and the number of their elected rights, should be announced on the spot in accordance with the relevant regulations established by the Company.

The election ballots for the aforementioned election shall be sealed and signed by the vote monitoring personnel and kept in a safe place for at least one year. However, if any shareholder

files a lawsuit in accordance with Article 189 of the Company Act, they shall be kept until the end of the lawsuit

- 5.17. Resolutions adopted at a shareholders' meeting shall be recorded in the minutes of the meeting, which shall be affixed with the signature or seal of the chairman of the meeting and shall be distributed to all shareholders of the Company within twenty days after the close of the meeting.

Distribution of the minutes of shareholders' meeting as required in the preceding Paragraph may be effected by means of public announcement.

The minutes of shareholders' meeting shall record the date and place of the meeting, the name of the chairman, the method of adopting resolutions, and a summary of the essential points of the proceedings and the results of the meeting. The minutes shall be kept persistently throughout the life of the Company.

The preparation and distribution of the minutes of shareholders' meeting as required in the preceding Paragraph may be effected by means of electronic transmission.

- 5.18. 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 and the number of shares represented by proxies, and shall make an express disclosure of the same at the place of the shareholders' meeting.

If the resolution of the shareholders' meeting is required by law to be reported and announced, it shall be done in accordance with the provisions.

- 5.19. The personnel administering the shareholders' meeting should wear identification cards or armbands.

The chair may direct proctors or security personnel to help maintain order in the meeting place. Proctors or security officers, when helping maintain order at the scene, should wear armbands or identification cards with the word "Proctor".

If the meeting place is equipped with sound amplifying equipment, the chair may stop any shareholders from speaking unless they are using the equipment set up by the Company.

When a shareholder violates the rules of procedure, disobeys the chair's correction, or obstructs the proceedings and refuses to follow the call to stop, the chair may direct proctors or security personnel to escort the shareholder out of the meeting.

- 5.20. 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 place cannot be further used and not all of the items (including extempore motions) on the meeting agenda have been addressed, the shareholders' meeting may ratify a resolution to resume the meeting at another place.

The shareholders' meeting may, in accordance with the provisions of Article 182 of the Company Act, be resolved to be postponed or resumed within five days.

- 5.21. The Rules shall be effective upon approval by the shareholders' meeting and the same applies

to any amendment.

6. Attachment: None.

Regulations for Endorsement and Guarantee [before amendment]

1. Purpose: The Regulations are established to enable the Company's endorsement and guarantee operations are in compliance with the regulations of the competent authorities. Any matters not covered by the Regulations shall be handled in accordance with the relevant laws and regulations.
2. Scope: The endorsee and guarantee of the Company shall be within the following scope:
 - 2.1. Companies with which the Company has a business relationship.
 - 2.2. Subsidiaries in which the Company directly or indirectly holds more than 50% of the voting shares.
 - 2.3. Companies which directly or indirectly hold more than 50% of the voting shares of the Company
 - 2.4. The Company may provide endorsement or guarantee for companies in which the Company directly or indirectly holds more than 90% of the voting shares, and the amount of such endorsement and guarantee shall not exceed 10% of the Company's net worth. Except for the endorsement and guarantee between companies in which the Company directly or indirectly holds 100% of the voting shares.
3. Definition: The endorsement and guarantee referred to in the Regulations include:
 - 3.1. Subsidiary:
The Company's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs). The net worth of the Company is the equity attributable to the shareholders of the parent company in the balance sheet as defined in the Regulations Governing the Preparation of Financial Reports by Securities Issuers
 - 3.2. Financing endorsement and guarantee:
 - 3.2.1. Customer notes discount financing
 - 3.2.2. Endorsement or guarantee for the financing needs of other companies.
 - 3.2.3. Endorsement or guarantee for the financing needs of the Company secured by notes issued to a non-financial institution.
 - 3.3. Customs duty endorsement and guarantee
 - 3.4. Other endorsements and guarantees: These are endorsements or guarantees that cannot be classified as the first two items.
 - 3.5. If the Company provides chattel or real estate as security for loans of other companies, the pledge or mortgage is also subject to the Regulations.
4. Flowchart: None.
5. Operation contents:
 - 5.1. Endorsement resolution: The total amount of the Company's endorsement and guarantee obligations and the limit of endorsement and guarantee for a single enterprise shall be as follows in accordance with the provisions of this provision.
 - 5.1.1. The total amount of the endorsement and guarantee shall not exceed 50% of the net worth of the Company (inclusive).

- 5.1.2. For a single enterprise, up to 20% of the Company's net worth. The Chairperson is authorized to decide on the amount up to 15% of the net worth of the Company (inclusive).
- 5.1.3. If the endorsee and guarantee is 2.1 "a company with which the Company has business relationships", prior approval from the Board of Directors is required. The amount of the endorsement and guarantee shall not exceed the total amount of annual business transactions with the endorsee and guarantee. The amount of the endorsement and guarantee shall not exceed the amount specified in 5.1.2 above.
- 5.1.4. However, the Board of Directors may authorize the Chairperson to decide within a certain amount in accordance with 5.1.2, and then report to the Board of Directors for ratification afterwards, and report the relevant circumstances to the shareholders' meeting for review.
- 5.1.5. If the aggregate amount of endorsements/guarantees that is set as the ceiling for the Company and its subsidiaries as a whole 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.
- 5.2. Evaluation: When the Company engages in an endorsement or guarantee, the processing department shall submit a request for approval stating the endorser/guarantor, endorsee/guarantee, type, reason, amount, collateral, necessity and reasonableness of the endorsement or guarantee, and the Finance Department shall explain the credit and risk assessment of the endorsee or guarantee, the impact on the Company's operational risk, financial condition and shareholders' equity, whether the collateral should be obtained and the appraised value of the collateral and shall submit a proposal to the Chairperson of the Board of Directors for approval. The Finance Department shall include the monthly occurrence and guarantee matters in the computer for itemized control, and announces and reports the endorsement and guarantee information on a monthly basis in accordance with the regulations of the competent authority.
- 5.3. Reporting: In addition to announcing and reporting the monthly endorsement and guarantee balance in accordance with the regulations, the Company shall also announce and report endorsement and guarantee within two days from the date of occurrence if the endorsement and guarantee meet one of the following criteria:
 - 5.3.1. 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.
 - 5.3.2. The aggregate 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.
 - 5.3.3. If the amount of the endorsement and guarantee for a single enterprise reaches at least NT\$10 million and the aggregate amount of the endorsement and guarantee, long-term investment and lending of funds reach at least 30% of the Company's net worth as stated in the latest financial statement.

- 5.3.4. The amount of new endorsements/guarantees made by the Company or its subsidiaries reach NT\$30 million or more, and reaches 5 percent or more of the Company's net worth as stated in its latest financial statement.
- 5.3.5. The Company shall announce and report on behalf of any subsidiary thereof that is not a company of the Republic of China any matters that such subsidiary is required to announce and report pursuant to 5.3.4.

The date of occurrence of the facts referred to herein means the earlier of the date of transaction signing, the date of payment, the date of resolution of the Board of Directors, or any other date that is sufficient to determine the counterparty and the amount of the transaction.

5.4. Records:

- 5.4.1. The Company shall evaluate the risk of endorsement and guarantee and keep evaluation records, and obtain collaterals if necessary. The relevant notes and the Company's seal shall be separately kept by dedicated personnel, and the notes shall be sealed or issued in accordance with the Company's prescribed operating procedures, and the relevant personnel shall be appointed by the Chairperson with the authorization of the Board of Directors.
- 5.4.2. The company seal dedicated for endorsement and guarantee shall be the Company seal registered with the Ministry of Economic Affairs. The dedicated seal for endorsement and guarantee shall be kept by a dedicated person agreed by the Board of Directors and shall not be the same person as the one processing the endorsement and guarantee. The use of the seal for endorsement and guarantee shall be approved by the leader of authority and responsibility upon application in accordance with the "Regulations Governing the Management of Seals" of the Company.
- 5.4.3. If the Company provides a guarantee for a foreign company, the letter of guarantee issued by the Company shall be signed by the Chairperson of the Board of Directors with the authorization of the Board.
- 5.4.4. The finance unit of the Company shall establish a referendum book to record the details of the endorsement and guarantee undertaken, the name of the enterprise to be endorsed and guaranteed, the amount of the endorsement and guarantee, the date of approval by the Board of Directors or by the Chairperson, the result of risk assessment, the content of the collateral obtained, and the conditions and date of release from the endorsement and guarantee for future reference.
- 5.4.5. The Company shall evaluate and recognize the contingent loss on the endorsement or guarantee and disclose the endorsement or guarantee information in the financial statements, and provide the relevant information to CPAs for them to perform the necessary audit procedures and issue a proper audit report.
- 5.5. Endorsement and guarantee of subsidiaries: If the Company's subsidiaries intend to endorse or guarantee for others due to business needs, the operating procedures should be similar to those

of the parent company. The Company's audit personnel shall periodically review the operating procedures and actual handling of subsidiaries to see if they are in violation of the regulations of the competent authorities; if a subsidiary is in violation of the regulations, the Company's audit personnel shall recommend improvement and follow up on the situation.

- 5.6. If the Company's endorsement and guarantee is necessary for business purposes and exceeds the limit specified in the endorsement and guarantee procedures and meets the criteria set forth in the Company's endorsement guarantee procedures, the Board of Directors shall agree and more than half of the directors shall jointly and severally guarantee the Company's potential losses arising from the excess amount and amend the endorsement and guarantee procedures for ratification by the shareholders' meeting; if the shareholders' meeting does not agree, a plan shall be formulated to eliminate the excess amount within a certain period of time.

Before the Company's subsidiaries in which the Company directly or indirectly holds more than 90% of the voting shares engage in endorsement and guarantee in accordance with Article 2.4., the Company shall submit the matter to the Board of Directors for approval before proceeding, except for inter-company endorsement and guarantee among the companies in which the Company directly or indirectly holds 100% of the voting shares.

If the Company has independent directors, the opinions of the independent directors shall be fully considered during the aforementioned Board of Directors' meeting, and the explicit opinions of the independent directors and the reasons for their objections shall be included in the minutes of the Board of Directors' meeting.

If the guarantee and endorsee is a subsidiary with a net worth less than one-half of the paid-in capital, the Company shall report to the Board of Directors on a quarterly basis on its operations, including the status of revenue and cost control, etc.

In the case of a subsidiary with shares having no par value or a par value other than NT\$10, for the paid-in capital in the calculation under the preceding Paragraph, the sum of the share capital plus paid-in capital in excess of par shall be substituted.

- 5.7. If, due to changes in circumstances, the Company does not meet the criteria of the "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies" or the amount exceeds the limit, the Company shall formulate an improvement plan and send the improvement plan to the members of the Audit Committee and complete the improvement according to the schedule of the plan.
- 5.8. If the managerial officer and responsible processing personnel violate the Regulations, the Company shall impose punishment in accordance with the relevant regulations. If it causes losses to the Company, the Company will take necessary legal actions in accordance with the relevant laws and regulations.
- 5.9. The internal audit personnel shall audit the endorsement and guarantee procedures and their implementation at least quarterly, and make written records. If a material violation is discovered, each Audit Committee member shall be notified in writing immediately.

5.10. After the approval of the Audit Committee and the approval of the Board of Directors, the Company has submitted the Regulations to the shareholders' meeting for approval. If any director expresses dissenting opinions and there are records or written statements, the Company shall send the dissenting opinions to the members of the Audit Committee and to the shareholders' meeting for discussion, and the same applies to any amendment.

The opinions of the independent directors shall be fully considered when the Regulations are submitted to the Board of Directors for discussion, and the explicit opinions of the independent directors and the reasons for their objections shall be included in the minutes of the Board of Directors' meeting.

6. Related forms:

6.1 Endorsement and Guarantee Referendum Book

M2_4-FA0005

Procedures for Election of Directors

1. Purpose: For the compliance with the election of directors
2. Scope: Independent directors and non-independent directors.
3. Definition: None.
4. Flowchart: None.
5. Operation contents:
 - 5.1. The Procedures are established in accordance with the Company Act, the Securities and Exchange Act, the Company's Articles of Incorporation and the regulations of the competent authorities.
 - 5.2. If the Company has independent directors, the election of such directors and the election of non-independent directors shall be governed by the Procedures, unless otherwise provided by law or the Articles of Incorporation.
 - 5.2.1. The election of directors of the Company shall be made by taking into consideration the overall configuration of the Board of Directors. The composition of the Board of Directors shall be made by taking into consideration diversity, formulating appropriate diversity guidelines with respect to the Company's operation, business type and development needs, including but not limited to the following two major criteria:
 - 5.2.1.1. Basic requirements and values: Gender, age, nationality, and culture, etc.
 - 5.2.1.2. Professional knowledge and skills: Professional background (e.g., law, accounting, industry, finance, marketing, technology), professional skills, and industry experience.
 - 5.2.2. The members of the Board of Directors should generally have the necessary knowledge, skill, and experience to perform their duties; the board as a whole should have the following competencies:
 - 5.2.2.1. The ability to make judgments about operations
 - 5.2.2.2. Accounting and financial analysis ability.
 - 5.2.2.3. Business management ability.
 - 5.2.2.4. Crisis management ability.
 - 5.2.2.5. Industry knowledge
 - 5.2.2.6. An international market perspective.
 - 5.2.2.7. Leadership
 - 5.2.2.8. Decision-making ability.
 - 5.3. If the vacancy of directors reaches one-third of the number of seats, the Board of Directors shall convene a special shareholders' meeting within 30 days to hold a by-election, and the term of office of the succeeding director shall be limited to the original term of office. However, after the public offering of the Company's shares, the special shareholders' meeting for electing succeeding directors shall be convened by the Board of Directors within 60 days.
When the number of independent directors is lower than the requirement of the first proviso of

Article 14-2 of the Securities and Exchange Act, an independent director by-election shall be held at the next shareholders meeting. When all independent directors have been dismissed, the Company shall convene a special shareholders meeting to hold a by-election within 60 days from the date on which the fact occurred.

- 5.4. When a government or corporation is a shareholder of the Company, its representative shall not be elected or serve as a director of the Company at the same time, except with the approval of the competent authority, and the provisions of Article 27, Paragraph 2 of the Company Act shall not apply.

Except as approved by the competent authority, no more than half of the directors of the Company shall have one of the following relationships:

- 5.4.1. Spouses

- 5.4.2. Relatives within 2nd degree of kinship

Unless approved by the competent authority, the Company shall consider adjusting the composition of the Board of Directors based on the results of the performance evaluation, and at least one of the directors shall not have one of the relationships in the preceding Paragraph:

- 5.5. If an elected director of the Company does not comply with the provisions of the second or third Paragraph of the preceding Article, the election of directors shall be determined in accordance with the following provisions:

- 5.5.1. If a director does not comply with the provisions of the preceding Article, the election of the director who has received a lower number of voting rights among the directors who do not comply with the provisions of the preceding Article shall be ineffective.

- 5.6. The independent directors of the Company shall possess one of the following professional qualifications:

- 5.6.1. An instructor or higher up in a department of commerce, law, finance, accounting, or other academic department related to company business in a public or private junior college, college, or university for more than 5 years.

- 5.6.2. A judge, public prosecutor, attorney, certified public accountant, or other professional or technical specialist who has passed a national examination and has been awarded a certificate in a professional capacity that is necessary for company business for more than 5 years

- 5.6.3. Having work experience in the area of commerce, law, finance or accounting, or otherwise necessary for company business for more than 5 years. A person who is under any of the following circumstances shall not act as an independent director. If he or she has been appointed as such, he or she shall certainly be discharged:

- 5.6.3.1. Any of the circumstances in the Subparagraphs of Article 30 of the Company Act.
- 5.6.3.2. Elected in the capacity of a government agency, a corporation, or a representative thereof, as provided in Article 27 of the Company Act.

5.6.3.3. Violation of the qualifications of independent directors as stipulated in the Procedures.

5.7. The independent directors of the Company shall be eligible for re-election and shall not be under any of the following conditions during the two years preceding their election and during their term of office:

- 5.7.1. An employee of the Company or any of its affiliates.
- 5.7.2. A director or supervisor of the Company or any of its affiliates. Except for those who are independent directors of the Company or its parent company, or of a company in which the Company directly or indirectly holds more than 50% of the voting shares.
- 5.7.3. A natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate of one percent or more of the total number of issued shares of the Company, or ranking among the top 10 natural-person shareholders in holdings.
- 5.7.4. The spouse, a relative within the second degree of kinship, or a relative within the fifth degree of kinship of a person listed in the preceding three Paragraphs.
- 5.7.5. A director, supervisor, or employee of a corporate shareholder directly holding 5% or more of the total number of issued shares of the Company, or among the top 5 in shareholdings.
- 5.7.6. A director, supervisor, executive officer, or shareholder holding five percent or more of the shares, of a specified company or institution that has a financial or business relationship with the Company.
- 5.7.7. A professional individual or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that provides commercial, legal, financial, accounting or related services and advice to the Company or any affiliate of the Company, or a spouse thereof.

The term “specified company or institution” referred to in the preceding Paragraph 5.7.6 means an entity having any of the following relationships with the Company:

- 5.7.7.1. It holds 20 percent or more and no more than 50 percent of the total number of issued shares of the public company.
- 5.7.7.2. It holds shares, together with those held by any of its directors, supervisors, and shareholders holding more than 10 percent of the total number of shares, in an aggregate total of 30 percent or more of the total number of issued shares of the public company, and there is a record of financial or business transactions between it and the public company. The shareholdings of any of the aforesaid persons include the shares held by the spouse or any minor child of the person or by the person under others' names.
- 5.7.7.3. It and its affiliated companies are the source of 30 percent or more of the operating revenue of the public company.
- 5.7.7.4. Another company and its affiliated companies are the source of 50 percent or more of the total volume or total purchase amount of principal raw materials (those that

account for 30 percent or more of total procurement costs, and are indispensable and key raw materials in product manufacturing) or principal products (those accounting for 30 percent or more of total operating revenue) of the public company.

The parent company and affiliated companies referred to in the Procedures shall be recognized in accordance with the provisions of SFAS No. 5 and SFAS No. 7 issued by ARDF.

- 5.8. No more than three independent directors of the Company shall concurrently serve as independent directors of other companies.
- 5.9. The election of independent directors of the Company shall be conducted in accordance with the nomination system set forth in the Company's Articles of Incorporation. The company shall, prior to the share transfer suspension date dedicated before the meeting date of a shareholders' meeting, announce in a public notice, the period for accepting the nomination of independent director candidates, the quota of directors to be elected, the place designated for accepting the roster of director candidates nominated, and other necessary matters. The length of the period for accepting the nomination of independent director candidates shall not be shorter than ten (10) days.

The Company may propose a list of candidates for election as independent directors in the following manner, and after the Board of Directors assesses that the candidates meet the requirements for independent directors, the Company shall submit the list to the shareholders' meeting for election.

- 5.9.1. Any shareholder holding 1 percent or more of the total outstanding shares of the Company may submit to the Company in writing a list of independent director candidates, provided that the total number of candidates so nominated does not exceed the seats slated for an independent director.
- 5.9.2. The number of candidates for independent directors submitted by the Board of Directors shall not exceed the seats slated.
- 5.9.3. Other methods of nomination as allowed by the competent authority.
The Board of Directors or other authorized conveners of shareholders' meetings shall examine and/or screen the data and information of each director candidate nominated; and shall, unless under any of the following circumstances, include all qualified director candidates in the final roster of director candidates accordingly:
 - 5.9.3.1. The list of nominated independent director candidates is submitted by the nominating shareholder outside the announced period for accepting the nomination of independent director candidates.
 - 5.9.3.2. Where the number of shares of the Company being held by the nominating shareholder is less than 1% of the total number of outstanding shares of the Company at the time when the share transfer registration is suspended by the Company in accordance with the provisions set out in Paragraph II or Paragraph III, Article 165 of the Company Act;

- 5.9.3.3. The number of independent director candidates nominated exceeds the seats slated for independent director.
- 5.9.3.4. The relevant supporting documents as required in the preceding Paragraph were not attached to the list.
- 5.10. The Company's directors are elected by the cumulative registered system and each share shall have the same number of voting rights as the number of directors to be elected, which may be cast collectively for a single candidate or split among several candidates. Those receiving the highest numbers of voting rights will be elected sequentially according to their respective numbers of votes. If the Company has independent directors, Independent directors and non-independent directors should be elected together, but their respective elected numbers shall be calculated separately. At least one of them shall have accounting or financial expertise.
- 5.11. If an independent director is elected by the shareholders' meeting, he/she shall not change his/her status to a non-independent director if he/she violates 5.6 or 5.7 of this Article during his/her term of office and should be dismissed. A person who is elected as a non-independent director by the shareholders' meeting shall not be reassigned as an independent director during his or her term of office.
- 5.12. The Board of Directors should prepare election ballots corresponding to the number of directors to be elected, specify the number of voting rights on the ballots and distribute the ballots to the shareholders attending the shareholders' meeting. Attendance card numbers printed on the ballots may be used instead of recording the names of candidates.
- 5.13. The number of directors will be as specified in the Company's Article of incorporation. Those receiving the highest numbers of voting rights will be elected sequentially according to their respective numbers of votes. When two or more persons receive the same number of votes, thus exceeding the specified number of directors, they shall draw lots to determine, with the chair drawing lots for those not in attendance.
- 5.14. Before the election begins, the chair should appoint a number of persons with shareholder status as vote monitoring and counting personnel to perform the respective duties. The ballot boxes shall be prepared by the Board of Directors and publicly checked by the vote monitoring personnel before voting begins.
- 5.15. A ballot is invalid if any of the following is true:
 - 5.15.1. Do not use ballots prepared by the Board of Directors.
 - 5.15.2. Put void ballots into the ballot box.
 - 5.15.3. The handwriting is blurred and unrecognizable or has been altered.
 - 5.15.4. If the person to be elected is a shareholder, his or her account name or shareholder account number does not match with the shareholder roster; if the person to be elected is not a shareholder, his or her name and identification number do not match after verification.

- 5.15.5. In addition to the account name and shareholder account number (identification number) of the person to be elected and the number of voting rights allocated, other words are included.
 - 5.15.6. The name of the candidate is the same as that of other shareholders without the shareholder's account number or identification number for verification purposes.
 - 5.16. After the voting is completed, the ballot box should be opened on the spot. The results of the voting shall be announced by the chair on the spot, including the list of directors elected and the number of their elected rights.

The election ballots for the aforementioned election shall be sealed and signed by the vote monitoring personnel and kept in a safe place for at least one year. However, if a lawsuit has been instituted by any shareholder in accordance with the provisions of Article 189 of the Company Act, the minutes of the shareholders' meeting involved shall be kept by the Company until the legal proceedings of the foregoing lawsuit have been concluded.
 - 5.17. The Board of Directors of the Company shall issue a notice of election to the elected directors and independent directors.
 - 5.18. Matters not provided for in this Act shall be governed by the Company Act, the Securities and Exchange Act and related laws and regulations.
 - 5.19. Provisions 5.4 and 5.5 of the Procedures shall be applicable to newly elected directors after the public offering of the Company's shares.
 - 5.20. The provisions of the Procedures regarding provisions 5.6 to 5.11 shall be applicable after the appointment of independent directors of the Company.
 - 5.21. The Procedures shall be effective upon approval by the shareholders' meeting and the same applies to any amendment.
6. Attachment: None.
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Articles of Incorporation

Chapter 1 General Provisions

- Article 1: The Company is organized in accordance with the provisions of the Company Act and is named CUB ELECPARTS INC.
- Article 2: The business of the Company is as follows:
- I. CD01030 Motor Vehicles and Parts Manufacturing
 - II. F114030 Wholesale of Motor Vehicle Parts and Motorcycle Parts, Accessories
 - III. F214030 Retail Sale of Motor Vehicle Parts and Motorcycle Parts, Accessories
 - IV. F401010 International Trade
 - V. I501010 Product Designing
 - VI. CC01080 Electronics Components Manufacturing
 - VII. CC01101 Controlled Telecommunications Radio-Frequency Devices and Materials Manufacturing
 - VIII. CC01990 Other Electrical Engineering and Electronic Machinery Equipment Manufacturing
 - IX. CD01040 Motorcycles and Parts Manufacturing
 - X. CD01990 Other Transport Equipment and Parts Manufacturing
 - XI. CC01070 Wireless Communication Mechanical Equipment Manufacturing
 - XII. CD01010 Ships and Parts Manufacturing
 - XIII. ZZ99999 All business items that are not prohibited or restricted by law, except those that are subject to special approval.
- Article 3: The total amount of the Company's external investments may exceed 40% of the paid-in capital for business purposes.
- Article 4: The Company may, with the approval of the Board of Directors, provide an endorsement or guarantee externally for the Company's business needs.
- Article 5: The Company shall have its head office in Changhua County and, if necessary, may establish domestic and foreign branch companies by resolution of the Board of Directors.

Chapter 2 Share

- Article 6: The total capital of the Company shall be fixed at NT\$ billion, divided into 200 million shares, all of which shall be common shares in the amount of NT\$10 each, of which unissued shares are authorized to be issued by the Board of Directors in installments. Of these shares, 10 million shares are reserved for the exercise of stock option warrants, preferred shares with warrants or corporate bonds with warrants.
- Article 6-1: The Board of Directors is authorized to repurchase the Company's shares when the Company is legally required to do so by law.
In the event that the Company transfers shares to employees at a price lower than the average price of the shares actually repurchased or issues employee stock options at a price lower than the market price (net worth per share), approval should be required with the presence of shareholders representing a majority of the total number of issued shares, and two-thirds or more of the shareholders present in favor of such transfer.
- Article 7: The shares issued by the Company may be exempted from printing stocks, but the shares should be registered with the centralized securities depository institution.
- Article 8: The Company's shares may be exchanged for large denomination securities at the request of the Taiwan Depository and Clearing Corporation.
- Article 9: Except as otherwise provided by laws and regulations, the Company shall follow the "Regulations Governing the Administration of Shareholder Services of Public Companies" when transferring shares, pledging, registering for loss, inheriting, bestowing as gifts, losing the seal, changing the address, etc. by the shareholders.

Chapter 3 Shareholders' Meeting

- Article 10: The ownership transfer of shares shall cease within 60 days prior to the convening date of a regular shareholders' meeting, or within 30 days prior to the convening date of a special shareholders' meeting, or within 5 days prior to the target date fixed by the issuing company for distribution of dividends, bonus or other benefits.

- Article 11: There are two types of shareholders' meeting: regular and extraordinary. The regular meeting is held once a year and shall be convened by the Board of Directors in accordance with Article 172 of the Company Act within six months after the end of each fiscal year. A special meeting can be convened according to the law when necessary.
- Article 12: If a shareholder is unable to attend a shareholders' meeting for any reason, the "Rules Governing the Use of Proxy Forms for Attending Shareholders' Meetings of Public Companies" shall be followed.
- Article 13: The shareholders of the Company shall have one voting right per share, except for those who have no voting rights as listed in Article 179 of the Company Act.
- Article 14: The Chairperson of the Board of Directors should chair the shareholders' meeting. In the event that the Chairperson of the Board of Directors is absent from office, the Chairperson of the Board of Directors shall designate a person to act as his or her proxy; if no such designation is made, the directors shall elect a proxy from among themselves. If the shareholders' meeting is convened by someone with the convening right but other than the Board of Directors, the chair of the meeting shall be selected in accordance with the provisions of Article 182-1 of the Company Act.
- Article 15: Resolutions at a shareholders' meeting shall, unless otherwise provided for in the Company Act and other regulations, be adopted by a majority vote of the shareholders present, who represent more than one-half of the total number of voting shares.
During voting, if the chair solicits the attending shareholders and receives no dissents, the motion is deemed passed, with equivalent force as a resolution by vote. In accordance with the regulations of the competent authority, the shareholders of the Company may also exercise their voting rights electronically. Shareholders who exercise their voting rights electronically are considered to be present in person, and the relevant matters shall be handled in accordance with the provisions of laws and regulations.
- Article 16: Resolutions adopted at a shareholders' meeting shall be recorded in the minutes of the meeting, which shall be affixed with the signature or seal of the chairman of the meeting and shall be distributed to all shareholders of the Company within twenty days after the close of the meeting, and may be announced as such. The minutes of shareholders' meeting shall record the date and place of the meeting,

the name of the chairman, the method of adopting resolutions, and a summary of the essential points of the proceedings and the results of the meeting. The minutes shall be kept persistently throughout the life of the Company.

Chapter 4 Directors, Audit committee

- Article 17: The Company shall have five to seven directors, whose selection is based on the candidate nomination system. The number of directors is authorized to be determined by the Board of Directors for a term of three years from among persons capable of conduct and they shall be eligible for re-election. After the election, the Board of Directors may resolve to purchase liability insurance for the Company's directors.
- The total shareholding of all directors shall be in accordance with the regulations of the competent securities authorities.
- The Company's directors are elected by the single cumulative registered voting system and the number of votes exercisable in respect of one share shall be the same as the number of directors to be elected, and the total number of votes per share may be consolidated for the election of one candidate or may be split for the election of two or more candidates. A candidate to whom the ballots cast represent a prevailing number of votes shall be deemed a director elect. If there is a need to amend the method, the amendment shall be made in accordance with Article 172 of the Company Act, and the comparison of amended provisions of the method shall be listed in the causes and subjects of the shareholders' meeting.
- Article 17-1: The number of independent directors shall not be less than three and shall not be less than one-fifth of the total number of directors among the aforesaid number of directors of the Company.
- The election of directors (including independent directors) of the Company shall be based on the candidate nomination system as stipulated in Article 192-1 of the Company Act, and the implementation of which shall be in accordance with the provisions of the Company Act, the Securities and Exchange Act and other relevant laws and regulations.
- The election of directors shall be conducted in accordance with Article 198 of the Company Act. Independent directors and non-independent directors shall be elected together and the number of elected seats shall be calculated separately, and those who receive more votes representing the voting right shall be elected sequentially as independent directors and non-independent directors respectively. The professional qualifications, restrictions on shareholding and concurrent

employment, determination of independence, nomination and election of independent directors, and other matters to be complied with shall be in accordance with the relevant regulations of the competent securities authorities.

- Article 17-2: In calling a meeting of the Board of Directors of the Company, a notice setting forth therein the subjects to be discussed at the meeting shall be given to each director no later than 7 days prior to the scheduled meeting date. But the Board meeting may be convened at any time in case of emergency. Notice of a meeting of the Board of Directors may be given to the Directors in writing, by e-mail or by facsimile.
- Article 18: If the vacancy of directors reaches one-third of the number of seats, the Board of Directors shall convene a special shareholders' meeting within 30 days to hold a by-election, and the term of office of the succeeding director shall be limited to the original term of office.
- Article 19: In case no election of new directors is effected after the expiration of the term of office of existing directors, the term of office of out-going directors shall be extended until the time new directors have been elected and assumed their office. However, the competent authority may, ex officio, order the Company to elect new directors within a given time limit; and if no re-election is effected after the expiry of the given time limit, the out-going directors shall be discharged ipso facto from such expiration date.
- Article 20: The directors shall organize the Board of Directors' meeting and elect the Chairperson from among themselves with the presence of at least two-thirds of the directors and the consent of a majority of the directors present to execute all affairs of the Company in accordance with the regulations, the Articles of Incorporation, and the resolutions of the shareholders' meeting and the Board of Directors' meeting.
- Article 21: The Board of Directors shall decide on the Company's business policies and other important matters. Except for the first meeting of the Board of Directors, which shall be convened in accordance with Article 203 of the Company Act, the Board of Directors shall be convened by the Chairperson of the Board of Directors, who shall be the chair of the Board meetings. If the Chairperson of the Board of Directors is unable to perform his or her duties, the Chairperson of the Board of Directors shall designate one of the directors to act on his or her behalf, or in the absence of such designation, the directors shall elect one among themselves to act

on his or her behalf.

- Article 22: Unless otherwise provided in the Company Act, a majority of the directors shall be present at a meeting of the Board of Directors, and the consent of a majority of the directors present shall be required. If for any reason a director is unable to attend a meeting of the Board of Directors, he or she may issue a proxy form stating the scope of authority for the causes and subjects of the meeting and appoint another director to attend the meeting on his or her behalf, provided that one person can only be entrusted by one person. In case a meeting of the Board of Directors is conducted via video conferencing, directors taking part in such a video conference shall be deemed to have attended the meeting in person.
- Article 23: Resolutions adopted at a Board meeting shall be recorded in the minutes of the meeting, which shall be affixed with the signature or seal of the chairman of the meeting and shall be distributed to all shareholders of the Company within twenty days after the close of the meeting electronically. The minutes of shareholders' meeting shall record the date and place of the meeting, the name of the chairman, the method of adopting resolutions, and a summary of the essential points of the proceedings and the results of the meeting. The minutes shall be kept persistently throughout the life of the Company.
- Article 24: The Company shall establish an audit committee in accordance with Article 14-4 of the Securities and Exchange Act. The audit committee shall consist of all independent directors, and the audit committee or members of the audit committee shall be responsible for carrying out the duties and responsibilities of the supervisors under the Company Act, the Securities and Exchange Act, and other laws and regulations. The Supervisors shall be abolished at the same time as the Audit Committee is established.
- Article 25: The remuneration of the Company's directors, no matter if the Company has profit or loss, is authorized to be determined by the Board of Directors based on their participation in the Company's operations and the value of their contributions, in accordance with industry practice and usual standards. The Company may set reasonable remuneration for independent directors that are different from that of regular directors.

Chapter 5 Managerial Officers

- Article 26: The Company may have managerial officers whose appointment, dismissal and

remuneration shall be in accordance with Article 29 of the Company Act.

Chapter 6 Accounting

Article 27: At the end of each fiscal year, the Board of Directors shall prepare the following reports and submit them to the Audit Committee for review before presenting them to the regular shareholders' meeting for adoption thirty days prior to the regular shareholders' meeting.

- (1) Business Report
- (2) Financial statements
- (3) Earnings distribution or losses make-up proposal

Article 28: The net profits of the Company as concluded by the annual accounting book close, shall be distributed in the following order:

- I. Pay income tax in accordance with the law.
- II. Make up for prior years' losses.
- III. Set aside 10% as legal reserve, except when the accumulated legal reserve has reached the Company's total capital.
- IV. Appropriate or reverse the special reserve as required by law or as necessary for its operations.

Article 28-1: The Board of Directors shall, after deducting the preceding items, prepare a bonus distribution proposal to shareholders based on the remaining balance together with the accumulated undistributed earnings of prior years and submit it to the shareholders' meeting for resolution. Bonuses to shareholders~~—and employees~~ may be paid in the form of stock dividends or cash dividends.

Not less than 2% and not more than 8% of the Company's profits before tax for the year, after making up for the accumulated losses, shall be appropriated as profit sharing remuneration to employees and not less than 1% and not more than 5% as profit sharing remuneration to directors. The Company is required to distribute employees' profit sharing remuneration when the Company makes profits, whether or not dividends are distributed to shareholders.

The aforementioned employee profit sharing remuneration may be paid in shares (treasury stock, new shares) or cash to employees who meet certain criteria such as job rank and performance, and may be approved by the Board of Directors (by special resolution) and reported to the shareholders' meeting.

Article 29: The Company is in a growth stage and based on capital expenditure, business

expansion needs and sound financial planning for sustainable development, the Company's dividend policy is to distribute retained earnings to shareholders in the form of stock dividends and cash dividends based on the Company's future capital expenditure budget and capital requirements, with the cash dividend percentage not less than 5% of the total shareholders' bonus.

Article 30: After the Company is publicly listed and intends to withdraw from the public offering, it shall submit the proposal to the shareholders meeting for resolution. This Article will not be amended during the Company's existence in the Emerging Stock Board and the TWSE or OTC market.

Article 31: All matters not provided for in these Articles of Incorporation shall be governed by the Company Law and other laws and regulations.

Article 32: The Articles were established on January 5, 1989.
 The 1st amendment was made on February 15, 1990.
 The 2nd amendment was made on December 23, 1991.
 The 3rd amendment was made on November 10, 1993.
 The 4th amendment was made on July 1, 2004.
 The 5th amendment was made on August 29, 2004.
 The 6th amendment was made on October 26, 2004.
 The 7th amendment was made on May 27, 2005.
 The 8th amendment was made on December 15, 2005.
 The 9th amendment was made on June 28, 2006.
 The 10th amendment was made on May 28, 2007.
 The 11th amendment was made on October 23, 2007.
 The 12th amendment was made on October 23, 2007.
 The 13th amendment was made on May 28, 2008.
 The 14th amendment was made on November 28, 2008.
 The 15th amendment was made on June 10, 2009.
 The 16th amendment was made on June 25, 2010.
 The 17th amendment was made on June 25, 2010.
 The 18th amendment was made on June 19, 2012.
 The 19th amendment was made on June 17, 2014.
 The 20th amendment was made on August 18, 2015.
 The 21st amendment was made on January 8, 2016.
 The 22nd amendment was made on June 13, 2017.
 The 23rd amendment was made on April 17, 2019.

CUB ELECPARTS INC.



Chairperson: Yu, Shan-Chuan

Information on profit sharing remuneration for employees and directors and supervisors

In accordance with the letter Jing-Guan-Zheng-Liu-Zi No. 0960013218 dated March 30, 2007 from FSC, Executive Yuan, the Company disclosed the following information on profit sharing remuneration for employees and directors and supervisors:

Unit: NTD \$

Distributable items:	Board of Directors' proposed distribution amount (A)	Estimated annual amount of recognized expenses (B)	Difference amount (A-B)	Reasons for differences and treatment
Profit sharing remuneration for employees (stock)	0	0	0	None
Profit sharing remuneration for employees (cash)	12,997,136	12,997,136	0	
Profit sharing remuneration for directors and supervisors	6,498,568	6,498,568	0	

Shareholding of directors

- I. As of March 28, 2021, the date of stock transfer suspension of the shareholders' meeting, the Company's capital stock was NT\$1,219,166,650 and the total number of issued shares was 121,916,665.
- II. In accordance with Article 26 of the Securities and Exchange Act, the minimum number of shares required to be held by all directors is 8,000,000 shares.
- III. In accordance with Article 2 of the "Rules and Review Procedures for Director and Supervisor Share Ownership Ratios at Public Companies", if two or more independent directors are elected at the same time, the percentage of shareholding of all directors other than independent directors is reduced to 80%.
- IV. The number of shares held by each individual director and all directors as recorded in the shareholder roster has met the legal percentage standard.
- V. Details of shareholding of all directors

Position	Name	Date elected	Term of office	Shareholding while elected		Shareholder roster as of the date of stock transfer suspension Number of shares held as recorded	
				Number of shares	Shareholding percentage	Number of shares	Shareholding percentage
Chairperson	Jun Chang Investment Co., Ltd. Representative: Yu, Shan-Chuan	2019.04.17	3 years	14,457,662	12.55%	14,522,645	11.91%
Director	Jun Rui Investment Co., Ltd. Representative: Huang, Shu-Yuan	2019.04.17	3 years	13,597,554	11.81%	13,739,638	11.27%
Director	Chang, Tzu-Hsiung	2019.04.17	3 years	0	0.00%	0	0.00%
Director	Hsieh, Hsiu-Chi	2019.04.17	3 years	0	0.00%	0	0.00%
Independent director	Chang, Chuan-Li	2019.04.17	3 years	4,259	0.00%	8,000	0.01%
Independent director	Chen, Kuang-Long	2019.04.17	3 years	35,279	0.03%	37,775	0.03%
Independent director	Chang, Kung-Pi	2019.04.17	3 years	0	0.00%	0	0.00%
Total shareholding of directors				28,094,754	24.39%	28,308,058	23.22%

Effect of the proposed stock dividends at the shareholders' meeting on the Company's operating results, earnings per share and shareholders' return on investment: The Company is not required to disclose financial forecast information for 2022, so it is not applicable.