



# **WAH LEE INDUSTRIAL CORP.**

## **2021 Annual Shareholder Meeting Handbook**

**Date: May 28th, 2021**

**Venue: 1F, No. 279, Liuhe 2nd Rd., Qianjin Dist., Kaohsiung City  
(Forests Dynasty Room, Holiday Garden Hotel)**

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**WAH LEE INDUSTRIAL CORP.**  
**2021 ANNUAL SHAREHOLDER MEETING PROCEDURE**

**One. Call Meeting to Order**

**Two. Chairman Remarks**

**Three. Report items (Company Reports)**

**Four. Acknowledged Items**

**Five. Discussion Items**

**Six. Extemporaneous Motions**

**Seven. Adjournment**

# **WAH LEE INDUSTRIAL CORP.**

## **2021 ANNUAL SHAREHOLDERS MEETING Agenda**

**Time: 09:30 a.m., Friday, May 28, 2021**

**Venue : #279, Liouhe 2nd Rd., Cianjin Dist., Kaohsiung City ( Forests Dynasty Room, Holiday Garden Hotel )**

**One. Call Meeting to Order [Announce shares held by shareholders present in person or by proxy]**

**Two. Chairman Remarks**

**Three. Report items (Company Reports)**

1. 2020 Business Report
2. 2020 Audit Committee's Review Report
3. 2020 employees' profit sharing bonus and directors' compensation
4. 2020 Loan Endorsement and Guarantee
5. 2020 Lending Funds to Other Parties
6. 2020 Summary of Investments in Mainland China

**Four. Acknowledged Items**

1. 2020 Business Report and Financial Statements
2. 2020 Earnings distribution

**Five. Discussion Items**

1. New share issuance for capital increase from capital reserve transfer
2. Amendments to "Articles of Incorporation"
3. Amendments to "Procedures of Assets Acquisition and Disposal"
4. Amendments to "Rules of Procedure for Shareholders Meetings"

**Six. Extemporaneous Motions**

**Seven. Adjournment**

## **Report items (Company Reports)**

1. 2020 Business Report. Please review

Note: Please refer to Page 9~10 in this Handbook [Attachment 1]

2. 2020 Audit Committee's Review Review. Please review

Note: Please refer to Page 11 in this Handbook [Attachment 2]

3. 2020 employees' profit sharing bonus and directors' remuneration. Please review

Note: The distribution plan is in accordance with Article 20 under the Articles of Incorporation, the Board Meeting on March 25, 2020 and the Board Resolution on August 12, 2020. The Company is to allocate 1.15% of 2020 profit before tax, or NT\$26,935,000 to directors remuneration; and 9% of 2020 profit before tax, or NT\$210,798,000 for employees' bonus. Both employees' bonus and remuneration for directors are distributed in cash.

4. 2020 Loan Endorsement and Guarantee. Please review

Note: Please refer to Page 12~13 in this Handbook [Attachment 3]

5. 2020 Lending Funds to Other Parties. Please review

Note: Please refer to Page 14 in this Handbook [Attachment 4]

6. 2020 Summary of investments in Mainland China. Please review

Note: Please refer to Page 15~16 in this Handbook [Attachment 5]

## Acknowledged Items

Item1. (Proposed by Board of directors)

Proposal: 2020 business reports and financial statements.

Description: 1. The Company has complied the business report and both individual and consolidated financial statements for 2020. The financial reports were audited and certified by Certified Public Accountant, Chiu-Yen Wu and Chen-Li Chen from Deloitte & Touche.

2. For current Business Report, Financial Statements and Independent Auditor's Report, please refer to Page 9~10 [Attachment 1]and Page 17~36 [Attachment 6]in this Handbook.

Resolution:

Item 2. (Proposed by Board of directors)

Proposal: 2020 Earnings distribution

Description: 1. The appropriation is based on 2020 distributable earnings and the number of current floating shares, 231,390,138 units. A cash dividend to shareholders of NT\$925,560,552, or NT\$4.0 per common share, is proposed.

2. Cash dividend will be rounded up to New Taiwan Dollar(NTD). Dividends of less than one NTD shall be aggregated and reordered according to decimal digit from high to low and shareholder account number from the first to the last until the distribution matches the total distribution amount.

3. In the case of change of the distribution ratio derived from a different number of floating shares caused by subsequent capital change, the Board shall be authorized to resolve such matter by the Annual Meeting of Shareholders.

4. Upon the approval of the Annual Meeting of Shareholders, it is proposed that the Board be authorized to resolve the ex-dividend date, ex-rights date, and other relevant issues.

5. For 2020 profit distribution table, please refer to Page 38 in this Handbook [Attachment 7]

Resolution:

## Discussion Items

Item 1. (Proposed by Board of directors)

Proposal: Please vote for the new share issuance for capital increase from capital surplus

Description: 1. To suffice the capital, the Company proposes to capitalize capital surplus from share premium for new share issuance. A stock dividend of NT\$0.2 will be allocated to each existing floating share, 231,390,138 units in total. An amount of NT\$46,278,030 capital suffice will be capitalized to 4,627,803 new common shares with NT\$10 at par value.

2. The capitalization will be allocated to shareholders based on shareholding in the shareholder roster. Every 1,000 owned shares will be entitled of 20 new shares.

3. For appropriation less than a share, the entitled shareholder shall register with the transfer agency of the Company to consolidate their entitlements. Entitlement can't be consolidated into one single share, cash will be compensated according to the par value rounded up to one NTD (offsetting fees for dividend transfer or non-physical share registration), and will be open for subscription by specific person at par value through authorization to the Chairman.

4. This new issuance shall not issue physical securities and is vested with the equal rights and obligations with the existing shares. Upon the approval of the Annual Meeting of Shareholders and the regulatory authorities, it is proposed that the Board of Directors be authorized to resolve the ex-dividend date, ex-rights date, and other relevant issues.

5. In the case of a different number of floating shares caused by subsequent capital change, the Board of Directors shall be authorized to resolve such matter through the Annual Meeting of Shareholders.

6. In the case of mandatory adjustments to this issuance owing to regulation changes or requests from the regulatory authorities, the Board shall be authorized to resolve such matter through the Annual Meeting of Shareholders.

Resolution:

Item 2. (Proposed by Board of directors)

Proposal: Amendments to "Articles of Incorporation".

Description: 1. The Company is to amend selective articles by the the requests from the regulatory authorities to conform with current regulations and laws.

2. To compare the new articles with the old ones, please refer to Page 39~41 in this Handbook [Attachment 8]
3. For “Articles of Incorporation” before the amendments, please refer to Page 70-75 in this Handbook [Appendix 2]

Resolution:

Item 3. (Proposed by Board of directors)

Proposal: Amendments to “Procedures of Assets Acquisition and Disposal”.

Description: 1. It is proposed to adjust the investment limits and the hierarchy of decision-making authority and wording changes accordingly.

2. To compare the new procedures with the old ones, please refer to Page 42~62 in this Handbook [Attachment 9]

3. For “Procedures of Assets Acquisition and Disposal” before the amendments, please refer to Page 76 ~92 in this Handbook [Appendix 3]

Resolution:

Item 4. (Proposed by Board of directors)

Proposal: Amendments to “Rules of Procedure for Shareholders Meetings”.

Description: 1. To promote corporate governance and uphold shareholders’ interests, the Company is to amend “Rules of Procedure for Shareholders Meetings” in accordance with January 28, 2021 Letter#11000014461 from Taiwan Security Exchange with the reference from “Sample Template for XXX Co., Ltd. Rules of Procedure for Shareholders Meetings.”

2. To compare the new procedures with the old ones, please refer to Page 63~64 in this Handbook [Attachment 10]

3. To compare the new articles with the old ones, please refer to Page 65~69 in this Handbook [Appendix 1]

Resolution:

## **Extemporaneous Motions**

## **Adjournment**

## WAH LEE INDUSTRIAL CORP.

## I. 2020 Business Report

2020 is a year full of challenges. Amid the continuing trade war between China and the U.S., technology war, financial war, and geopolitical war have put a spotlight on Taiwan on the world's economic stage. Wah Lee not only continues playing a pivotal role of total solution provider in Greater China and Asian area, but also expects ourselves to become a world-class total solution provider in the future. Besides, the relentless spread of covid-19 overshadows the world economy. The GDP of the U.S. in 2020 was 3.5% of negative growth, the worst since the second world war. On the other hand, Taiwan's GDP in 2020 grew by 2.98% since Taiwan successfully controlled the pandemic, outperforming the main economic entities worldwide. Taiwan's technology industry thus stood out in the global supply chain during last year.

Despite the global recession, Wah Lee performed well last year. In 2020, the record-breaking consolidated revenue of NT\$59.08 billion passed the US\$2 billion threshold, suggesting the Company's continuous growing business scale. The gross profit reached \$4.8 billion whilst the net operating income reached \$2.11 billion. Last year the profits from equity-method investment companies also contributed to a wealthy non-operating income. These resulted in the consolidated profit before tax of \$2.64 billion. In 2020, both the Company's profit after tax of \$2.05 billion and earnings per share of \$8.03 reached the record high, increased by 31.2% from previous year. In terms of financial indicators, Wah Lee's consolidated current ratio and quick ratio during 2020 were 158% and 125%, respectively. Cash turnover days of 86 days is 4 days less than the previous year. 15% of return on equity in 2020 is also the highest during the recent years. Cash inflow from operating activities amounted to \$1.21 billion. Each financial indicator performed well.

There have been high demand on production capacity as in semiconductor industry the major clients' advanced process developed rapidly. Wah Lee is renowned for its global leading IC foundry concept stock because it is the biggest supplier of consumables, such as photoresist, electronic-grade chemicals and specialty gases, photoresist strippers, CMP slurry as well as machinery spare parts. The sales grow rapidly with the boost from global chip shortages and technology upgrades.

The increasing demand following the emergence of 5G application in high-end servers, routers, switch, antenna module and telecommunication equipment urges PCB factories and IC substrate makers to lift their production capacities. It thus stimulates Wah Lee's sales in PCB-related materials such as low dielectric CCL, DI high resolution dry film, PCB equipment, high frequency connectors, electronic components and ICs.

Automotive market has become the most potential industry for engineering plastics in recent years. We foresee a wider application of plastic in automotive exterior parts since the plastic has been primarily used in interior materials. Plastic makers are competing to enter the automotive parts market which requires high intensity standard. In response to the stricter emission regulations around the world, automakers consider vehicle weight reduction their priority by replacing metals with plastic in general. Wah Lee's high-end engineering plastics have been widely applied in traditional automotive parts. Its products are also equipped in electric vehicles and used in ECU connectors, navigators, speedometers, camera modules.

Business opportunities emerge amid working from home since pandemic outbreak last year and online learning to reduce physical contact. Wah Lee's sales in heat resistant nylon materials

has been skyrocketing to meet the great demand of computers, notebooks, servers and 5G mobile phones. Furthermore, sales of opto-electronics rapidly increased including in the upper and downstream panel products, video-related electronic devices, driver ICs, electronic components and automatic equipment. The growth expands to overseas electronic products as well.

Wah Lee is considered to be an aircraft carrier in the advanced material industry. Since it was founded more than 50 years ago, Wah Lee has always been able to follow the technology development and seize the opportunities in mainstream industries to create striking business results one after another. Wah Lee precisely captures global economic development trends, for example, 5G, HPC, artificial intelligence and AIOT, electric vehicles, clean and environmental friendly green energy, biotech medical and industry 4.0 (i.e. industrial automation and smart factory). We had set out the business plans in the aforementioned fields. In addition, we will remain our leading material and equipment supplier position in each significant technology industry. To sustain the next 50 years of dynamic growth, we are confident to grasp development of each mainstream industry.

At last, we appreciate our shareholders' supports for a long period of time as well as our employees' dedicated efforts. Wah Lee will stride into becoming the world-class technology application total solution provider.

Chairman: Ray-Ching Chang Vice Chairman: Chun-Ying Chen CEO: Tsun-Hsien Chang

## Audit Committee review reporting

After the Board of Director reviewed 2019 business report, financial statements, and earnings distribution proposal and appointed Deloitte & Touche for an audit, Wah Lee Industrial Corp's business reports, the parent company only financial statements, and the consolidated financial statements were audited by Deloitte & Touche and the audit report has been generated. The business report, financial statements, and earnings distribution proposal were sent to the audit committee and deemed to respect Securities Exchange Act and Company Act.

Respectfully present

Wah Lee Industrial Corp.

Audit committee convener: Shyu, So-De

Date: March 28, 2021

**WAH LEE INDUSTRIAL CORPORATION AND SUBSIDIARIES**

**ENDORSEMENTS/GUARANTEES PROVIDED  
FOR THE YEAR ENDED DECEMBER 31, 2020  
(In Thousands of New Taiwan Dollars)**

| No. | Endorsement/Guarantee Provider | Endorsee/Guarantee                                  |                                                                                                                               | Limit on Endorsement/<br>Guarantee Given on Benefit of Each Party<br>(Notes 1-8) | Maximum Amount Endorsed/<br>Guaranteed During the Year | Outstanding Endorsement/<br>Guarantee at The End of the Period<br>(Note 8) | Actual Borrowing Amount (Note 8) | Amount of Endorsement/<br>Guarantee Collateralized by Properties | Ratio of Accumulated Endorsement/<br>Guarantee to Net Equity per Latest Financial Statements (%) | Maximum Endorsement/<br>Guarantee Amount Allowable<br>(Notes 1-8) | Guarantee Provided by Parent Company | Guarantee Provided by Subsidiary | Guarantee Provided to Subsidiaries in Mainland China | Note |
|-----|--------------------------------|-----------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------|--------------------------------------------------------|----------------------------------------------------------------------------|----------------------------------|------------------------------------------------------------------|--------------------------------------------------------------------------------------------------|-------------------------------------------------------------------|--------------------------------------|----------------------------------|------------------------------------------------------|------|
|     |                                | Name                                                | Relationship                                                                                                                  |                                                                                  |                                                        |                                                                            |                                  |                                                                  |                                                                                                  |                                                                   |                                      |                                  |                                                      |      |
| 0   | The Company                    | Nagase Wahlee Plastics Corp.                        | Shareholder of an investee provides endorsements/guarantees to the company in proportion to the shareholding percentage       | \$ 2,575,602                                                                     | \$ 970,000                                             | \$ 480,000                                                                 | \$ 307,229                       | \$ -                                                             | 3.73                                                                                             | \$ 12,878,009                                                     | N                                    | N                                | N                                                    |      |
| 0   | The Company                    | Asahi Kasei Wah Lee Hi-tech Corp.                   | Shareholder of an investee provides endorsements/guarantees to the company in proportion to the shareholding percentage       | 2,575,602                                                                        | 50,388                                                 | 25,194                                                                     | -                                | -                                                                | 0.20                                                                                             | 12,878,009                                                        | N                                    | N                                | N                                                    |      |
| 0   | The Company                    | Shanghai Yikang                                     | Subsidiary of the Company                                                                                                     | 2,575,602                                                                        | 197,583                                                | 190,816                                                                    | 106,277                          | -                                                                | 1.48                                                                                             | 12,878,009                                                        | Y                                    | N                                | Y                                                    |      |
| 0   | The Company                    | Dongguan Hua Gang                                   | Subsidiary of the Company                                                                                                     | 3,863,403                                                                        | 368,318                                                | 256,320                                                                    | 256,320                          | -                                                                | 1.99                                                                                             | 12,878,009                                                        | Y                                    | N                                | Y                                                    |      |
| 0   | The Company                    | Raycong H.K., Shanghai Yikang and Dongguan Hua Gang | Subsidiary of the Company                                                                                                     | 2,575,602                                                                        | 120,000                                                | 120,000                                                                    | 71,830                           | -                                                                | 0.93                                                                                             | 12,878,009                                                        | Y                                    | N                                | Y                                                    |      |
| 0   | The Company                    | Shanghai Hua Chang Trading Co., Ltd.                | Shareholder of an investee provides endorsements/guarantees to the company in proportion to the shareholding percentage       | 2,575,602                                                                        | 1,494,350                                              | 703,456                                                                    | 463,343                          | -                                                                | 5.46                                                                                             | 12,878,009                                                        | N                                    | N                                | Y                                                    |      |
| 0   | The Company                    | WL Singapore                                        | Subsidiary of the Company                                                                                                     | 3,863,403                                                                        | 677,040                                                | 432,896                                                                    | 294,186                          | -                                                                | 3.36                                                                                             | 12,878,009                                                        | Y                                    | N                                | N                                                    |      |
| 0   | The Company                    | Sakuragawa Solar Ltd.                               | Subsidiary of the Company                                                                                                     | 2,575,602                                                                        | 178,414                                                | 174,621                                                                    | 90,748                           | -                                                                | 1.36                                                                                             | 12,878,009                                                        | Y                                    | N                                | N                                                    |      |
| 0   | The Company                    | Miyazaki Solar Ltd.                                 | Subsidiary of the Company                                                                                                     | 2,575,602                                                                        | 322,104                                                | 315,258                                                                    | 249,958                          | -                                                                | 2.45                                                                                             | 12,878,009                                                        | Y                                    | N                                | N                                                    |      |
| 0   | The Company                    | WL Indonesia                                        | Subsidiary of the Company                                                                                                     | 2,575,602                                                                        | 187,550                                                | 88,288                                                                     | -                                | -                                                                | 0.69                                                                                             | 12,878,009                                                        | Y                                    | N                                | N                                                    |      |
| 0   | The Company                    | WL Vietnam                                          | Subsidiary of the Company                                                                                                     | 3,863,403                                                                        | 490,050                                                | 230,688                                                                    | 155,840                          | -                                                                | 1.79                                                                                             | 12,878,009                                                        | Y                                    | N                                | N                                                    |      |
| 0   | The Company                    | WT Industrial                                       | Subsidiary of the Company                                                                                                     | 2,575,602                                                                        | 986,272                                                | 447,221                                                                    | 55,279                           | -                                                                | 3.47                                                                                             | 12,878,009                                                        | Y                                    | N                                | N                                                    |      |
| 0   | The Company                    | Wah Lee Philippines Inc.                            | Subsidiary of the Company                                                                                                     | 2,575,602                                                                        | 58,980                                                 | 56,960                                                                     | -                                | -                                                                | 0.44                                                                                             | 12,878,009                                                        | Y                                    | N                                | N                                                    |      |
| 0   | The Company                    | KS Corp.                                            | Subsidiary of the Company                                                                                                     | 2,575,602                                                                        | 179,626                                                | 179,626                                                                    | 179,626                          | 179,626                                                          | 1.39                                                                                             | 12,878,009                                                        | Y                                    | N                                | N                                                    |      |
| 1   | Shanghai Yikang                | Shanghai Chang Wah Electromaterials Inc.            | Shareholder of an investee provides endorsements/guarantees to the company in proportion to the shareholding percentage       | -                                                                                | 51,879                                                 | -                                                                          | -                                | -                                                                | -                                                                                                | -                                                                 | N                                    | N                                | Y                                                    |      |
| 1   | Shanghai Yikang                | Shanghai Yadi                                       | Subsidiary of the Company                                                                                                     | 885,880                                                                          | 122,128                                                | 122,128                                                                    | 29,996                           | -                                                                | 2.76                                                                                             | 2,214,700                                                         | Y                                    | N                                | Y                                                    |      |
| 2   | KS Corp.                       | KSA Corp.                                           | Subsidiary of the Company                                                                                                     | 176,094                                                                          | 1,382                                                  | 1,382                                                                      | 1,353                            | -                                                                | 0.20                                                                                             | 352,188                                                           | Y                                    | N                                | N                                                    |      |
| 2   | KS Corp.                       | KS Corp.                                            | The Company is required to provide guarantees or endorsements for the construction project based on the construction contract | 1,760,940                                                                        | 100,000                                                | 100,000                                                                    | 28,891                           | 10,000                                                           | 14.36                                                                                            | 2,817,504                                                         | Y                                    | N                                | N                                                    |      |

(Continued)

| No. | Endorsement/Guarantee Provider | Endorsee/Guarantee    |                                                                                                                               | Limit on Endorsement/Guarantee Given on Benefit of Each Party (Notes 1-8) | Maximum Amount Endorsed/Guaranteed During the Year | Outstanding Endorsement/Guarantee at The End of the Period (Note 8) | Actual Borrowing Amount (Note 8) | Amount of Endorsement/Guarantee Collateralized by Properties | Ratio of Accumulated Endorsement/Guarantee to Net Equity per Latest Financial Statements (%) | Maximum Endorsement/Guarantee Amount Allowable (Notes 1-8) | Guarantee Provided by Parent Company | Guarantee Provided by Subsidiary | Guarantee Provided to Subsidiaries in Mainland China | Note |
|-----|--------------------------------|-----------------------|-------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------|----------------------------------------------------|---------------------------------------------------------------------|----------------------------------|--------------------------------------------------------------|----------------------------------------------------------------------------------------------|------------------------------------------------------------|--------------------------------------|----------------------------------|------------------------------------------------------|------|
|     |                                | Name                  | Relationship                                                                                                                  |                                                                           |                                                    |                                                                     |                                  |                                                              |                                                                                              |                                                            |                                      |                                  |                                                      |      |
| 2   | KS Corp.                       | KSA Corp.             | The Company is required to provide guarantees or endorsements for the construction project based on the construction contract | \$ 1,760,940                                                              | \$ 400,000                                         | \$ 400,000                                                          | \$ 125,172                       | \$ 25,000                                                    | 57.45                                                                                        | \$ 2,817,504                                               | Y                                    | N                                | N                                                    |      |
| 3   | KSA Corp.                      | KSB Corp.             | The Company is required to provide guarantees or endorsements for the construction project based on the construction contract | 6,130,000                                                                 | 100,000                                            | 100,000                                                             | 28,891                           | -                                                            | 145.60                                                                                       | 9,195,000                                                  | N                                    | N                                | N                                                    |      |
| 3   | KSA Corp.                      | KS Corp.              | The Company is required to provide guarantees or endorsements for the construction project based on the construction contract | 6,130,000                                                                 | 1,800,000                                          | 1,800,000                                                           | 926,018                          | -                                                            | 2,620.89                                                                                     | 9,195,000                                                  | N                                    | Y                                | N                                                    |      |
| 4   | KSB Corp.                      | KSA Corp.             | The Company is required to provide guarantees or endorsements for the construction project based on the construction contract | 2,226,000                                                                 | 400,000                                            | 400,000                                                             | 125,172                          | -                                                            | 3,162.81                                                                                     | 4,452,000                                                  | N                                    | N                                | N                                                    |      |
| 4   | KSB Corp.                      | KS Corp.              | The Company is required to provide guarantees or endorsements for the construction project based on the construction contract | 2,226,000                                                                 | 1,800,000                                          | 1,800,000                                                           | 926,018                          | -                                                            | 14,232.62                                                                                    | 4,452,000                                                  | N                                    | Y                                | N                                                    |      |
| 5   | Dongguan Hua Gang              | Guang Jou Shing Shian | Subsidiary of the Company                                                                                                     | 699,145                                                                   | 177,035                                            | 177,035                                                             | 87,593                           | -                                                            | 7.60                                                                                         | 1,165,241                                                  | Y                                    | N                                | Y                                                    |      |
| 6   | Raycong H.K.                   | Xiamen Hua Chen Da    | Subsidiary of the Company                                                                                                     | 1,286,437                                                                 | 30,020                                             | 28,480                                                              | 5,683                            | -                                                            | 0.44                                                                                         | 3,216,093                                                  | Y                                    | N                                | Y                                                    |      |

(Concluded)

- Note 1: The limit on endorsement/guarantee given on behalf of each party shall not exceed 20% of the equity of the Company. If the Company directly or indirectly holds 100% of the equity of the endorsee or guarantee, the limit on endorsement/guarantee given on behalf of each party shall not exceed 30% of the equity of the Company. The maximum total amount of endorsement/guarantee shall not exceed 100% of the equity of the Company.
- Note 2: The limit on endorsement/guarantee given on behalf of each party shall not exceed 20% of the equity of Shanghai Yikang. If the Company directly or indirectly holds 100% of the equity of the endorsee or guarantee, the limit on endorsement/guarantee given on behalf of each party shall not exceed 30% of the equity of Shanghai Yikang. The maximum total amount of endorsement/guarantee shall not exceed 50% of the equity of Shanghai Yikang.
- Note 3: The limit on endorsement/guarantee given on behalf of each party shall not exceed 30% of the equity of Dongguan Hua Gang. The maximum total amount of endorsement/guarantee shall not exceed 50% of the equity of Dongguan Hua Gang.
- Note 4: The limit on endorsement/guarantee given on behalf of each party shall not exceed 20% of the equity of Raycong H.K.. The maximum total amount of endorsement/guarantee shall not exceed 50% of the equity of Raycong H.K..
- Note 5: The limit on endorsement/guarantee given to each party, based on the construction project, shall not exceed 500% of the paid-in capital of KS Corp.; the maximum total amount of endorsement/guarantee shall not exceed 800% of the paid-in capital of KS Corp. The limit on endorsement/guarantee given to each party, not based on construction project, shall not exceed 50% of the paid-in capital of KS Corp. The total amount of endorsement/guarantee shall not exceed 100% of the paid-in capital of KS Corp.
- Note 6: The limit on endorsement/guarantee given to each party, based on the construction project, shall not exceed 10,000% of the paid-in capital of KSA Corp.; the maximum total amount of endorsement/guarantee shall not exceed 15,000% of the paid-in capital of KSA Corp.
- Note 7: The limit on endorsement/guarantee given to each party, based on the construction project, shall not exceed 20,000% of the paid-in capital of KSB Corp.; the maximum total amount of endorsement/guarantee shall not exceed 40,000% of the paid-in capital of KSB Corp.
- Note 8: USD is converted by spot exchange USD\$1=NT\$28.48; JPY is converted by spot exchange JPY1=NT\$0.2763; RMB is converted by spot exchange RMB1=NT\$4.3617; THB is converted by spot exchange THB1=NT\$0.9556.

**WAH LEE INDUSTRIAL CORPORATION AND SUBSIDIARIES**

**FINANCING PROVIDED TO OTHERS  
FOR THE YEAR ENDED DECEMBER 31, 2020  
(In Thousands of New Taiwan Dollars)**

| No. | Financing Company | Counterparty         | Financial Statement Account         | Related Party | Maximum Balance for the Year | Ending Balance (Note 1) | Actual Amount Drawn (Notes 1 and 3) | Interest Rate (%) | Nature of Financing  | Business Transaction Amount | Reasons for Short-Term Financing | Allowance for Impairment Loss | Collateral |       | Financing Limit for Each Borrower (Note 3) | Aggregate Financing Limit (Note 2) | Note |
|-----|-------------------|----------------------|-------------------------------------|---------------|------------------------------|-------------------------|-------------------------------------|-------------------|----------------------|-----------------------------|----------------------------------|-------------------------------|------------|-------|--------------------------------------------|------------------------------------|------|
|     |                   |                      |                                     |               |                              |                         |                                     |                   |                      |                             |                                  |                               | Item       | Value |                                            |                                    |      |
| 1   | Shanghai Yikang   | Shanghai Yadi        | Other receivables - related parties | Yes           | \$ 64,863                    | \$ -                    | \$ -                                | -                 | short-term financing | \$ -                        | Operating capital                | \$ -                          | -          | \$ -  | \$ 1,328,820                               | \$ 1,328,820                       |      |
| 2   | Shenzhen Huaying  | Xiamen Hua Chen Da   | Other receivables - related parties | Yes           | 17,515                       | 8,723                   | 6,979                               | 4.77              | short-term financing | -                           | Operating capital                | -                             | -          | -     | 62,360                                     | 62,360                             |      |
| 3   | Dongguan Hua Gang | Guangjou Shing Shain | Other receivables - related parties | Yes           | 39,408                       | 39,255                  | -                                   | -                 | short-term financing | -                           | Operating capital                | -                             | -          | -     | 699,145                                    | 699,145                            |      |
| 3   | Dongguan Hua Gang | Meizhou Bailun       | Other receivables - related parties | Yes           | 19,891                       | -                       | -                                   | -                 | short-term financing | -                           | Operating capital                | -                             | -          | -     | 699,145                                    | 699,145                            |      |
| 4   | KS Corp.          | KSA Energy           | Other receivables - related parties | Yes           | 30,000                       | 30,000                  | 10,000                              | 2.00              | short-term financing | -                           | Operating capital                | -                             | -          | -     | 208,883                                    | 208,883                            |      |

Note 1: RMB is converted by spot exchange CNY1=NT\$4.3617.

Note 2: Individual and aggregate financing limit should not exceed 30% of the lender's equity.

Note 3: It was eliminated on consolidation.

## WAH LEE INDUSTRIAL CORPORATION AND SUBSIDIARIES

### INFORMATION ON INVESTMENTS IN MAINLAND CHINA FOR THE YEAR ENDED DECEMBER 31, 2020 (In Thousands of New Taiwan Dollars)

| Investee Company                                       | Main Businesses and Products                                                                                                                                        | Paid-in Capital | Method of Investment                                    | Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2020 | Remittance of Funds |        | Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2020 | Net Income (Loss) of the Investee | % Ownership of Direct or Indirect Investment | Investment Gain (Loss) (Note 1) | Carrying Amount as of December 31, 2020 | Accumulated Repatriation of Investment Income as of December 31, 2020 | Note |
|--------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------|---------------------------------------------------------|---------------------------------------------------------------------------------|---------------------|--------|-----------------------------------------------------------------------------------|-----------------------------------|----------------------------------------------|---------------------------------|-----------------------------------------|-----------------------------------------------------------------------|------|
|                                                        |                                                                                                                                                                     |                 |                                                         |                                                                                 | Outward             | Inward |                                                                                   |                                   |                                              |                                 |                                         |                                                                       |      |
| Dongguan Hua Gang                                      | Sales of industrial materials                                                                                                                                       | \$ 1,137,186    | Invested through the third region, Raycong H.K.         | \$ -                                                                            | \$ -                | \$ -   | \$ -                                                                              | \$ 317,691                        | 100.00                                       | \$ 317,691                      | \$ 2,325,413                            | \$ -                                                                  |      |
| Shanghai Yikang                                        | Processing and selling of chemical material for release of wax; international trading; trading agent and warehousing business within enterprises in the bonded area | 990,731         | Invested through the third region, Raycong H.K.         | 340,629                                                                         | -                   | -      | 340,629                                                                           | 503,201                           | 70.00                                        | 352,241                         | 3,118,401                               | -                                                                     |      |
| Shenzhen Huaying                                       | Sales of industrial materials                                                                                                                                       | 24,084          | Invested through the third region, Raycong H.K.         | -                                                                               | -                   | -      | -                                                                                 | 8,597                             | 100.00                                       | 8,597                           | 207,867                                 | -                                                                     |      |
| Shanghai Wah Chang Trading Co., Ltd.                   | International trading and trading consulting; trading agent and commercial simple processing within enterprises in the bonded area                                  | 68,352          | Invested through the third region, SHC Holding Ltd.     | 43,714                                                                          | -                   | -      | 43,714                                                                            | 212,717                           | 30.00                                        | 63,816                          | 611,292                                 | -                                                                     |      |
| Shanghai Chang Wah Electromaterials Inc.               | Agency of IC packaging material and equipment                                                                                                                       | 113,920         | Invested through Chinese corporation, Shanghai Yikang   | -                                                                               | -                   | -      | -                                                                                 | 24,255                            | -                                            | 7,428                           | -                                       | -                                                                     |      |
| Shanghai Yadi                                          | Import and export of goods and technology                                                                                                                           | 13,085          | Invested through Chinese corporation, Shanghai Yikang   | -                                                                               | -                   | -      | -                                                                                 | (6,355 )                          | 49.00                                        | (3,114 )                        | 18,362                                  | -                                                                     |      |
| Shanghai Lihuang                                       | Medical devices and equipment                                                                                                                                       | 14,525          | Invested through Chinese corporation, Shanghai Yikang   | -                                                                               | -                   | -      | -                                                                                 | 919                               | 48.98                                        | (1,492 )                        | 6,759                                   | -                                                                     |      |
| Meizhou Bailun                                         | Hemodialysis and examination                                                                                                                                        | -               | Invested through Chinese corporation, Dongguan Hua Gang | -                                                                               | -                   | -      | -                                                                                 | (562 )                            | -                                            | (287 )                          | -                                       | -                                                                     |      |
| Guangjoui Shing Shian                                  | Wholesale of medical supplies                                                                                                                                       | 21,809          | Invested through Chinese corporation, Dongguan Hua Gang | -                                                                               | -                   | -      | -                                                                                 | 12,216                            | 100.00                                       | 12,216                          | 44,333                                  | -                                                                     |      |
| Xiamen Hua Chen Da                                     | Warehouse logistics                                                                                                                                                 | 13,085          | Invested through Chinese corporation, Shenzhen Huaying  | -                                                                               | -                   | -      | -                                                                                 | (239 )                            | 70.00                                        | (167 )                          | 7,491                                   | -                                                                     |      |
| Xiamen Jian Yuan Rong Logistics Ltd.                   | Warehouse logistics                                                                                                                                                 | 34,894          | Invested through Chinese corporation, Shenzhen Huaying  | -                                                                               | -                   | -      | -                                                                                 | (3,047 )                          | 30.00                                        | (910 )                          | 9,396                                   | -                                                                     |      |
| Xiamen Jia Cheng Yuan Trading and Development Co. Ltd. | Warehouse logistics                                                                                                                                                 | 8,723           | Invested through Chinese corporation, Shenzhen Huaying  | -                                                                               | -                   | -      | -                                                                                 | (53 )                             | 30.00                                        | (20 )                           | 2,990                                   | -                                                                     |      |

(Continued)

| <b>Investee Company</b> | <b>Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2020 (Note 3)</b> | <b>Investment Amount Authorized by Investment Commission, MOEA (Note 2)</b> | <b>Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA (Note 3)</b> |
|-------------------------|---------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------|
| The Company             | \$ 384,343                                                                                              | \$ 2,480,528                                                                | \$ -                                                                                              |

Note 1: The disclosures of investment gains and losses this period are based on the following:

1. Dongguan Hua Gang and Shanghai Yikang: audited by the Company's CPA.
2. Others are based on unaudited financial statements.

Note 2: The difference of \$2,096,185 thousand between accumulated outward remittance for investment in mainland China and investment amount authorized by investment commission, MOEA is due to investment of \$1,338,686 thousand (USD8,488 thousand and HKD267,000 thousand) through Raycong H.K., investment of \$111,175 thousand (USD3,572 thousand) through Wah Yuen Technology Holding Limited, transferred capital from retained earnings of \$434,385 thousand (USD13,790 thousand) of Shanghai Yikang, investment of \$14,500 thousand (USD500 thousand) through SHC Holding Ltd., investment without significant influence of \$162,978 thousand and the invested amount of \$34,461 thousand which had already been liquidated but not yet revoked.

Note 3: Under the "Principles Governing the Review of Investments or Technical Cooperation in Mainland China" issued by the Investment Commission on August 29, 2008, the Company had obtained the certificate issued by the Industrial Bureau of the Ministry of Economic Affairs in accordance with the business scope of the operating headquarters; thus, the amount that can be invested in companies located in mainland China is unlimited.

(Concluded)

## **INDEPENDENT AUDITORS' REPORT**

The Board of Directors and Shareholders  
Wah Lee Industrial Corporation

### **Opinion**

We have audited the accompanying parent company only financial statements of Wah Lee Industrial Corporation (the "Company"), which comprise the balance sheets as of December 31, 2020 and 2019, and the statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the reports of other auditors (refer to Other Matter paragraph), the accompanying parent company only financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

### **Basis for Opinion**

We conducted our audit of the parent company only financial statements for the year ended December 31, 2020 in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. We conducted our audit of the parent company only financial statements for the year ended December 31, 2019 in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants, Rule No. 1090360805 issued by the Financial Supervisory Commission of the Republic of China on February 25, 2020, and 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 Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the parent company only financial statements for the year ended December 31, 2020. 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.

The key audit matter identified in the Company's parent company only financial statements for the year ended December 31, 2020 is discussed as follows:

### Occurrence of revenue from specific customers

The operating revenue of the Company for the year ended December 31, 2020 was NT\$33,236,491 thousand, of which the revenue and gross profit from specific customers show significant growth over the past year. In addition, based on the ROC GAAS, revenue recognition is presumed to have a significant risk. Therefore, we considered the occurrence of revenue from specific customers as a key audit matter.

Refer to Note 4 to the parent company only financial statements for the related accounting policy on revenue recognition.

The main audit procedures that we performed to address the occurrence of the revenue from specific customers were as follows:

1. We understood and tested the design and operating effectiveness of the internal controls relevant to shipment and revenue recognition.
2. We verified, on a sampling basis, the occurrence of recorded revenue from specific customers against supporting documents, including shipping and collection documents, and we checked whether the payer is the same as the buyer.

### **Other Matter**

The financial statements of certain investees accounted for using the equity method in the Company's parent company only financial statements for the years ended December 31, 2020 and 2019 were audited by other independent auditors; accordingly, our opinion insofar as it relates to the amounts and information disclosed, is based solely on the reports of other independent auditors.

The carrying values of the investments accounted for using the equity method as of December 31, 2020 and 2019 were NT\$728,537 thousand and NT\$675,514 thousand, respectively, both representing 3% of total parent company only assets; and the amounts of the share of profit of associates for the years ended December 31, 2020 and 2019 were NT\$111,793 thousand and NT\$69,036 thousand, representing 5% and 4% of parent company only profit before income tax, respectively.

### **Responsibilities of Management and Those Charged with Governance for the Parent Company Only Financial Statements**

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

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

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

## **Auditors' Responsibilities for the Audit of the Parent Company Only Financial Statements**

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

1. Identify and 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 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 entities or business activities within the Company to express an opinion on the parent company only financial statements. We are responsible for the direction, supervision, and performance of the audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the parent company only financial statements for the year ended December 31, 2020 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 audits resulting in this independent auditors' report are Chiu-Yen Wu and Chen-Li Chen.

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

March 26, 2021

Notice to Readers

*The accompanying parent company only financial statements are intended only to present the parent company only financial position, financial performance and cash flows in accordance with 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 applied in the Republic of China.*

*For the convenience of readers, the independent auditors' report and the accompanying parent company only financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and parent company only financial statements shall prevail.*

# WAH LEE INDUSTRIAL CORPORATION

## PARENT COMPANY ONLY BALANCE SHEETS (In Thousands of New Taiwan Dollars)

| ASSETS                                                                                         | December 31, 2020 |     | December 31, 2019 |     |
|------------------------------------------------------------------------------------------------|-------------------|-----|-------------------|-----|
|                                                                                                | Amount            | %   | Amount            | %   |
| CURRENT ASSETS                                                                                 |                   |     |                   |     |
| Cash and cash equivalents (Note 6)                                                             | \$ 1,194,704      | 4   | \$ 792,785        | 3   |
| Financial assets at fair value through other comprehensive income - current (Notes 4 and 7)    | 119,600           | -   | 68,900            | -   |
| Notes receivable (Notes 4 and 8)                                                               | 131,614           | 1   | 155,804           | 1   |
| Accounts receivable, net (Notes 4, 5 and 8)                                                    | 6,534,683         | 24  | 5,494,610         | 23  |
| Accounts receivable - related parties (Notes 4, 5, 8 and 25)                                   | 800,694           | 3   | 1,014,996         | 4   |
| Other receivables                                                                              | 42,422            | -   | 26,171            | -   |
| Other receivables - related parties (Note 25)                                                  | 253,266           | 1   | 406,900           | 2   |
| Merchandise (Notes 4, 5 and 9)                                                                 | 1,824,901         | 7   | 1,831,530         | 8   |
| Prepayments for purchases (Note 25)                                                            | 1,004,155         | 4   | 690,345           | 3   |
| Other current assets                                                                           | 12,136            | -   | 14,113            | -   |
| Total current assets                                                                           | 11,918,175        | 44  | 10,496,154        | 44  |
| NONCURRENT ASSETS                                                                              |                   |     |                   |     |
| Financial assets at fair value through other comprehensive income - noncurrent (Notes 4 and 7) | 634,098           | 2   | 572,981           | 2   |
| Investments accounted for using the equity method (Notes 4, 10 and 26)                         | 12,812,080        | 48  | 11,532,750        | 48  |
| Property, plant and equipment (Notes 4, 11 and 26)                                             | 711,059           | 3   | 748,692           | 3   |
| Right-of-use assets (Notes 4 and 12)                                                           | 21,427            | -   | 27,335            | -   |
| Investment properties (Notes 4, 13 and 26)                                                     | 436,599           | 2   | 417,208           | 2   |
| Other intangible assets                                                                        | 23,619            | -   | 24,539            | -   |
| Deferred tax assets (Notes 4 and 21)                                                           | 236,455           | 1   | 227,274           | 1   |
| Prepayments for equipment                                                                      | -                 | -   | 109               | -   |
| Refundable deposits                                                                            | 54,114            | -   | 49,576            | -   |
| Prepayments for investments                                                                    | 10,000            | -   | -                 | -   |
| Total noncurrent assets                                                                        | 14,939,451        | 56  | 13,600,464        | 56  |
| TOTAL                                                                                          | \$ 26,857,626     | 100 | \$ 24,096,618     | 100 |
| LIABILITIES AND EQUITY                                                                         |                   |     |                   |     |
| CURRENT LIABILITIES                                                                            |                   |     |                   |     |
| Short-term borrowings (Note 14)                                                                | \$ 4,013,494      | 15  | \$ 3,316,962      | 14  |
| Contract liabilities - current (Notes 20 and 25)                                               | 305,104           | 1   | 259,153           | 1   |
| Notes payable (Note 15)                                                                        | 29,219            | -   | 323,906           | 1   |
| Notes payable - related parties (Notes 15 and 25)                                              | 938               | -   | 201               | -   |
| Accounts payables (Note 15)                                                                    | 3,602,416         | 13  | 2,873,629         | 12  |
| Accounts payables - related parties (Notes 15 and 25)                                          | 271,663           | 1   | 274,755           | 1   |
| Other payables (Notes 16 and 25)                                                               | 771,384           | 3   | 687,301           | 3   |
| Current tax liabilities (Note 21)                                                              | 82,325            | -   | 93,596            | -   |
| Lease liabilities - current (Notes 4 and 12)                                                   | 8,043             | -   | 7,314             | -   |
| Current portion of long-term borrowings (Note 14)                                              | 433,577           | 2   | 32,486            | -   |
| Refund liabilities - current                                                                   | 173,956           | 1   | 155,819           | 1   |
| Other current liabilities                                                                      | 15,358            | -   | 11,401            | -   |
| Total current liabilities                                                                      | 9,707,477         | 36  | 8,036,523         | 33  |
| NONCURRENT LIABILITIES                                                                         |                   |     |                   |     |
| Long-term borrowings (Note 14)                                                                 | 2,785,247         | 11  | 3,217,425         | 13  |
| Provision for employee benefits - noncurrent                                                   | 14,760            | -   | 14,760            | -   |
| Deferred tax liabilities (Notes 4 and 21)                                                      | 1,155,352         | 4   | 1,056,833         | 5   |
| Lease liabilities - noncurrent (Notes 4 and 12)                                                | 13,663            | -   | 20,154            | -   |
| Net defined benefit liabilities - noncurrent (Notes 4 and 7)                                   | 300,009           | 1   | 303,006           | 1   |
| Guarantee deposits received                                                                    | 3,109             | -   | 3,020             | -   |
| Total noncurrent liabilities                                                                   | 4,272,140         | 16  | 4,615,198         | 19  |
| Total liabilities                                                                              | 13,979,617        | 52  | 12,651,721        | 52  |
| EQUITY (Note 19)                                                                               |                   |     |                   |     |
| Share Capital                                                                                  | 2,313,901         | 8   | 2,313,901         | 10  |
| Capital surplus                                                                                | 1,331,725         | 5   | 1,318,065         | 5   |
| Retained earnings                                                                              |                   |     |                   |     |
| Legal reserve                                                                                  | 2,228,083         | 8   | 2,084,659         | 9   |
| Special reserve                                                                                | 980,087           | 4   | 679,347           | 3   |
| Unappropriated earnings                                                                        | 6,660,831         | 25  | 6,029,012         | 25  |
| Total retained earnings                                                                        | 9,869,001         | 37  | 8,793,018         | 37  |
|                                                                                                | (2)               |     | (4)               |     |
| Other equity                                                                                   | (636,618)         | )   | (980,087)         | )   |
| Total equity                                                                                   | 12,878,009        | 48  | 11,444,897        | 48  |
| TOTAL                                                                                          | \$ 26,857,626     | 100 | \$ 24,096,618     | 100 |

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

(With Deloitte & Touche auditors' report dated March 26, 2021)

# WAH LEE INDUSTRIAL CORPORATION

## PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

|                                                                       | For the Year Ended December 31 |           |                   |           |
|-----------------------------------------------------------------------|--------------------------------|-----------|-------------------|-----------|
|                                                                       | 2020                           |           | 2019              |           |
|                                                                       | Amount                         | %         | Amount            | %         |
| OPERATING REVENUE (Notes 4, 19 and 25)                                | \$ 33,236,491                  | 100       | \$ 29,225,800     | 100       |
| OPERATING COSTS (Notes 9, 20 and 25)                                  | <u>30,967,419</u>              | <u>93</u> | <u>27,249,269</u> | <u>93</u> |
| GROSS PROFIT                                                          | 2,269,072                      | 7         | 1,976,531         | 7         |
| UNREALIZED GAIN ON TRANSACTIONS WITH<br>ASSOCIATES AND JOINT VENTURES | (2,234)                        | -         | (22,361)          | -         |
| REALIZED GAIN ON TRANSACTIONS WITH<br>ASSOCIATES AND JOINT VENTURES   | <u>22,361</u>                  | <u>-</u>  | <u>28,199</u>     | <u>-</u>  |
| REALIZED GROSS PROFIT                                                 | <u>2,289,199</u>               | <u>7</u>  | <u>1,982,369</u>  | <u>7</u>  |
| OPERATING EXPENSES (Notes 8, 20 and 25)                               |                                |           |                   |           |
| Selling and marketing expenses                                        | 1,265,698                      | 4         | 1,166,533         | 4         |
| General and administrative expenses                                   | 344,463                        | 1         | 335,182           | 1         |
| Expected credit loss                                                  | <u>38,697</u>                  | <u>-</u>  | <u>1,081</u>      | <u>-</u>  |
| Total operating expenses                                              | <u>1,648,858</u>               | <u>5</u>  | <u>1,502,796</u>  | <u>5</u>  |
| PROFIT FROM OPERATIONS                                                | <u>640,341</u>                 | <u>2</u>  | <u>479,573</u>    | <u>2</u>  |
| NON-OPERATING INCOME AND EXPENSES<br>(Notes 20 and 25)                |                                |           |                   |           |
| Interest income                                                       | 709                            | -         | 1,274             | -         |
| Other income                                                          | 189,594                        | 1         | 183,140           | 1         |
| Other gains and losses                                                | (49,813)                       | -         | (1,119)           | -         |
| Finance costs                                                         | (79,298)                       | -         | (128,708)         | (1)       |
| Share of profit of subsidiaries, associates and joint<br>ventures     | <u>1,402,936</u>               | <u>4</u>  | <u>1,071,078</u>  | <u>4</u>  |
| Total non-operating income and expenses                               | <u>1,464,128</u>               | <u>5</u>  | <u>1,125,665</u>  | <u>4</u>  |
| PROFIT BEFORE INCOME TAX                                              | 2,104,469                      | 7         | 1,605,238         | 6         |
| INCOME TAX EXPENSE (Notes 4 and 21)                                   | <u>245,349</u>                 | <u>1</u>  | <u>189,416</u>    | <u>1</u>  |
| NET PROFIT FOR THE YEAR                                               | <u>1,859,120</u>               | <u>6</u>  | <u>1,415,822</u>  | <u>5</u>  |
| OTHER COMPREHENSIVE INCOME (Notes 18 and<br>21)                       |                                |           |                   |           |

(Continued)

# WAH LEE INDUSTRIAL CORPORATION

## PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

|                                                                                                                            | For the Year Ended December 31 |          |                     |            |
|----------------------------------------------------------------------------------------------------------------------------|--------------------------------|----------|---------------------|------------|
|                                                                                                                            | 2020                           |          | 2019                |            |
|                                                                                                                            | Amount                         | %        | Amount              | %          |
| Items that will not be reclassified subsequently to profit or loss:                                                        |                                |          |                     |            |
| Remeasurement of defined benefit plans                                                                                     | \$ (4,470)                     | -        | \$ 9,375            | -          |
| Unrealized gain (loss) on investments in equity instruments designated as at fair value through other comprehensive income | 110,390                        | -        | (114,290)           | -          |
| Share of other comprehensive income of subsidiaries and associates accounted for using the equity method                   | 236,698                        | 1        | 72,454              | -          |
| Income tax relating to items that will not be reclassified subsequently to profit or loss                                  | 7,804                          | -        | 9,797               | -          |
| Items that may be reclassified subsequently to profit or loss:                                                             |                                |          |                     |            |
| Share of other comprehensive gain (loss) of subsidiaries and associates accounted for using the equity method              | 28,450                         | -        | (297,317)           | (1)        |
| Income tax relating to items that may be reclassified subsequently to profit or loss                                       | <u>(4,571)</u>                 | <u>-</u> | <u>45,714</u>       | <u>-</u>   |
| Other comprehensive income (loss) for the year, net of income tax                                                          | <u>374,301</u>                 | <u>1</u> | <u>(274,267)</u>    | <u>(1)</u> |
| TOTAL COMPREHENSIVE INCOME FOR THE YEAR                                                                                    | <u>\$ 2,233,421</u>            | <u>7</u> | <u>\$ 1,141,555</u> | <u>4</u>   |
| EARNINGS PER SHARE (Note 22)                                                                                               |                                |          |                     |            |
| Basic                                                                                                                      | <u>\$ 8.03</u>                 |          | <u>\$ 6.12</u>      |            |
| Diluted                                                                                                                    | <u>\$ 7.81</u>                 |          | <u>\$ 5.93</u>      |            |

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

(With Deloitte & Touche auditors' report dated March 26, 2021)

(Concluded)

# WAH LEE INDUSTRIAL CORPORATION

## PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars)

|                                                                                                                                    |               |                 | Retained Earnings |                 |                            | Exchange<br>Differences on<br>Translation of the<br>Financial<br>Statements of<br>Foreign<br>Operations | Other Equity<br>Unrealized<br>Gain/(Loss) on<br>Financial<br>Assets at Fair<br>Value Through<br>Other<br>Comprehensive<br>Income | Subtotal     | Total Equity  |
|------------------------------------------------------------------------------------------------------------------------------------|---------------|-----------------|-------------------|-----------------|----------------------------|---------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------|--------------|---------------|
|                                                                                                                                    | Share Capital | Capital Surplus | Legal Reserve     | Special Reserve | Unappropriated<br>Earnings |                                                                                                         |                                                                                                                                  |              |               |
| BALANCE AT JANUARY 1, 2019                                                                                                         | \$ 2,313,901  | \$ 1,331,880    | \$ 1,950,063      | \$ 78,160       | \$ 6,070,997               | \$ (355,909)                                                                                            | \$ (323,438)                                                                                                                     | \$ (679,347) | \$ 11,065,654 |
| Appropriation of 2018 earnings                                                                                                     |               |                 |                   |                 |                            |                                                                                                         |                                                                                                                                  |              |               |
| Legal reserve                                                                                                                      | -             | -               | 134,596           | -               | (134,596)                  | -                                                                                                       | -                                                                                                                                | -            | -             |
| Special reserve                                                                                                                    | -             | -               | -                 | 601,187         | (601,187)                  | -                                                                                                       | -                                                                                                                                | -            | -             |
| Cash dividends distributed by the Company                                                                                          | -             | -               | -                 | -               | (740,448)                  | -                                                                                                       | -                                                                                                                                | -            | (740,448)     |
|                                                                                                                                    | -             | -               | 134,596           | 601,187         | (1,476,231)                | -                                                                                                       | -                                                                                                                                | -            | (740,448)     |
| Changes in percentage of ownership interests in subsidiaries                                                                       | -             | -               | -                 | -               | (8,049)                    | -                                                                                                       | -                                                                                                                                | -            | (8,049)       |
| Changes in capital surplus from investments in associates accounted for using the equity method                                    | -             | (13,815)        | -                 | -               | -                          | -                                                                                                       | -                                                                                                                                | -            | (13,815)      |
| Net profit for the year ended December 31, 2019                                                                                    | -             | -               | -                 | -               | 1,415,822                  | -                                                                                                       | -                                                                                                                                | -            | 1,415,822     |
| Other comprehensive income (loss) for the year ended December 31, 2019, net of income tax                                          | -             | -               | -                 | -               | 7,550                      | (251,603)                                                                                               | (30,214)                                                                                                                         | (281,817)    | (274,267)     |
| Total comprehensive income (loss) for the year ended December 31, 2019                                                             | -             | -               | -                 | -               | 1,423,372                  | (251,603)                                                                                               | (30,214)                                                                                                                         | (281,817)    | 1,141,555     |
| Disposals of investments in equity instruments designated as at fair value through other comprehensive income (Notes 7 and 18)     | -             | -               | -                 | -               | (4,652)                    | -                                                                                                       | 4,652                                                                                                                            | 4,652        | -             |
| Associates disposed the investments in equity instruments designated as at fair value through other comprehensive income (Note 18) | -             | -               | -                 | -               | 23,575                     | -                                                                                                       | (23,575)                                                                                                                         | (23,575)     | -             |
| BALANCE AT DECEMBER 31, 2019                                                                                                       | 2,313,901     | 1,318,065       | 2,084,659         | 679,347         | 6,029,012                  | (607,512)                                                                                               | (372,575)                                                                                                                        | (980,087)    | 11,444,897    |
| Appropriation of 2019 earnings                                                                                                     |               |                 |                   |                 |                            |                                                                                                         |                                                                                                                                  |              |               |
| Legal reserve                                                                                                                      | -             | -               | 143,424           | -               | (143,424)                  | -                                                                                                       | -                                                                                                                                | -            | -             |
| Special reserve                                                                                                                    | -             | -               | -                 | 300,740         | (300,740)                  | -                                                                                                       | -                                                                                                                                | -            | -             |
| Cash dividends distributed by the Company                                                                                          | -             | -               | -                 | -               | (763,587)                  | -                                                                                                       | -                                                                                                                                | -            | (763,587)     |
|                                                                                                                                    | -             | -               | 143,424           | 300,740         | (1,207,751)                | -                                                                                                       | -                                                                                                                                | -            | (763,587)     |
| Changes in percentage of ownership interests in subsidiaries                                                                       | -             | (846)           | -                 | -               | -                          | -                                                                                                       | -                                                                                                                                | -            | (846)         |
| Changes in capital surplus from investments in associates accounted for using the equity method                                    | -             | 14,506          | -                 | -               | (50,382)                   | -                                                                                                       | -                                                                                                                                | -            | (35,876)      |
| Net profit for the year ended December 31, 2020                                                                                    | -             | -               | -                 | -               | 1,859,120                  | -                                                                                                       | -                                                                                                                                | -            | 1,859,120     |
| Other comprehensive income (loss) for the year ended December 31, 2020, net of income tax                                          | -             | -               | -                 | -               | (2,328)                    | 23,879                                                                                                  | 352,750                                                                                                                          | 376,629      | 374,301       |
| Total comprehensive income for the year ended December 31, 2020                                                                    | -             | -               | -                 | -               | 1,856,792                  | 23,879                                                                                                  | 352,750                                                                                                                          | 376,629      | 2,233,421     |
| Disposals of investments in equity instruments designated as at fair value through other comprehensive income (Notes 7 and 18)     | -             | -               | -                 | -               | 18,567                     | -                                                                                                       | (18,567)                                                                                                                         | (18,567)     | -             |
| Associates disposed the investments in equity instruments designated as at fair value through other comprehensive income (Note 18) | -             | -               | -                 | -               | 14,593                     | -                                                                                                       | (14,593)                                                                                                                         | (14,593)     | -             |
| BALANCE AT DECEMBER 31, 2020                                                                                                       | \$ 2,313,901  | \$ 1,331,725    | \$ 2,228,083      | \$ 980,087      | \$ 6,660,831               | \$ (583,633)                                                                                            | \$ (52,985)                                                                                                                      | \$ (636,618) | \$ 12,878,009 |

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

(With Deloitte & Touche auditors' report dated March 26, 2021)

# WAH LEE INDUSTRIAL CORPORATION

## PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS (In Thousands of New Taiwan Dollars)

|                                                                                      | <b>For the Years Ended December 31</b> |              |
|--------------------------------------------------------------------------------------|----------------------------------------|--------------|
|                                                                                      | <b>2020</b>                            | <b>2019</b>  |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                                          |                                        |              |
| Income before income tax                                                             | \$ 2,104,469                           | \$ 1,605,238 |
| Adjustments for:                                                                     |                                        |              |
| Depreciation expenses                                                                | 58,658                                 | 57,015       |
| Amortization expenses                                                                | 6,770                                  | 4,868        |
| Expected credit loss                                                                 | 38,697                                 | 1,081        |
| Finance costs                                                                        | 79,298                                 | 128,708      |
| Interest income                                                                      | (709)                                  | (1,274)      |
| Dividend income                                                                      | (16,696)                               | (12,714)     |
| Share of profit of subsidiaries and associates accounted for using the equity method | (1,402,936)                            | (1,071,078)  |
| Loss (gain) on disposal of investment for using the equity method                    | 3,371                                  | (1,155)      |
| Impairment loss on non-financial assets                                              | 3,785                                  | 77,316       |
| Unrealized gain on transactions with subsidiaries                                    | 2,234                                  | 22,361       |
| Realized gain on transactions with subsidiaries                                      | (22,361)                               | (28,199)     |
| Net loss (gain) on foreign currency exchange                                         | 37,629                                 | (63,486)     |
| Others                                                                               | (2,375)                                | (1,804)      |
| Changes in operating assets and liabilities                                          |                                        |              |
| Notes receivable                                                                     | 24,190                                 | 74,622       |
| Accounts receivable                                                                  | (1,078,059)                            | 76,560       |
| Accounts receivable - related parties                                                | 213,591                                | 58,969       |
| Other receivables                                                                    | (16,251)                               | 3,408        |
| Other receivables - related parties                                                  | 113,216                                | (39,199)     |
| Inventories                                                                          | 2,844                                  | 119,231      |
| Prepayments for purchases                                                            | (313,810)                              | (319,171)    |
| Other current assets                                                                 | 1,977                                  | 12,217       |
| Contract liabilities                                                                 | 45,951                                 | 199,934      |
| Notes payable                                                                        | (294,687)                              | (187,559)    |
| Notes payable - related parties                                                      | 737                                    | (1,347)      |
| Accounts payable                                                                     | 728,787                                | (673,060)    |
| Accounts payable - related parties                                                   | (3,092)                                | (79,034)     |
| Other payables                                                                       | 93,135                                 | 13,574       |
| Refund liabilities                                                                   | 18,137                                 | 25,023       |
| Other current liabilities                                                            | 3,957                                  | (3,470)      |
| Net defined benefit liabilities                                                      | (7,467)                                | (11,507)     |
| Cash generated from (used in) operations                                             | 422,990                                | (13,932)     |
| Interest received                                                                    | 709                                    | 1,274        |
| Dividends received                                                                   | 493,329                                | 383,463      |
| Interest paid                                                                        | (86,910)                               | (123,865)    |
| Income tax paid                                                                      | (164,049)                              | (181,129)    |
| Net cash generated from operating activities                                         | 666,069                                | 65,811       |

(Continued)

# WAH LEE INDUSTRIAL CORPORATION

## PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS (In Thousands of New Taiwan Dollars)

|                                                                                                          | For the Years Ended December 31 |                          |
|----------------------------------------------------------------------------------------------------------|---------------------------------|--------------------------|
|                                                                                                          | 2020                            | 2019                     |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                                                              |                                 |                          |
| Purchase of financial assets at fair value through other comprehensive income                            | \$ (50,000)                     | \$ -                     |
| Proceeds from disposal of financial assets at fair value through other comprehensive income              | 47,285                          | 4,782                    |
| Proceeds from the capital reduction of financial assets at fair value through other comprehensive income | 1,288                           | -                        |
| Purchase of investments accounted for using the equity method                                            | (37,005)                        | (483,886)                |
| Proceeds from the capital reduction of investments accounted for using equity method                     | 3,000                           | 70,804                   |
| Payments for property, plant and equipment                                                               | (47,420)                        | (31,754)                 |
| Proceeds from disposal of property, plant and equipment                                                  | 17,194                          | 1,737                    |
| Decrease (increase) in refundable deposits                                                               | (4,538)                         | 192                      |
| Increase in other intangible assets                                                                      | (5,850)                         | (13,403)                 |
| Prepayments for investments                                                                              | <u>(10,000)</u>                 | <u>-</u>                 |
| Net cash used in investing activities                                                                    | <u>(86,046)</u>                 | <u>(451,528)</u>         |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                                                              |                                 |                          |
| Increase in short-term borrowings                                                                        | 658,903                         | 336,239                  |
| Decrease in short-term bills payable                                                                     | -                               | (100,000)                |
| Proceeds from long-term borrowings                                                                       | 8,000,385                       | 6,892,239                |
| Repayment of long-term borrowings                                                                        | (8,032,912)                     | (6,131,946)              |
| Increase in guarantee deposits received                                                                  | 89                              | -                        |
| Repayment of the principal portion of lease liabilities                                                  | (7,560)                         | (5,269)                  |
| Cash dividends                                                                                           | (763,587)                       | (740,448)                |
| Acquisition of additional interests in subsidiaries                                                      | <u>(33,422)</u>                 | <u>-</u>                 |
| Net cash generated from (used in) financing activities                                                   | <u>(178,104)</u>                | <u>250,815</u>           |
| <b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>                                              | <b>401,919</b>                  | <b>(134,902)</b>         |
| <b>CASH AT THE BEGINNING OF THE YEAR</b>                                                                 | <b><u>792,785</u></b>           | <b><u>927,687</u></b>    |
| <b>CASH AT THE END OF THE YEAR</b>                                                                       | <b><u>\$ 1,194,704</u></b>      | <b><u>\$ 792,785</u></b> |

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

(With Deloitte & Touche auditors' report dated March 26, 2021)

(Concluded)

## **INDEPENDENT AUDITORS' REPORT**

The Board of Directors and Shareholders  
Wah Lee Industrial Corporation

### **Opinion**

We have audited the accompanying consolidated financial statements of Wah Lee Industrial Corporation (the "Company") and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated balance sheets as of December 31, 2020 and 2019, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "consolidated financial statements").

In our opinion, based on our audits and the reports of other auditors (refer to Other Matter paragraph), the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2020 and 2019, 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 International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

### **Basis for Opinion**

We conducted our audit of the consolidated financial statements for the year ended December 31, 2020 in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. We conducted our audit of the consolidated financial statements for the year ended December 31, 2019 in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants, Rule No. 1090360805 issued by the Financial Supervisory Commission of the Republic of China on February 25, 2020, and 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 Consolidated Financial Statements section of our report. We are independent of the Group in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2020. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matter identified in the Group's consolidated financial statements for the year ended December 31, 2020 is discussed as follows:

### Occurrence of revenue from specific customers

The operating revenue of the Group for the year ended December 31, 2020 was NT\$59,080,920 thousand, of which the revenue and gross profit from specific customers show significant growth over the past year. In addition, based on the ROC GAAS, revenue recognition is presumed to have a significant risk. Therefore, we considered the occurrence of revenue from specific customers as a key audit matter.

Refer to Note 4 to the consolidated financial statements for the related accounting policy on revenue recognition.

The main audit procedures that we performed to address the occurrence of the revenue from specific customers were as follows:

1. We understood and tested the design and operating effectiveness of the internal controls relevant to shipment and revenue recognition.
2. We verified, on a sampling basis, the occurrence of recorded revenue from specific customers against supporting documents, including shipping and collection documents, and we checked whether the payer is the same as the buyer.

### **Other Matter**

The financial statements of certain investees accounted for using the equity method in the Group's consolidated financial statements for the years ended December 31, 2020 and 2019 were audited by other independent auditors; accordingly, our opinion insofar as it relates to the amounts and information disclosed, is based solely on the reports of other independent auditors.

The carrying values of the investments accounted for using the equity method as of December 31, 2020 and 2019 were NT\$728,537 thousand and NT\$675,514 thousand, respectively, both representing 2% of total consolidated assets; and the amounts of the share of profit of associates for the years ended December 31, 2020 and 2019 were NT\$111,793 thousand and NT\$69,036 thousand, both representing 4% of consolidated profit before income tax.

We have also audited the parent company only financial statements of Wah Lee Industrial Corporation as of and for the years ended December 31, 2020 and 2019 on which we have issued an unmodified opinion with other matter paragraph.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and the IFRS, IAS, IFRIC, and 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 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 the auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and 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 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 for the year ended December 31, 2020 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 audits resulting in this independent auditors' report are Chiu-Yen Wu and Chen-Li Chen.

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

March 26, 2021

Notice to Readers

*The accompanying consolidated financial statements are intended only to present the consolidated financial position, financial performance and cash flows in accordance with 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 applied in the Republic of China.*

*For the convenience of readers, the independent auditors' report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and consolidated financial statements shall prevail.*

# WAH LEE INDUSTRIAL CORPORATION AND SUBSIDIARIES

## CONSOLIDATED BALANCE SHEETS (In Thousands of New Taiwan Dollars)

| ASSETS                                                                                         | December 31, 2020    |            | December 31, 2019    |            |
|------------------------------------------------------------------------------------------------|----------------------|------------|----------------------|------------|
|                                                                                                | Amount               | %          | Amount               | %          |
| <b>CURRENT ASSETS</b>                                                                          |                      |            |                      |            |
| Cash and cash equivalents (Notes 4 and 6)                                                      | \$ 3,053,182         | 8          | \$ 2,348,526         | 7          |
| Financial assets at fair value through profit or loss - current (Notes 4 and 7)                | 211,665              | 1          | 172,741              | 1          |
| Financial assets at fair value through other comprehensive income - current (Notes 4 and 8)    | 119,600              | -          | 68,900               | -          |
| Notes receivable (Notes 9, 28 and 30)                                                          | 2,399,770            | 6          | 1,972,660            | 6          |
| Notes receivable - related parties                                                             | 6,925                | -          | 15,538               | -          |
| Accounts receivable, net (Notes 4, 5 and 9)                                                    | 15,111,761           | 39         | 13,482,001           | 39         |
| Accounts receivable - related parties (Notes 4, 5, 9 and 29)                                   | 113,442              | -          | 105,120              | -          |
| Other receivables                                                                              | 132,686              | -          | 65,284               | -          |
| Other receivables - related parties (Note 29)                                                  | 59,752               | -          | 83,571               | -          |
| Current tax assets                                                                             | 114                  | -          | -                    | -          |
| Merchandise (Notes 4, 5 and 10)                                                                | 4,286,609            | 11         | 3,935,974            | 11         |
| Prepayments for purchases                                                                      | 1,398,090            | 4          | 1,018,095            | 3          |
| Other financial assets - current (Notes 11 and 30)                                             | 838,212              | 2          | 858,536              | 3          |
| Other current assets                                                                           | 209,496              | 1          | 296,008              | 1          |
| Total current assets                                                                           | 27,941,304           | 72         | 24,422,954           | 71         |
| <b>NONCURRENT ASSETS</b>                                                                       |                      |            |                      |            |
| Financial assets at fair value through other comprehensive income - noncurrent (Notes 4 and 8) | 634,098              | 2          | 572,981              | 2          |
| Investments accounted for using the equity method (Notes 4 and 13)                             | 4,826,082            | 12         | 4,555,030            | 13         |
| Property, plant and equipment (Notes 4, 14, 29 and 30)                                         | 3,785,578            | 10         | 3,800,494            | 11         |
| Right-of-use assets (Notes 4 and 15)                                                           | 624,245              | 2          | 147,846              | -          |
| Goodwill (Notes 4 and 25)                                                                      | 111,809              | -          | 112,668              | -          |
| Other intangible assets                                                                        | 205,407              | 1          | 230,607              | 1          |
| Deferred tax assets (Notes 4 and 23)                                                           | 345,131              | 1          | 325,649              | 1          |
| Prepayments for equipment                                                                      | 20,663               | -          | 1,706                | -          |
| Prepayments for investments                                                                    | 10,000               | -          | -                    | -          |
| Other financial assets - noncurrent (Notes 11 and 30)                                          | 196,403              | -          | 188,572              | 1          |
| Other noncurrent assets                                                                        | 54,249               | -          | 52,367               | -          |
| Total noncurrent assets                                                                        | 10,813,665           | 28         | 9,987,920            | 29         |
| <b>TOTAL</b>                                                                                   | <b>\$ 38,754,969</b> | <b>100</b> | <b>\$ 34,410,874</b> | <b>100</b> |
| <b>LIABILITIES AND EQUITY</b>                                                                  |                      |            |                      |            |
| <b>CURRENT LIABILITIES</b>                                                                     |                      |            |                      |            |
| Short-term borrowings (Notes 16, 28 and 29)                                                    | \$ 7,400,936         | 19         | \$ 6,790,253         | 20         |
| Short-term bills payable (Note 16)                                                             | 59,917               | -          | -                    | -          |
| Financial liabilities at fair value through profit or loss - current (Notes 4 and 7)           | 280                  | -          | 1,372                | -          |
| Contract liabilities - current (Note 21)                                                       | 345,351              | 1          | 289,480              | 1          |
| Notes payable (Note 17)                                                                        | 102,174              | -          | 335,214              | 1          |
| Notes payable - related parties (Notes 17 and 29)                                              | 1,261                | -          | 201                  | -          |
| Accounts payable (Note 17)                                                                     | 7,066,208            | 18         | 5,532,981            | 16         |
| Accounts payable - related parties (Notes 17 and 29)                                           | 378,004              | 1          | 354,710              | 1          |
| Dividends payable                                                                              | 1,400                | -          | 10,352               | -          |
| Other payables (Notes 18 and 29)                                                               | 1,223,813            | 3          | 1,118,228            | 3          |
| Current tax liabilities (Note 23)                                                              | 272,968              | 1          | 221,112              | 1          |
| Lease liabilities - current (Notes 4 and 15)                                                   | 64,747               | -          | 32,649               | -          |
| Current portion of long-term borrowings (Note 16)                                              | 538,534              | 2          | 250,456              | 1          |
| Refund liabilities - current                                                                   | 174,275              | 1          | 161,493              | -          |
| Other current liabilities                                                                      | 29,053               | -          | 15,549               | -          |
| Total current liabilities                                                                      | 17,658,921           | 46         | 15,114,050           | 44         |
| <b>NONCURRENT LIABILITIES</b>                                                                  |                      |            |                      |            |
| Long-term borrowings (Note 16)                                                                 | 4,107,003            | 11         | 4,510,009            | 13         |
| Provision for employee benefits - noncurrent (Note 4)                                          | 41,875               | -          | 14,760               | -          |
| Lease liabilities - noncurrent (Notes 4 and 15)                                                | 566,902              | 1          | 109,532              | -          |
| Net defined benefit liabilities - noncurrent (Notes 4 and 19)                                  | 314,840              | 1          | 320,668              | 1          |
| Guarantee deposits received                                                                    | 1,616                | -          | 419                  | -          |
| Deferred tax liabilities (Notes 4 and 23)                                                      | 1,155,352            | 3          | 1,056,833            | 3          |
| Total noncurrent liabilities                                                                   | 6,187,588            | 16         | 6,012,221            | 17         |
| Total liabilities                                                                              | 23,846,509           | 62         | 21,126,271           | 61         |
| <b>EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Note 20)</b>                                  |                      |            |                      |            |
| Share Capital                                                                                  | 2,313,901            | 6          | 2,313,901            | 7          |
| Capital surplus                                                                                | 1,331,725            | 3          | 1,318,065            | 4          |
| Retained earnings                                                                              |                      |            |                      |            |
| Legal reserve                                                                                  | 2,228,083            | 6          | 2,084,659            | 6          |
| Special reserve                                                                                | 980,087              | 3          | 679,347              | 2          |
| Unappropriated earnings                                                                        | 6,660,831            | 17         | 6,029,012            | 17         |
| Total retained earnings                                                                        | 9,869,001            | 26         | 8,793,018            | 25         |
|                                                                                                | (2)                  |            | (3)                  |            |
| Other equity                                                                                   | (636,618)            | )          | (980,087)            | )          |
| Total equity attributable to owners of the Company                                             | 12,878,009           | 33         | 11,444,897           | 33         |
| <b>NON-CONTROLLING INTERESTS (Notes 20 and 25)</b>                                             | <b>2,030,451</b>     | <b>5</b>   | <b>1,839,706</b>     | <b>6</b>   |
| Total equity                                                                                   | 14,908,460           | 38         | 13,284,603           | 39         |
| <b>TOTAL</b>                                                                                   | <b>\$ 38,754,969</b> | <b>100</b> | <b>\$ 34,410,874</b> | <b>100</b> |

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

(With Deloitte & Touche auditors' report dated March 26, 2021)

# WAH LEE INDUSTRIAL CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

|                                                                                                                            | For the Year Ended December 31 |           |                   |           |
|----------------------------------------------------------------------------------------------------------------------------|--------------------------------|-----------|-------------------|-----------|
|                                                                                                                            | 2020                           |           | 2019              |           |
|                                                                                                                            | Amount                         | %         | Amount            | %         |
| OPERATING REVENUE (Notes 4, 21 and 28)                                                                                     | \$ 59,080,920                  | 100       | \$ 54,681,829     | 100       |
| OPERATING COSTS (Notes 10, 22 and 29)                                                                                      | <u>54,280,230</u>              | <u>92</u> | <u>50,497,138</u> | <u>92</u> |
| GROSS PROFIT                                                                                                               | <u>4,800,690</u>               | <u>8</u>  | <u>4,184,691</u>  | <u>8</u>  |
| OPERATING EXPENSES (Notes 9 and 22)                                                                                        |                                |           |                   |           |
| Selling and marketing expenses                                                                                             | 2,051,331                      | 4         | 2,015,201         | 4         |
| General and administrative expenses                                                                                        | 531,187                        | 1         | 505,988           | 1         |
| Expected credit loss                                                                                                       | <u>110,257</u>                 | <u>-</u>  | <u>89,067</u>     | <u>-</u>  |
| Total operating expenses                                                                                                   | <u>2,692,775</u>               | <u>5</u>  | <u>2,610,256</u>  | <u>5</u>  |
| OPERATING INCOME                                                                                                           | <u>2,107,915</u>               | <u>3</u>  | <u>1,574,435</u>  | <u>3</u>  |
| NON-OPERATING INCOME AND EXPENSES                                                                                          |                                |           |                   |           |
| Interest income                                                                                                            | 52,018                         | -         | 14,879            | -         |
| Other income (Notes 22 and 29)                                                                                             | 151,737                        | -         | 149,958           | -         |
| Other gains and losses (Note 22)                                                                                           | (51,449)                       | -         | (29,489)          | -         |
| Finance costs (Notes 22 and 28)                                                                                            | (204,649)                      | -         | (274,026)         | -         |
| Share of profit of associates and joint ventures                                                                           | <u>580,063</u>                 | <u>1</u>  | <u>530,407</u>    | <u>1</u>  |
| Total non-operating income and expenses                                                                                    | <u>527,720</u>                 | <u>1</u>  | <u>391,729</u>    | <u>1</u>  |
| PROFIT BEFORE INCOME TAX                                                                                                   | 2,635,635                      | 4         | 1,966,164         | 4         |
| INCOME TAX EXPENSE (Notes 4 and 23)                                                                                        | <u>589,519</u>                 | <u>1</u>  | <u>407,083</u>    | <u>1</u>  |
| NET PROFIT FOR THE YEAR                                                                                                    | <u>2,046,116</u>               | <u>3</u>  | <u>1,559,081</u>  | <u>3</u>  |
| OTHER COMPREHENSIVE INCOME (Notes 20 and 23)                                                                               |                                |           |                   |           |
| Items that will not be reclassified subsequently to profit or loss:                                                        |                                |           |                   |           |
| Remeasurement of defined benefit plans                                                                                     | (4,470)                        | -         | 9,375             | -         |
| Unrealized gain (loss) on investments in equity instruments designated as at fair value through other comprehensive income | 110,390                        | -         | (114,290)         | -         |
| Share of other comprehensive income of associates accounted for using the equity method                                    | 236,698                        | 1         | 72,454            | -         |
| Income tax relating to items that will not be reclassified subsequently to profit or loss                                  | 7,804                          | -         | 9,797             | -         |

(Continued)

# WAH LEE INDUSTRIAL CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

|                                                                                              | For the Year Ended December 31 |          |                     |          |
|----------------------------------------------------------------------------------------------|--------------------------------|----------|---------------------|----------|
|                                                                                              | 2020                           |          | 2019                |          |
|                                                                                              | Amount                         | %        | Amount              | %        |
| Items that may be reclassified subsequently to profit or loss:                               |                                |          |                     |          |
| Exchange differences on translation of the financial statements of foreign operations        | \$ 16,626                      | -        | \$ (240,268)        | (1)      |
| Share of other comprehensive gain (loss) of associates accounted for using the equity method | 9,920                          | -        | (93,657)            | -        |
| Income tax relating to items that may be reclassified subsequently to profit or loss         | (4,571)                        | -        | 45,714              | -        |
| Other comprehensive gain (loss) for the year, net of income tax                              | 372,397                        | 1        | (310,875)           | (1)      |
| TOTAL COMPREHENSIVE INCOME FOR THE YEAR                                                      | <u>\$ 2,418,513</u>            | <u>4</u> | <u>\$ 1,248,206</u> | <u>2</u> |
| NET PROFIT ATTRIBUTABLE TO:                                                                  |                                |          |                     |          |
| Owners of the Company                                                                        | \$ 1,859,120                   | 3        | \$ 1,415,822        | 3        |
| Non-controlling interests                                                                    | 186,996                        | -        | 143,259             | -        |
|                                                                                              | <u>\$ 2,046,116</u>            | <u>3</u> | <u>\$ 1,559,081</u> | <u>3</u> |
| TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:                                                  |                                |          |                     |          |
| Owners of the Company                                                                        | \$ 2,233,421                   | 4        | \$ 1,141,555        | 2        |
| Non-controlling interests                                                                    | 185,092                        | -        | 106,651             | -        |
|                                                                                              | <u>\$ 2,418,513</u>            | <u>4</u> | <u>\$ 1,248,206</u> | <u>2</u> |
| EARNINGS PER SHARE (Note 24)                                                                 |                                |          |                     |          |
| Basic                                                                                        | <u>\$ 8.03</u>                 |          | <u>\$ 6.12</u>      |          |
| Diluted                                                                                      | <u>\$ 7.81</u>                 |          | <u>\$ 5.93</u>      |          |

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

(With Deloitte & Touche auditors' report dated March 26, 2021)

(Concluded)

# WAH LEE INDUSTRIAL CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars)

|                                                                                                                                    | Equity Attributable to Owners of the Company |                 |                   |                 |                         |                                                                                       | Other Equity                                                                                | Subtotal     | Total         | Non-Controlling Interests | Total Equity  |
|------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------|-----------------|-------------------|-----------------|-------------------------|---------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------|--------------|---------------|---------------------------|---------------|
|                                                                                                                                    | Share Capital                                | Capital Surplus | Retained Earnings |                 | Unappropriated Earnings | Exchange Differences on Translation of the Financial Statements of Foreign Operations | Unrealized Gain/(Loss) on Financial Assets at Fair Value Through Other Comprehensive Income |              |               |                           |               |
|                                                                                                                                    |                                              |                 | Legal Reserve     | Special Reserve |                         |                                                                                       |                                                                                             |              |               |                           |               |
| BALANCE AT JANUARY 1, 2019                                                                                                         | \$ 2,313,901                                 | \$ 1,331,880    | \$ 1,950,063      | \$ 78,160       | \$ 6,070,997            | \$ (355,909)                                                                          | \$ (323,438)                                                                                | \$ (679,347) | \$ 11,065,654 | \$ 1,343,281              | \$ 12,408,935 |
| Appropriation of 2018 earnings                                                                                                     |                                              |                 |                   |                 |                         |                                                                                       |                                                                                             |              |               |                           |               |
| Legal reserve                                                                                                                      | -                                            | -               | 134,596           | -               | (134,596)               | -                                                                                     | -                                                                                           | -            | -             | -                         | -             |
| Special reserve                                                                                                                    | -                                            | -               | -                 | 601,187         | (601,187)               | -                                                                                     | -                                                                                           | -            | -             | -                         | -             |
| Cash dividends distributed by the Company                                                                                          | -                                            | -               | -                 | -               | (740,448)               | -                                                                                     | -                                                                                           | -            | (740,448)     | -                         | (740,448)     |
|                                                                                                                                    | -                                            | -               | 134,596           | 601,187         | (1,476,231)             | -                                                                                     | -                                                                                           | -            | (740,448)     | -                         | (740,448)     |
| Changes in percentage of ownership interests in subsidiaries (Notes 12 and 23)                                                     | -                                            | -               | -                 | -               | (8,049)                 | -                                                                                     | -                                                                                           | -            | (8,049)       | -                         | (8,049)       |
| Changes in capital surplus from investments in associates accounted for using the equity method                                    | -                                            | (13,815)        | -                 | -               | -                       | -                                                                                     | -                                                                                           | -            | (13,815)      | -                         | (13,815)      |
| Net profit for the year ended December 31, 2019                                                                                    | -                                            | -               | -                 | -               | 1,415,822               | -                                                                                     | -                                                                                           | -            | 1,415,822     | 143,259                   | 1,559,081     |
| Other comprehensive income (loss) for the year ended December 31, 2019, net of income tax                                          | -                                            | -               | -                 | -               | 7,550                   | (251,603)                                                                             | (30,214)                                                                                    | (281,817)    | (274,267)     | (36,608)                  | (310,875)     |
| Total comprehensive income (loss) for the year ended December 31, 2019                                                             | -                                            | -               | -                 | -               | 1,423,372               | (251,603)                                                                             | (30,214)                                                                                    | (281,817)    | 1,141,555     | 106,651                   | 1,248,206     |
| Cash dividends distributed by the subsidiaries                                                                                     | -                                            | -               | -                 | -               | -                       | -                                                                                     | -                                                                                           | -            | -             | (20,328)                  | (20,328)      |
| Disposals of investments in equity instruments designated as at fair value through other comprehensive income (Notes 8 and 20)     | -                                            | -               | -                 | -               | (4,652)                 | -                                                                                     | 4,652                                                                                       | 4,652        | -             | -                         | -             |
| Associates disposed the investments in equity instruments designated as at fair value through other comprehensive income (Note 20) | -                                            | -               | -                 | -               | 23,575                  | -                                                                                     | (23,575)                                                                                    | (23,575)     | -             | -                         | -             |
| Increase in non-controlling interests                                                                                              | -                                            | -               | -                 | -               | -                       | -                                                                                     | -                                                                                           | -            | -             | 410,102                   | 410,102       |
| BALANCE AT DECEMBER 31, 2019                                                                                                       | 2,313,901                                    | 1,318,065       | 2,084,659         | 679,347         | 6,029,012               | (607,512)                                                                             | (372,575)                                                                                   | (980,087)    | 11,444,897    | 1,839,706                 | 13,284,603    |
| Appropriation of 2019 earnings                                                                                                     |                                              |                 |                   |                 |                         |                                                                                       |                                                                                             |              |               |                           |               |
| Legal reserve                                                                                                                      | -                                            | -               | 143,424           | -               | (143,424)               | -                                                                                     | -                                                                                           | -            | -             | -                         | -             |
| Special reserve                                                                                                                    | -                                            | -               | -                 | 300,740         | (300,740)               | -                                                                                     | -                                                                                           | -            | -             | -                         | -             |
| Cash dividends distributed by the Company                                                                                          | -                                            | -               | -                 | -               | (763,587)               | -                                                                                     | -                                                                                           | -            | (763,587)     | -                         | (763,587)     |
|                                                                                                                                    | -                                            | -               | 143,424           | 300,740         | (1,207,751)             | -                                                                                     | -                                                                                           | -            | (763,587)     | -                         | (763,587)     |
| Changes in percentage of ownership interests in subsidiaries (Note 12)                                                             | -                                            | (846)           | -                 | -               | -                       | -                                                                                     | -                                                                                           | -            | (846)         | 846                       | -             |
| Changes in capital surplus from investments in associates accounted for using the equity method                                    | -                                            | 14,506          | -                 | -               | (50,382)                | -                                                                                     | -                                                                                           | -            | (35,876)      | -                         | (35,876)      |
| Net profit for the year ended December 31, 2020                                                                                    | -                                            | -               | -                 | -               | 1,859,120               | -                                                                                     | -                                                                                           | -            | 1,859,120     | 186,996                   | 2,046,116     |
| Other comprehensive income (loss) for the year ended December 31, 2020, net of income tax                                          | -                                            | -               | -                 | -               | (2,328)                 | 23,879                                                                                | 352,750                                                                                     | 376,629      | 374,301       | (1,904)                   | 372,397       |
| Total comprehensive income for the year ended December 31, 2020                                                                    | -                                            | -               | -                 | -               | 1,856,792               | 23,879                                                                                | 352,750                                                                                     | 376,629      | 2,233,421     | 185,092                   | 2,418,513     |
| Cash dividends distributed by the subsidiaries                                                                                     | -                                            | -               | -                 | -               | -                       | -                                                                                     | -                                                                                           | -            | -             | (3,196)                   | (3,196)       |
| Disposals of investments in equity instruments designated as at fair value through other comprehensive income (Notes 8 and 20)     | -                                            | -               | -                 | -               | 18,567                  | -                                                                                     | (18,567)                                                                                    | (18,567)     | -             | -                         | -             |
| Associates disposed the investments in equity instruments designated as at fair value through other comprehensive income (Note 20) | -                                            | -               | -                 | -               | 14,593                  | -                                                                                     | (14,593)                                                                                    | (14,593)     | -             | -                         | -             |
| Increase in non-controlling interests                                                                                              | -                                            | -               | -                 | -               | -                       | -                                                                                     | -                                                                                           | -            | -             | 8,003                     | 8,003         |
| BALANCE AT DECEMBER 31, 2020                                                                                                       | \$ 2,313,901                                 | \$ 1,331,725    | \$ 2,228,083      | \$ 980,087      | \$ 6,660,831            | \$ (583,633)                                                                          | \$ (52,985)                                                                                 | \$ (636,618) | \$ 12,878,009 | \$ 2,030,451              | \$ 14,908,460 |

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

(With Deloitte & Touche auditors' report dated March 26, 2021)

# WAH LEE INDUSTRIAL CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

|                                                                                 | For the Years Ended December 31 |              |
|---------------------------------------------------------------------------------|---------------------------------|--------------|
|                                                                                 | 2020                            | 2019         |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                                     |                                 |              |
| Income before income tax                                                        | \$ 2,635,635                    | \$ 1,966,164 |
| Adjustments for:                                                                |                                 |              |
| Depreciation expense                                                            | 277,884                         | 214,504      |
| Amortization expense                                                            | 41,073                          | 31,815       |
| Expected credit loss                                                            | 110,257                         | 89,067       |
| Net loss of financial instruments at fair value through profit or loss          | 6,464                           | 4,814        |
| Finance costs                                                                   | 204,649                         | 274,026      |
| Interest income                                                                 | (52,018)                        | (14,879)     |
| Dividend income                                                                 | (16,696)                        | (12,714)     |
| Share of profit of associates accounted for using the equity method             | (580,063)                       | (530,407)    |
| Gain on disposal of property, plant and equipment                               | (24,182)                        | (1,189)      |
| Impairment loss recognized (reversed) on non-financial assets                   | (9,074)                         | 53,689       |
| Net loss (gain) on foreign currency exchange                                    | 38,430                          | (87,709)     |
| Others                                                                          | 8,059                           | (67)         |
| Changes in operating assets and liabilities                                     |                                 |              |
| Financial assets mandatorily classified as at fair value through profit or loss | 778                             | 9,650        |
| Notes receivable                                                                | (427,110)                       | (149,619)    |
| Notes receivable - related parties                                              | 8,613                           | (15,496)     |
| Accounts receivable                                                             | (1,739,094)                     | (329,574)    |
| Accounts receivable - related parties                                           | (9,033)                         | 63,701       |
| Other receivables                                                               | (10,692)                        | (6,490)      |
| Other receivables - related parties                                             | (5,746)                         | 18,924       |
| Inventories                                                                     | (340,836)                       | 1,039,205    |
| Prepayments for purchases                                                       | (379,995)                       | (117,963)    |
| Other current assets                                                            | 86,540                          | (8,369)      |
| Financial liabilities held for trading                                          | (9,837)                         | (19,023)     |
| Contract liabilities                                                            | 55,871                          | 107,283      |
| Notes payable                                                                   | (233,040)                       | (195,890)    |
| Notes payable - related parties                                                 | 1,060                           | (1,347)      |
| Accounts payable                                                                | 1,533,227                       | (376,444)    |
| Accounts payable - related parties                                              | 23,294                          | (57,542)     |
| Other payables                                                                  | 117,421                         | 151,966      |
| Refund liabilities                                                              | 12,782                          | 29,170       |
| Other current liabilities                                                       | 13,504                          | (4,777)      |
| Net defined benefit liabilities                                                 | (9,540)                         | (9,222)      |
| Cash generated from operations                                                  | 1,328,585                       | 2,115,257    |
| Interest received                                                               | 51,433                          | 14,879       |
| Dividends received                                                              | 485,434                         | 335,880      |
| Interest paid                                                                   | (202,930)                       | (269,021)    |
| Income tax paid                                                                 | (454,447)                       | (398,971)    |
| Net cash generated from operating activities                                    | 1,208,075                       | 1,798,024    |

(Continued)

# WAH LEE INDUSTRIAL CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

|                                                                                                          | <b>For the Years Ended December 31</b> |                     |
|----------------------------------------------------------------------------------------------------------|----------------------------------------|---------------------|
|                                                                                                          | <b>2020</b>                            | <b>2019</b>         |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                                                              |                                        |                     |
| Purchase of financial assets at fair value through other comprehensive income                            | \$ (50,000)                            | \$ -                |
| Proceeds from disposal of financial assets at fair value through other comprehensive income              | 47,285                                 | 4,782               |
| Proceeds from the capital reduction of financial assets at fair value through other comprehensive income | 1,288                                  | -                   |
| Purchase of financial assets at fair value through profit or loss                                        | (478,692)                              | (304,141)           |
| Proceeds from disposal of financial assets at fair value through profit or loss                          | 443,877                                | 291,853             |
| Purchase of investments accounted for using the equity method                                            | (7,005)                                | (7,310)             |
| Proceeds from disposal of investments accounted for using the equity method                              | 82,897                                 | -                   |
| Net cash outflow on acquisition of subsidiaries (Notes 25 and 26)                                        | (3,000)                                | (401,261)           |
| Payments for property, plant and equipment                                                               | (348,003)                              | (430,499)           |
| Proceeds from disposal of property, plant and equipment                                                  | 137,265                                | 3,373               |
| Payments for intangible assets                                                                           | (5,850)                                | (13,776)            |
| Decrease (increase) in other financial assets                                                            | 12,493                                 | (776,529)           |
| Increase in other noncurrent assets                                                                      | (9,031)                                | (4,168)             |
| Prepayments for investments                                                                              | <u>(10,000)</u>                        | <u>-</u>            |
| Net cash used in investing activities                                                                    | <u>(186,476)</u>                       | <u>(1,637,676)</u>  |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                                                              |                                        |                     |
| Increase (decrease) in short-term borrowings                                                             | 551,400                                | (114,677)           |
| Increase (decrease) in short-term bills payable                                                          | 59,840                                 | (100,000)           |
| Proceeds from long-term borrowings                                                                       | 8,147,702                              | 5,575,433           |
| Repayment of long-term borrowings                                                                        | (8,264,918)                            | (4,588,851)         |
| Decrease in guarantee deposits received                                                                  | 1,197                                  | -                   |
| Repayment of the principal portion of lease liabilities                                                  | (66,892)                               | (54,833)            |
| Cash dividends                                                                                           | (763,587)                              | (740,448)           |
| Change in non-controlling interests                                                                      | <u>(4,145)</u>                         | <u>(13,651)</u>     |
| Net cash used in financing activities                                                                    | <u>(339,403)</u>                       | <u>(37,027)</u>     |
| <b>EFFECT OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS</b>                       | <u>22,460</u>                          | <u>(316,646)</u>    |
| <b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>                                              | 704,656                                | (193,325)           |
| <b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>                                            | <u>2,348,526</u>                       | <u>2,541,851</u>    |
| <b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>                                                  | <u>\$ 3,053,182</u>                    | <u>\$ 2,348,526</u> |

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

(With Deloitte & Touche auditors' report dated March 26, 2021)

(Concluded)

## WAH LEE INDUSTRIAL CORP.

## PROFIT DISTRIBUTION TABLE

Year 2020

Unit: NTD \$

| Items                                                                                                              | Amount        |               |
|--------------------------------------------------------------------------------------------------------------------|---------------|---------------|
|                                                                                                                    | Subtotal      | Total         |
| Beginning retained earnings                                                                                        |               | 4,821,260,270 |
| Add: Accumulated gain or loss transferred from equity instruments on fair value through other comprehensive income | 33,160,171    |               |
| Less: Retained earnings adjustment for equity investments                                                          | (50,382,405)  |               |
| Less: Defined benefit plans recognized under retained earnings                                                     | (2,326,661)   |               |
| Undistributed earnings after adjustments                                                                           |               | 4,801,711,375 |
| Add: net profit after tax                                                                                          | 1,859,119,537 |               |
| Less: 10% legal reserve                                                                                            | (183,957,064) |               |
| Add: Reversal of special reserve                                                                                   | 343,468,700   |               |
| Distributable net profit in current period                                                                         |               | 6,820,342,548 |
| Distributable items:                                                                                               |               |               |
| Dividend to shareholders- cash dividend (NT\$ 4.00/share)                                                          | (925,560,552) |               |
| Unappropriated retained earnings                                                                                   |               | 5,894,781,996 |

Note: 2020 earnings will be first to be distributed.

Chairman: Jui-Chin Chang

General Manager : Tsun-Hsien Chang

Accounting

Supervisor: Kuo-Ping Li

## WAH LEE INDUSTRIAL CORP.

## Amendments to “Articles of Incorporation of the Company” and the Comparisons

| Article # | Description                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | Amendment basis and reason                                                                                                                                                                  |
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|           | Before the amendment                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | After the amendment                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |                                                                                                                                                                                             |
| Article 2 | <p>Article 2: Business scope covered by Company are as follows:</p> <p>1. F401010 International Trade</p> <p><del>2. F107120 Wholesale of Precision Chemical Materials</del></p> <p><del>3. F107140 Wholesale of Raw Plastic Material</del></p> <p>4. F119010 F119010 Wholesale of Electronic Materials</p> <p>5. F113110 Wholesale of Batteries</p> <p>6. F113070 Wholesale of Telecommunication Apparatus</p> <p>7. F213010 Retail Sale of Electrical Appliances</p> <p>8. F108031 Wholesale of Medical Devices.</p> <p><del>9. F107130 Wholesale of Synthetic Resin.</del></p> <p><del>10. F107150 Wholesale of Synthetic Rubber</del></p> <p>11. F107170 Wholesale of Industrial Catalyst</p> <p>12. F113100 Wholesale of Pollution Controlling Equipments</p> <p>13. F120010 Wholesale of Refractory Materials</p> <p><del>14. F107990 Wholesale of Other Chemical Products (photoresist, stripper, metal oxides, silicon oxide polishing compound, silicon carbide heating element, glass substrate, conductive glass, liquid crystal, dry film resist, foaming agent, refrigerant, air conditioner coolant, automobile and refrigerator coolant, elastic</del></p> | <p>Article 2: Business scope covered by Company are as follows:</p> <p>1. F401010 International Trade</p> <p>2. F119010 Wholesale of Electronic Materials</p> <p>3. F113110 Wholesale of Batteries</p> <p>4. F113070 Wholesale of Telecommunication Apparatus</p> <p>5. F213010 Retail Sale of Electrical Appliances</p> <p>6. F108031 Wholesale of Medical Devices</p> <p>7. F107170 Wholesale of Industrial Catalyst</p> <p>8. F113100 Wholesale of Pollution Controlling Equipments</p> <p>9. F120010 Wholesale of Refractory Materials</p> <p><b>10. F107990 Wholesale of Other Chemical Products</b></p> <p>11. F113030 Wholesale of Precision Instruments.</p> <p>12. F103010 Wholesale of Animal Feeds</p> <p>13. F202010 Retail Sale of Feeds</p> <p>14. D101060 Self-usage Power Generation Equipment Utilizing Renewable Energy Industry.</p> <p>15. E601010 Electric Appliance Construction</p> <p>16. IG03010 Energy Technical Services</p> <p>17. I301010 Information Software Services.</p> <p>18. I301020 Data Processing Services</p> <p>19. J101040 Waste Treatment</p> <p>20. J101060 Wastewater (Sewage)</p> | <p>1. Updating business item names and codes, by the requests from the business registration office under Ministry of Economic Affairs.</p> <p>2. Adjusting the order of business items</p> |

| Article # | Description                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | Amendment basis and reason |
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|           | Before the amendment                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | After the amendment                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |                            |
|           | <p><del><b>fiber, glass fiber, carbon fiber, boron fiber, polyethylene fiber)</b></del></p> <p><u>15.</u> F113030 Wholesale of Precision Instruments.</p> <p><u>16.</u> F103010 Wholesale of Animal Feeds</p> <p><u>17.</u> F202010 Retail Sale of Feeds</p> <p><u>18.</u> D101060 Self-usage Power Generation Equipment Utilizing Renewable Energy Industry</p> <p><u>19.</u> E601010 Electric Appliance Construction</p> <p><u>20.</u> IG03010 Energy Technical Services</p> <p><u>21.</u> I301010 Information Software Services</p> <p><u>22.</u> I301020 Data Processing Services</p> <p><u>23.</u> J101040 Waste Treatment</p> <p><u>24.</u> J101060 Wastewater (Sewage) Treatment</p> <p><del><b>25. J101080 Resource Recycling</b></del></p> <p><u>26.</u> F106040 Wholesale of Plumbing Materials</p> <p><u>27.</u> F105050 Wholesale of Furniture, Bedding Kitchen Utensils and Fixtures</p> <p><u>28.</u> F106050 Wholesale of Ceramic and Glassware</p> <p><u>29.</u> ZZ99999 All business items that are not prohibited or restricted by law, except those that are subject to special approval.</p> | <p>Treatment.</p> <p><b><u>21. J101080 Resource Recycling</u></b></p> <p><u>22.</u> F106040 Wholesale of Plumbing Materials</p> <p><u>23.</u> F105050 Wholesale of Furniture, Bedding Kitchen Utensils and Fixtures.</p> <p><u>24.</u> F106050 Wholesale of Ceramic and Glassware.</p> <p><b><u>25. F107200 Wholesale of Chemical Feedstock</u></b></p> <p><u>26.</u> ZZ99999 All business items that are not prohibited or restricted by law, except those that are subject to special approval.</p> |                            |

| Article #  | Description                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |                                                                                                                                                                                                    | Amendment basis and reason                                                                                                                                          |
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|            | Before the amendment                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | After the amendment                                                                                                                                                                                |                                                                                                                                                                     |
| Article 6  | <p><del>All shares issued are registered certificates which are affixed with signatures or seals from three company directors and issued after certification by the regulator or its authorized agency.</del></p> <p><del>Printing of share certificates for a particular new issuance shall be centralized according to the number of new shares and kept by a centralized securities depository enterprise.</del></p> <p><del>The Company may be exempted from printing any share certificate for a new issuance and register the issued shares with a centralized securities depository enterprise.</del></p> | <p><b>Shares issued by the Company through dematerialized format shall be kept or registered with a centralized securities depository enterprise.</b></p>                                          | <p>All new shares to be issued will be through dematerialized format, by the requests from the business registration office under Ministry of Economic Affairs.</p> |
| Article 24 | <p>The Articles of Incorporation was created on August 22, 1968, with the first amendment on April 03, 1974... and the 45th amendment on August 28, 2020.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                    | <p>The Articles of Incorporation was created on August 22, 1968, with the 1st amendment on April 03, 1974... and 45th amendment on August 28, 2020 and <b>46th amendment on May 28, 2021 .</b></p> | <p>Notes made to the current amendment.</p>                                                                                                                         |

## WAH LEE INDUSTRIAL CORP.

## Amendments to “Procedures of Assets Acquisition and Disposal” and the Comparisons

| Article # | Description                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | Amendment basis and reason                                          |
|-----------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------|
|           | Before the amendment                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | After the amendment                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |                                                                     |
| Article 7 | Procedures of appraisal and operation<br><Paragraph 1, un-amended>                                                                                                                                                                                                                                                                                                                                                                                                                                                   | Procedures of appraisal and operation<br><Paragraph 1, un-amended>                                                                                                                                                                                                                                                                                                                                                                                                                                                   | 1. Investment limit adjustment and associated authorized hierarchy. |
|           | 2. Investment limits and the hierarchy of decision-making authority and delegation<br><br>(1) Valuable securities shall be acquired and disposed under the guidance approved by the Company. Any transactions< NT\$ 100 million shall be approved by the Board before proceeding.<br><br>(2) Property, plant and equipment for both business and non-business use shall be handled under the guidance approved by the Company. Any transactions < NT\$ 100 million shall be approved by the Board before proceeding. | 2. Investment limits and the hierarchy of decision-making authority and delegation<br><br>(1) Valuable securities shall be acquired and disposed under the guidance approved by the Company. Any transactions< NT\$ 300 million shall be approved by the Board before proceeding.<br><br>(2) Property, plant and equipment for both business and non-business use shall be handled under the guidance approved by the Company. Any transactions < NT\$ 300 million shall be approved by the Board before proceeding. | 2. The execution body<br>3. Text revision                           |
|           | <Paragraph 2, Subparagraph 3~5, un-amended><br><br>(6) For derivative instruments, an application from the charged personnel is required for approvals from the associated supervisor and the chairman, apart from the consideration of business growth and the then risk exposure. No transaction adjustment shall be proceeded before an approval from the chairman. When the execution timing is under consideration, the charged person is allowed to proceed after obtaining oral                               | <Paragraph 2, Subparagraph 3~5, un-amended><br><br>(6) For derivative instruments, an application from the charged personnel is required for approvals from the associated supervisor and the <b><u>Chairman or authorized top executives</u></b> , apart from the consideration of business growth and the then risk exposure. No transaction adjustment shall be proceeded before an approval from <b><u>the Chairman or authorized top executives</u></b> . When the execution timing is under                    |                                                                     |

| Article # | Description                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | Amendment basis and reason |
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|           | Before the amendment                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | After the amendment                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |                            |
|           | <p>approval from the associated supervisor and the chairman, trailed by a supplementary application afterward. Followed-up reporting regarding the transaction shall be made to the Board.</p> <p>&lt;Paragraph 2, Subparagraph 7~9, un-amended&gt;</p> <p>III. The execution body</p> <p>The reporting hierarchy below shall be followed when acquiring or disposing an asset with approval from the Board when necessary.</p> <p>(1) For unlisted securities, all transactions shall be handled according to “Investment Cycle” under the internal control system by the Department of Investor Relationship &amp; Investment Management and the Finance Department. For listed securities, a dedicated personnel is appointed by the Chairman to handle the related transactions in the centralized securities exchange market or the OTC securities market.</p> <p>(2) For property, plant and equipment, all transactions shall be handled according to “Property, Plant and Equipment Cycle” by the Operation Support Department.</p> <p>(3) For membership or intangible asset, all transactions shall be</p> | <p>consideration, the charged person is allowed to proceed after obtaining oral approval from the associated supervisor and <b><u>the Chairman or authorized top executives</u></b>, trailed by a supplementary application afterward. Followed-up reporting regarding the transaction shall be made to the Board.</p> <p>&lt;Paragraph 2, Subparagraph 7~9, un-amended&gt;</p> <p>III. The execution body</p> <p>The reporting hierarchy below shall be followed when acquiring or disposing an asset with approval from the Board when necessary.</p> <p>(1) For unlisted securities, all transactions shall be handled according to “Investment Cycle” under the internal control system by the <b><u>Investment Management</u></b>, Investor Relationship &amp; Investment Management Department and the Finance Department. For listed securities, a dedicated personnel is appointed by the Chairman to handle the related transactions in the centralized securities exchange market or the OTC securities market.</p> <p>(2) For property, plant and equipment, all transactions shall be handled according to “Property, Plant and Equipment Cycle” by the Operation Support Department.</p> <p>(3) For membership or intangible</p> |                            |

| Article # | Description                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | Amendment basis and reason |
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|           | Before the amendment                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | After the amendment                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |                            |
|           | <p>approved by the Operation Support Department before proceeding by user or associated departments.</p> <p>(4) For derivative products, all transactions shall be handled by the Finance Department according to the Procedures herein.</p> <p>(5) When conducting a merger, demerger, acquisition, or transfer of shares, the Company shall engage an attorney, CPA, and securities underwriter to formulate an execution time table according to the laws, and establish a task force to proceed accordingly.</p> <p>&lt;Paragraph 4~7, un-amended&gt;</p> <p>8. The calculation of the transaction amounts referred to in Paragraph 4~6 shall be done in accordance with <b>Point #1.5</b> under Article 11, herein, and "within the preceding year" as used herein refers to the year preceding the date of the transaction occurrence. Items for which an appraisal report from a professional appraiser or a CPA's opinion has been obtained need not be counted toward the transaction amount.</p> <p>9. For transactions of material assets, a consent from the Audit Committee shall be obtained before submitting to the Board for resolution.</p> | <p>asset, all transactions shall be approved by the Operation Support Department before proceeding by user or associated departments.</p> <p>(4) For derivative products, all transactions shall be handled by the Finance Department according to the Procedures herein.</p> <p>(5) When conducting a merger, demerger, acquisition, or transfer of shares, the Company shall engage an attorney, CPA, and securities underwriter to formulate an execution time table according to the laws, and establish a task force to proceed accordingly.</p> <p>&lt;Paragraph 4~7, un-amended&gt;</p> <p>8. The calculation of the transaction amounts referred to in Paragraph #4~6 shall be done in accordance with <b><u>Paragraph #2</u></b> under Article 11, herein, and "within the preceding year" as used herein refers to the year preceding the date of the transaction occurrence. Items for which an appraisal report from a professional appraiser or a CPA's opinion has been obtained need not be counted toward the transaction amount.</p> <p>9. For transactions of material assets, a consent from the Audit Committee shall be obtained before submitting to the Board for resolution.</p> |                            |

| Article # | Description                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | Amendment basis and reason                  |
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|           | Before the amendment                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | After the amendment                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |                                             |
| Article 8 | <p>Procedures handling related party transactions</p> <p>1. When engaging in any acquisition or disposal of assets, including right-of-use types, from or to a related party, in addition to complying with the procedures for real property and ensuring that the necessary resolutions are adopted and the reasonableness of the transaction is appraised based on the provisions below, the Company shall also obtain an appraisal report from a professional appraiser or a CPA's opinion in compliance with the provisions of the preceding Section and this Section if the transaction amount reaches 10% or more of the company's total assets,</p> <p>The calculation of the transaction amount referred to in the preceding paragraph shall be made in accordance with Article 7, Paragraph 8 herein.</p> <p>When judging whether the counterparty is a related party, the substance of the relationship shall also be considered in addition to the legal formalities.</p> <p>2. Procedures of appraisal and operation</p> <p>When the Company intends to acquire or dispose of real property or right-of-use assets thereof from or to a related party, or when the transaction value reaches 20% or more of paid-in capital, 10% or more of the Company's total assets, or NT\$300 million or more, except for domestic government bonds or bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities</p> | <p>Procedures handling related party transactions</p> <p>1. When engaging in any acquisition or disposal of assets, including right-of-use types, from or to a related party, in addition to complying with the procedures for real property and ensuring that the necessary resolutions are adopted and the reasonableness of the transaction is appraised based on the provisions below, the Company shall also obtain an appraisal report from a professional appraiser or a CPA's opinion in compliance with the provisions of the preceding Section and this Section if the transaction amount reaches 10% or more of the company's total assets,</p> <p>The calculation of the transaction amount referred to in the preceding paragraph shall be made in accordance with Article 7, Paragraph 8 herein.</p> <p><u>When</u> judging whether the counterparty is a related party, the substance of the relationship shall also be considered in addition to the legal formalities.</p> <p>2. Procedures of appraisal and operation</p> <p>When the Company intends to acquire or dispose of real property or right-of-use assets thereof from or to a related party, or when the transaction value reaches 20% or more of paid-in capital, 10% or more of the Company's total assets, or NT\$300 million or more, except for domestic government bonds or bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities</p> | <p>Article text adjustment and revision</p> |

| Article # | Description                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | Amendment basis and reason |
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|           | Before the amendment                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | After the amendment                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |                            |
|           | <p>investment trust enterprises, the Company may not proceed to enter into a transaction contract or make a payment until the following matters have been consented by the Audit Committee and approved by :</p> <p>(1) The purpose, necessity and anticipated benefits of the acquisition or disposal of assets.</p> <p>(2) The reason for choosing the related party as a transaction counterparty.</p> <p>(3) With respect to the acquisition of real property or right-of-use assets thereof from a related party, information regarding appraisal of the reasonableness of the preliminary transaction terms in accordance with Paragraph 3, Subparagraph (1) and (5) under the current Article.</p> <p>(4) The date and price at which the related party originally acquired the real property, the original transaction counterparty, and that transaction counterparty's relationship to the Company and the related party.</p> <p>(5) Monthly cash flow forecasts for a year commencing from the projected month of contract signing, and the necessity evaluation of the transaction, and reasonableness of the funds utilization.</p> <p>(6) An appraisal report from a professional appraiser or a CPA's opinion obtained in compliance with the Paragraph #1.</p> | <p>investment trust enterprises, the Company may not proceed to enter into a transaction contract or make a payment until the following matters have been consented by the Audit Committee and approved by :</p> <p>(1) The purpose, necessity and anticipated benefits of the acquisition or disposal of assets.</p> <p>(2) The reason for choosing the related party as a transaction counterparty.</p> <p>(3) With respect to the acquisition of real property or right-of-use assets thereof from a related party, information regarding appraisal of the reasonableness of the preliminary transaction terms in accordance with Paragraph 3, Subparagraph (1) and (5) under the current Article.</p> <p>(4) The date and price at which the related party originally acquired the real property, the original transaction counterparty, and that transaction counterparty's relationship to the Company and the related party.</p> <p>(5) Monthly cash flow forecasts for a year commencing from the projected month of contract signing, and the necessity evaluation of the transaction, and reasonableness of the funds utilization.</p> <p>(6) An appraisal report from a professional appraiser or a CPA's opinion obtained in compliance with the Paragraph #1.</p> |                            |

| Article # | Description                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | Amendment basis and reason |
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|           | Before the amendment                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | After the amendment                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |                            |
|           | <p>(7) Restrictive covenants and other important stipulations associated with the transaction.</p> <p><b><u>When a transaction is submitted for discussion by the Board pursuant to matter above, the Board shall take into full consideration each independent director's opinions. Any objection or reservation expressed by independent directors shall be recorded in the minutes of the Board meeting.</u></b></p> <p>The calculation of the transaction amounts referred to in the preceding paragraph shall be made in accordance with Article 11, Paragraph 2, 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 need not be counted toward the transaction amount.</p> <p>With respect to the types of transactions listed below, when to be conducted between the Company and its parent or subsidiaries, or between its subsidiaries in which it directly or indirectly holds 100% of the issued shares or authorized capital, the Company's Board may, pursuant to Article 7, Paragraph 2, <b>Subparagraph 2</b>, delegate the chairman to decide such matters when the transaction value is within a certain range and have the decision subsequently submitted to and ratified by the next Board meeting:</p> <p>(1) Acquisition or disposal of equipment or right-of-use assets thereof held for business use.</p> | <p>(7) Restrictive covenants and other important stipulations associated with the transaction.</p> <p>The calculation of the transaction amounts referred to in the preceding paragraph shall be made in accordance with Article 11, Paragraph 2, 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 need not be counted toward the transaction amount.</p> <p>With respect to the types of transactions listed below, when to be conducted between the Company and its parent or subsidiaries, or between its subsidiaries in which it directly or indirectly holds 100 % of the issued shares or authorized capital, the Company's Board may, pursuant to Article 7, Paragraph 2, <del>Subparagraph 2</del>, delegate the chairman to decide such matters when the transaction value is within a certain range and have the decision subsequently submitted to and ratified by the next Board meeting:</p> <p>(1) Acquisition or disposal of equipment or right-of-use assets thereof held for business use.</p> <p>(2) Acquisition or disposal of property right-of-use assets held for business use.</p> <p><b><u>When a transaction is submitted for discussion by the Board pursuant to matter above, the Board shall take into full consideration each independent director's opinions. Any objection</u></b></p> |                            |

| Article # | Description                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | Amendment basis and reason |
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|           | Before the amendment                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | After the amendment                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |                            |
|           | <p>(2) Acquisition or disposal of property right-of-use assets held for business use.</p> <p>3. Assessment of reasonableness of transaction costs</p> <p>&lt;Paragraph 3, Subparagraph 1~4, un-amended&gt;</p> <p>(5) Where the appraisal value, derived according to Paragraph 3, Subparagraph (1)~(2) herein, of a real property acquired from a related party by the Company is lower than the transaction price, the transaction shall be handed in accord with Paragraph 3, Subparagraph (6). 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:</p> <p>1. Where the related party acquired undeveloped land or leased land for development, it may submit proof of compliance with one of the following conditions:</p> <p>(1) Where undeveloped land is appraised in accordance with the means in the preceding Article with premises are based on the related party's construction costs plus</p> | <p><b><u>or reservation expressed by independent directors shall be recorded in the minutes of the Board meeting.</u></b></p> <p>3. Assessment of reasonableness of transaction costs</p> <p>&lt;Paragraph 3, Subparagraph 1~4, un-amended&gt;</p> <p>(5) Where the appraisal value, derived according to Paragraph 3, Subparagraph (1)~(2) herein, of a real property acquired from a related party by the Company is lower than the transaction price, the transaction shall be handed in accord with Paragraph 3, Subparagraph (6). 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:</p> <p>1. Where the related party acquired undeveloped land or leased land for development, it may submit proof of compliance with one of the following conditions:</p> <p>(1) Where undeveloped land is appraised in accordance with the means in the preceding Article with premises are</p> |                            |

| Article # | Description                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | Amendment basis and reason |
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|           | <p>reasonable construction profit, the sum of the two values is 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 three years or the gross profit margin for the construction industry for the most recent period as announced by the Ministry of Finance, whichever is lower.</p> <p>(2) Completed transactions by unrelated parties within the preceding year involving other floors of the same property or in a neighboring area, where the property area and transaction terms are similar after consideration of reasonable price discrepancies in accordance with standard property market sale practices.</p> <p><b><u>(3) Leasing cases by unrelated parties within the preceding year involving other floors of the same property, where the transaction terms are similar after calculation of reasonable price discrepancies in floor in accordance with standard property</u></b></p> | <p>based on the related party's construction costs plus reasonable construction profit, the sum of the two values is 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 three years or the gross profit margin for the construction industry for the most recent period as announced by the Ministry of Finance, whichever is lower.</p> <p>(2) Completed transactions by unrelated parties within the preceding year involving other floors of the same property or in a neighboring area, where the property size and transaction terms are similar after consideration of reasonable price discrepancies in accordance with standard property market sale or leasing practices.</p> <p><b><u><del>(3) Leasing cases by unrelated parties within the preceding year involving other floors of the same property, where the transaction terms are similar after</del></u></b></p> |                            |

| Article # | Description                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | Amendment basis and reason |
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|           | <p><b><u>leasing practices.</u></b></p> <p>2. Where the Company acquiring real property, or obtaining real property right-of-use assets through leasing, from a related party provides evidence that the terms of the transaction are similar to the terms of completed transactions involving neighboring area of a similar size by unrelated parties within the preceding year.</p> <p>Completed transactions involving neighboring area in the preceding paragraph in principle refer to properties in the same or an adjacent block and within a distance of no more than 500 meters or of a similar current assess value. Transactions involving similarly sized properties in principle refer to transactions completed by unrelated parties for properties with an area of no less than 50% of the property in the planned transaction. “Within the preceding year” refers to the year preceding the date of occurrence of the acquisition of the real property or obtainment of the right-of-use assets thereof.</p> <p>&lt;Paragraph 3, Subparagraph 6~8, un-amended&gt;</p> | <p><del><b><u>calculation of reasonable price discrepancies in floor in accordance with standard property leasing practices.</u></b></del></p> <p>2. Where the Company acquiring real property, or obtaining real property right-of-use assets through leasing, from a related party provides evidence that the terms of the transaction are similar to the terms of completed transactions involving neighboring area of a similar size by unrelated parties within the preceding year.</p> <p>Completed transactions involving neighboring area in the preceding paragraph in principle refer to properties in the same or an adjacent block and within a distance of no more than 500 meters or of a similar current assess value. Transactions involving similarly sized properties in principle refer to transactions completed by unrelated parties for properties with an area of no less than 50% of the property in the planned transaction. “Within the preceding year” refers to the year preceding the date of occurrence of the acquisition of the real property or obtainment of the right-of-use assets thereof.</p> <p>&lt;Paragraph 3, Subparagraph 6~8, un-amended&gt;</p> |                            |

| Article # | Description                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | Amendment basis and reason                                            |
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| Article 9 | <p>Procedures of acquiring or disposing derivative products</p> <p>I. Transaction principles and guidelines</p> <p>&lt;Paragraph 1, Subparagraph1~3, un-amended&gt;</p> <p>(IV)Performance evaluation</p> <p>1.Hedging performance is evaluated against the pre-determined strategy. The Fiance Department shall use the prevailing market prices for performance evaluation every two weeks and hand in a evaluation report covering the previous month to the <b><u>Chairman</u></b> during the first week of the month.</p> <p>2.The Finance Department shall provide an assessment to foreign exchange position along with the market trend &amp; analysis. Any abnormality discovered, during regular evaluation, shall respond with necessary measures immediately and report to the <b><u>Chairman</u></b>.</p> <p>&lt;Paragraph 1, Subparagraph5, un-amended&gt;</p> <p>&lt;Paragraph2~6, un-amended&gt;</p> | <p>Procedures of acquiring or disposing derivative products</p> <p>I. Transaction principles and guidelines</p> <p>&lt;Paragraph 1, Subparagraph1~3, un-amended&gt;</p> <p>(4) Performance evaluation</p> <p>1.Hedging performance is evaluated against the pre-determined strategy. The Fiance Department shall use the prevailing market prices for performance evaluation every two weeks and hand in a evaluation report covering the previous month to the <b><u>Chairman or authorized top executives</u></b> during the first week of the month.</p> <p>2.The Finance Department shall provide an assessment to foreign exchange position along with the market trend &amp; analysis. Any abnormality discovered, during regular evaluation, shall respond with necessary measures immediately and report to the <b><u>Chairman or authorized top executives</u></b>.</p> <p>&lt;Paragraph 1, Subparagraph5, un-amended&gt;</p> <p>&lt;Paragraph2~6, un-amended&gt;</p> | <p>1. Adjustment of authorizing hierarchy</p> <p>2. Text revision</p> |

| Article #  | Description                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | Amendment basis and reason           |
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| Article 10 | Procedures handling merger, demerger, acquisition, or transfer of shares.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | Procedures handling merger, demerger, acquisition, or transfer of shares.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | Article text adjustment and revision |
|            | <p><b><u>1. Dates of Board meeting and shareholders' meetings</u></b></p> <p>A company participating in a merger, demerger, or acquisition shall convene a board meeting and shareholders meeting on the day of the transaction to resolve matters relevant to the merger, demerger, or acquisition, unless another act provides otherwise or the FSC is notified in advance of extraordinary circumstances and grants consent.</p> <p>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.</p> <p>A company participating in a transfer of shares shall call a board meeting on the day of the transaction, unless another act provides otherwise or the FSC is notified in advance of extraordinary circumstances and grants consent.</p> <p>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</p> | <p><b><u>1. Determination of share exchange ratios or acquiring price</u></b></p> <p>Companies involved a merger, demerger, acquisition, or transfer of shares shall, prior to the Board meetings of the both parties, engage a CPA, attorney, or underwriter to give an opinion on the reasonableness of the share exchange ratio, acquisition price, shareholder cash or other distributions, and make such a reporting in their shareholders' meeting.</p> <p>The requirement of obtaining an opinion on reasonableness issued by an expert may be exempted in the case of a merger by the Company of a subsidiary in which it directly or indirectly holds 100% of the issued shares or authorized capital.</p> <p><b><u>2. Dates of Board meeting and shareholders' meeting</u></b></p> <p>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.</p> <p>A company participating in a</p> |                                      |

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|           | <p>an OTC market shall prepare a full written record of the following information and retain it for 5 years for reference:</p> <p>(1) Personnel basic information: Including the position titles, names, and national ID numbers (or passport numbers in the case of foreign nationals) of every member involved in the planning or implementation of any merger, demerger, acquisition, or transfer of another company's shares prior to disclosure of the information.</p> <p>(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.</p> <p>(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.</p> <p>When participating in a merger, demerger, acquisition, or transfer of another company's shares, a company listed on an exchange or on an OTC market, the Company shall submit information listed in the Subparagraph 1 and 2 under the previous Paragraph, in the prescribed format and via the Internet-based information system to the FSC for recordation within two days starting from the date of the</p> | <p><b>merger, demerger, or acquisition shall convene a board meeting and shareholders meeting on the day of the transaction to resolve matters relevant to the merger, demerger, or acquisition, unless another act provides otherwise or the FSC is notified in advance of extraordinary circumstances and grants consent.</b></p> <p>A company participating in a transfer of shares shall call a board meeting on the day of the transaction, unless another act provides otherwise or the FSC is notified in advance of extraordinary circumstances and grants consent.</p> <p>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:</p> <p>(1) Personnel basic information: Including the position titles, names, and national ID numbers (or passport numbers in the case of foreign nationals) of every member involved in the planning or implementation of any merger, demerger, acquisition, or transfer of another company's shares prior to disclosure of the information.</p> <p>(2) Dates of material events: Including the signing of any letter of intent or memorandum of understanding, the hiring of</p> |                            |

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|           | <p>Board resolution.</p> <p>Where any of the companies participating in a merger, demerger, acquisition, or transfer of another company's shares which are neither listed on an exchange nor traded on an OTC market, the Company shall sign an agreement with such companies and proceed the transaction according to Paragraph 4, Subparagraph 1~3.</p> <p><u>2.</u> Prior confidential agreement</p> <p>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.</p> <p><u>3.</u> Principles for <b>determination</b> or changes of share exchange ratios or acquisition price</p> <p><b>Companies involved a merger, demerger, acquisition, or transfer of shares shall, prior to the Board meetings of the both parties, engage a CPA, attorney, or underwriter to give an opinion on the reasonableness of the share exchange ratio, acquisition price, shareholder cash or other distributions, and make such a reporting in their shareholders' meeting.</b> No share exchange ratio or acquisition price can be altered arbitrarily, unless such terms are</p> | <p>a financial or legal advisor, the execution of a contract, and the convening of a board of directors meeting.</p> <p>(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.</p> <p>When participating in a merger, demerger, acquisition, or transfer of another company's shares, a company listed on an exchange or on an OTC market, the Company shall submit information listed in the Subparagraph 1 and 2 under the previous Paragraph, in the prescribed format and via the Internet-based information system to the FSC for recordation within two days starting from the date of the Board resolution.</p> <p>Where any of the companies participating in a merger, demerger, acquisition, or transfer of another company's shares which are neither listed on an exchange nor traded on an OTC market, the Company shall sign an agreement with such companies and proceed the transaction according to Paragraph 4, Subparagraph 1~3.</p> <p><u>3.</u> Prior confidential agreement</p> <p>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</p> |                            |

| Article # | Description                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | Amendment basis and reason |
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|           | <p>stipulated in the contract and that have been publicly disclosed. Conditions triggering changes of share exchange ratio or acquisition price are as follows:</p> <p>(1) Cash capital increase, issuance of convertible corporate bonds, or the issuance of bonus shares, issuance of corporate bonds with warrants, preferred shares with warrants, stock warrants, or other equity based securities.</p> <p>(2) An action, such as a disposal of major assets, that affects the company's financial operations.</p> <p>(3) An event, such as a major disaster or major change in technology, that affects shareholder equity or share price.</p> <p>(4) An adjustment where any of the companies participating in the merger, demerger, acquisition, or transfer of shares from another company, buys back treasury stock.</p> <p>(5) An increase or decrease in the number of entities or companies participating in the merger, demerger, acquisition, or transfer of shares.</p> <p>(6) Other terms or conditions that the contract stipulates may be altered and that have been publicly disclosed.</p> <p><b>4. Terms and conditions in the transaction contract:</b></p> <p>Apart from complying with Company Act and the associated regulation, the contract for participation in a merger, demerger, acquisition, or of shares shall record the rights and obligations of the companies</p> | <p>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.</p> <p><b>4. Principles for changes of share exchange ratios or acquisition price</b></p> <p>No share exchange ratio or acquisition price can be altered arbitrarily, unless such terms are stipulated in the contract and that have been publicly disclosed. Conditions triggering changes of share exchange ratio or acquisition price are as follows:</p> <p>(1) Cash capital increase, issuance of convertible corporate bonds, or the issuance of bonus shares, issuance of corporate bonds with warrants, preferred shares with warrants, stock warrants, or other equity based securities.</p> <p>(2) An action, such as a disposal of major assets, that affects the company's financial operations.</p> <p>(3) An event, such as a major disaster or major change in technology, that affects shareholder equity or share price.</p> <p>(4) An adjustment where any of the companies participating in the merger, demerger, acquisition, or transfer of shares from another company, buys back treasury stock.</p> <p>(5) An increase or decrease in the number of entities or companies participating in the</p> |                            |

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|           | <p>participating in the transactions and shall record the following:</p> <p>(1) Handling of breach of contract.</p> <p>(2) Principles dealing with equity-type securities previously issued or treasury stock previously bought back by any company that is extinguished in a merger or that is demerged.</p> <p>(3) The amount of treasury stock participating companies are permitted under law to buy back after the record date of calculation of the share exchange ratio, and the principles for handling thereof.</p> <p>(4) The manners handling changes in the number of participating entities or companies.</p> <p>(5) Preliminary progress schedule for plan execution, and anticipated completion date.</p> <p>(6) Scheduled date for convening the legally mandated shareholders meeting if the plan exceeds the deadline without completion, and relevant procedures.</p> <p>5. An increase or decrease in the number of entities or companies participating in the merger, demerger, acquisition, or transfer of shares.</p> <p>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</p> | <p>merger, demerger, acquisition, or transfer of shares.</p> <p>(6) Other terms or conditions that the contract stipulates may be altered and that have been publicly disclosed.</p> <p>5. Terms and conditions in the transaction contract:</p> <p>Apart from complying with Company Act and the associated regulation, the contract for participation in a merger, demerger, acquisition, or of shares shall record the rights and obligations of the companies participating in the transactions and shall record the following:</p> <p>(1) Handling of breach of contract.</p> <p>(2) Principles dealing with equity-type securities previously issued or treasury stock previously bought back by any company that is extinguished in a merger or that is demerged.</p> <p>(3) The amount of treasury stock participating companies are permitted under law to buy back after the record date of calculation of the share exchange ratio, and the principles for handling thereof.</p> <p>(4) The manners handling changes in the number of participating entities or companies.</p> <p>(5) Preliminary progress schedule for plan execution, and anticipated completion date.</p> <p>(6) Scheduled date for convening the legally mandated shareholders meeting if the plan exceeds the deadline without completion, and</p> |                            |

| Article # | Description                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | Amendment basis and reason |
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|           | <p>the merger, demerger, acquisition, or share transfer; except that where the number of participating companies is decreased and a participating company's shareholders meeting has adopted a resolution authorizing the board of directors to alter the limits of authority, such participating company may be exempted from calling another shareholders meeting to resolve on the matter anew.</p> <p><u>6.</u> 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 proceed in accordance with Paragraph 1 for Board meeting date, Paragraph 2 for confidential agreement and Paragraph 5 for handling changes of the number of participating entities.</p> <p><b><u>7.</u> The requirement of obtaining an opinion on reasonableness issued by an expert may be exempted in the case of a merger by the Company of a subsidiary in which it directly or indirectly holds 100% of the issued shares or authorized capital.</b></p> | <p>relevant procedures.</p> <p><u>6.</u> An increase or decrease in the number of entities or companies participating in the merger, demerger, acquisition, or transfer of shares.</p> <p>After public disclosure of the information, if any company participating in the merger, demerger, acquisition, or share transfer intends further to carry out a merger, demerger, acquisition, or share transfer with another company, all of the participating companies shall carry out anew the procedures or legal actions that had originally been completed toward the merger, demerger, acquisition, or share transfer; except that where the number of participating companies is decreased and a participating company's shareholders meeting has adopted a resolution authorizing the board of directors to alter the limits of authority, such participating company may be exempted from calling another shareholders meeting to resolve on the matter anew.</p> <p><u>7.</u> 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 proceed in accordance with Paragraph 1 for Board meeting date, Paragraph 2 for confidential agreement and Paragraph 5 for handling changes of the number of participating entities.</p> |                            |

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| Article 11 | <p>Procedures of information disclosure</p> <p>1. Under any of the following circumstances, the Company, when acquiring or disposing of assets, shall publicly announce and report the relevant information in the Market Observation Post System in the appropriate format as prescribed by regulations within 2 days counting inclusively from the date of occurrence of the event:</p> <p>(1) Acquisition or disposal of real property or right-of-use assets thereof from or to a related party, or acquisition or disposal of assets other than real property or right-of-use assets thereof from or to a related party where the transaction amount reaches 20% or more of paid-in capital, 10% or more of the Company's total assets, or NT\$300 million or more; provided, this shall not apply to trading of domestic government bonds or bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises.</p> <p>(2) Merger, demerger, acquisition, or transfer of shares.</p> <p>(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.</p> <p>(4) Types of assets acquired or disposed</p> <p>Where equipment or right-of-</p> | <p>Procedures of information disclosure</p> <p>1. Under any of the following circumstances, the Company, when acquiring or disposing of assets, shall publicly announce and report the relevant information in the Market Observation Post System in the appropriate format as prescribed by regulations within 2 days counting inclusively from the date of occurrence of the event:</p> <p>(1) Acquisition or disposal of real property or right-of-use assets thereof from or to a related party, or acquisition or disposal of assets other than real property or right-of-use assets thereof from or to a related party where the transaction amount reaches 20% or more of paid-in capital, 10% or more of the Company's total assets, or NT\$300 million or more; provided, this shall not apply to trading of domestic government bonds or bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises.</p> <p>(2) Merger, demerger, acquisition, or transfer of shares.</p> <p>(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.</p> <p>(4) Types of assets acquired or disposed</p> <p>Where equipment or right-of-</p> | 3. Text revision           |

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|           | <p>use assets are for business use and the transaction counterparty is not a related party, and the transaction amount meets any of the following criteria:</p> <ol style="list-style-type: none"> <li>1. For a public company whose paid-in capital is less than NT\$10 billion, the transaction amount reaches NT\$500 million or more.</li> <li>2. For a public company whose paid-in capital is less than NT\$10 billion, the transaction amount reaches NT\$ 1 billion or more.</li> </ol> <p>(5) 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.</p> <p>(6) Where an asset transaction other than any of those referred to in the preceding five subparagraphs, a disposal of receivables by a financial institution, or an investment in the mainland China area reaches 20% or more of paid-in capital or NT\$300 million. Provided, this shall not apply to the following</p> | <p>use assets are for business use and the transaction counterparty is not a related party, and the transaction amount meets any of the following criteria:</p> <ol style="list-style-type: none"> <li>1. For a public company whose paid-in capital is less than NT\$10 billion, the transaction amount reaches NT\$500 million or more.</li> <li>2. For a public company whose paid-in capital is less than NT\$10 billion, the transaction amount reaches NT\$ 1 billion or more.</li> </ol> <p>(5) 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.</p> <p>(6) Where an asset transaction other than any of those referred to in the preceding five subparagraphs, a disposal of receivables by a financial institution, or an investment in the mainland China area reaches 20% or more of paid-in capital or NT\$300 million. Provided, this shall not apply</p> |                            |

| Article # | Description                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | Amendment basis and reason |
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|           | <p>circumstances:</p> <ol style="list-style-type: none"> <li>1. Trading of domestic government bonds.</li> <li>2. Trading of bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises.</li> </ol> <p><u>(7)</u> "Within the preceding year" as used in the <b><u>Subparagraph 6 in the preceding paragraph</u></b> refers to the year preceding the date of occurrence of the current transaction. Items duly announced in accordance with the associated regulations need not be counted toward the transaction amount.</p> <ol style="list-style-type: none"> <li>1. The amount of any individual transaction</li> <li>2. The cumulative transaction amount of acquisitions and disposals of the same type of underlying asset with the same transaction counterparty within the preceding year.</li> <li>3. The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of real property or right-of-use assets thereof within the same development project within the preceding year.</li> <li>4. The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals,</li> </ol> | <p>to the following circumstances:</p> <ol style="list-style-type: none"> <li>1. Trading of domestic government bonds.</li> <li>2. Trading of bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises.</li> </ol> <p><u>(7)</u> For the calculation of 10% of total assets under the related regulations, the total assets stated in the most recent Company only financial report or individual financial report prepared under the Regulations Governing the Preparation of Financial Reports by Securities Issuers shall be used.</p> <p><u>2.</u> "Within the preceding year" as used in the <b><u>Subparagraph 6</u></b> in the <b><u>preceding paragraph</u></b> refers to the year preceding the date of occurrence of the current transaction. Items duly announced in accordance with the associated regulations need not be counted toward the transaction amount.</p> <ol style="list-style-type: none"> <li>1. The amount of any individual transaction</li> <li>2. The cumulative transaction amount of acquisitions and disposals of the same type of underlying asset with the same transaction counterparty within the preceding year.</li> <li>3. The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of real</li> </ol> |                            |

| Article # | Description                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | Amendment basis and reason |
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|           | <p>respectively) of the same security within the preceding year.</p> <p><b>(8)</b> 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.</p> <p><u>2.</u> 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 Market Observation Post System within the first 10 days in the current month.</p> <p><u>3.</u> When the Company at the time of public announcement makes an error or omission in an item required by regulations to be publicly announced and so is required to correct it, all the items shall be again publicly announced and reported in their entirety within two days counting inclusively from the date of knowing of such error or omission.</p> <p><u>4.</u> The Company acquiring or disposing of assets shall keep all relevant contracts, meeting minutes, log books, appraisal reports and opinions of CPA, attorney, and securities underwriter at the Company, where they shall be retained for 5 years except where another act provides otherwise.</p> | <p>property or right-of-use assets thereof within the same development project within the preceding year.</p> <p>4. The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of the same security within the preceding year.</p> <p><u>3.</u> 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 Market Observation Post System within the first 10 days in the current month.</p> <p><u>4.</u> When the Company at the time of public announcement makes an error or omission in an item required by regulations to be publicly announced and so is required to correct it, all the items shall be again publicly announced and reported in their entirety within two days counting inclusively from the date of knowing of such error or omission.</p> <p><u>5.</u> The Company acquiring or disposing of assets shall keep all relevant contracts, meeting minutes, log books, appraisal reports and opinions of CPA, attorney, and securities underwriter at the Company, where they shall be retained for five years except where another act provides otherwise.</p> <p><u>6.</u> Where any of the following circumstances occurs with respect to</p> |                            |

| Article # | Description                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | Amendment basis and reason |
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|           | <p><u>5.</u> Where any of the following circumstances occurs with respect to a transaction that the Company has already publicly announced and reported in accordance with the preceding article, a public report of relevant information shall be made available in Market Observation Post System within 2 days counting inclusively from the date of occurrence of the event:</p> <p>(1) Change, termination, or rescission of a contract signed in regard to the original transaction.</p> <p>(2) The merger, demerger, acquisition, or transfer of shares is not completed by the scheduled date set forth in the contract.</p> <p>(3) Change to the originally publicly announced and reported information.</p> | <p>a transaction that the Company has already publicly announced and reported in accordance with the preceding article, a public report of relevant information shall be made available in Market Observation Post System within 2 days counting inclusively from the date of occurrence of the event:</p> <p>(1) Change, termination, or rescission of a contract signed in regard to the original transaction.</p> <p>(2) The merger, demerger, acquisition, or transfer of shares is not completed by the scheduled date set forth in the contract.</p> <p>(3) Change to the originally publicly announced and reported information.</p> |                            |

## WAH LEE INDUSTRIAL CORP.

## Amendments to “Rules of Procedure for Shareholders Meetings” and the Comparisons

| Description                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | Amendment basis and reason                                                                                                |
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| <p>8. The chair shall call the meeting to order at the appointed meeting time. However, when the attending shareholders do not represent a majority of the total number of issued shares, the chair may announce a postponement, provided that no more than two such postponements, for a combined total of no more than 1 hour, may be made. If the quorum is still not met after two postponements, but the attending shareholders represent one third or more of the total number of issued shares, a tentative resolution may be adopted pursuant to Article 175, paragraph 1 under the Company Act.</p> <p>When, prior to conclusion of the meeting, the attending shareholders represent a majority of the total number of issued shares, the chair may resubmit the tentative resolution for a vote by the shareholders meeting pursuant to Article 174 under the Company Act.</p> | <p>8. The chair shall call the meeting to order at the appointed meeting time and announce information <u>regarding the number of attending shares, including no-voting shares.</u> When the attending shareholders do not represent a majority of the total number of issued shares, the chair may announce a postponement, provided that no more than two such postponements, for a combined total of no more than one hour, may be made. If the quorum is still not met after two postponements, but the attending shareholders represent one third or more of the total number of issued shares, a tentative resolution may be adopted pursuant to Article 175, paragraph 1 under the Company Act.</p> <p>When, prior to conclusion of the meeting, the attending shareholders represent a majority of the total number of issued shares, the chair may resubmit the tentative resolution for a vote by the shareholders meeting pursuant to Article 174 under the Company Act.</p> | <p>With reference to Article 9 under “Sample Template for XXX Co., Ltd. Rules of Procedure for Shareholders Meetings”</p> |

| Description                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | Amendment basis and reason                                                                                                 |
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| <p>15. When voting on a proposal, the monitoring and counting personnel shall be appointed by the chair, provided that all monitoring personnel shall be shareholders of the Company.</p> <p>Vote counting for proposals or elections shall be conducted in public at the venue of the shareholders' meeting. The voting results, including the statistical tallies of the number of votes and the list of elected candidates, shall be announced on-site at the meeting right after <u>vote counting</u> has been completed and put on record.</p> <p>All ballots counted from the voting mentioned above shall be kept properly for no less than a year. However, if a lawsuit has been instituted by any shareholder in accordance with the provisions of Article 189 of the Company Act, the materials of the meeting involved shall be kept by the Company until the legal proceedings of the foregoing lawsuit have been concluded.</p> | <p>15. When voting on a proposal, the monitoring and counting personnel shall be appointed by the chair, provided that all monitoring personnel shall be shareholders of the Company.</p> <p>Vote counting for proposals or elections shall be conducted in public at the venue of the shareholders' meeting. The voting results, <u>covering all director candidates and shares representing casted votes received</u>, shall be announced on-site at the meeting right after vote counting has been completed and put on record.</p> <p>All ballots counted from the voting mentioned above shall be kept properly for no less than a year. However, if a lawsuit has been instituted by any shareholder in accordance with the provisions of Article 189 of the Company Act, the materials of the meeting involved shall be kept by the Company until the legal proceedings of the foregoing lawsuit have been concluded.</p> | <p>With reference to Article 14 under "Sample Template for XXX Co., Ltd. Rules of Procedure for Shareholders Meetings"</p> |

WAH LEE INDUSTRIAL CORP.  
Rules of Procedure for Shareholders Meetings

Approved in the shareholders' meeting on May 28, 2020

1. Shareholders' meeting convened by the Company will follow the rules, unless the laws or regulation specify others.
2. Shareholders attending the meeting shall sign in by s sign-in cards.  
The number of shares represented by shareholders attending the meeting shall be calculated in accordance with the attendance cards handed in, plus the number of shares exercising voting rights in writing or by electronic transmission. Shareholders or proxies present in a shareholders meeting shall carry along documents for identity verification at attendance. The Company may not arbitrarily add requirements for other documents beyond those showing eligibility to attend presented by shareholders. Solicitors soliciting proxy forms shall also bring identification documents for verification.
3. A shareholders meeting shall be, unless specified in laws or regulations, convened by the Board of Directors.  
The Company shall handle matters regarding calling of shareholders meeting and shareholder proposals in accordance with Article 172 and 172.1 under the Company Act.  
The Company shall prepare electronic versions of the shareholders meeting agenda and supplemental meeting materials and upload them to the Market Observation Post System 21 days before the date of the regular shareholders meeting or before 15 days before the date of the special shareholders meeting. Fifteen days a shareholders' meeting, the Company shall prepare the shareholders' meeting agenda handbook with supplemental materials available for the shareholders to obtain and review at any time. In addition, the handbook shall be displayed at the Company and its stock registrar and transfer agent, and distributed on-site at the meeting.  
The shareholders meeting have been stated for the full re-election of directors and the date of appointment. After the re-election of the shareholders meeting is completed, the same meeting shall not change the date of appointment by Extemporaneous Motions or other means.
4. The venue for a shareholders meeting shall be the premises of the Company, or a place easily accessible to shareholders and suitable for a shareholders meeting. The meeting may begin no earlier than 9 a.m. and no later than 3 p.m. Full consideration shall be given to the opinions of the independent directors with respect to the place and time of the meeting.  
The time during which shareholder attendance registrations will be accepted shall be at least 30 minutes prior to the time the meeting commences.
5. If a shareholders meeting is convened by the Board, the meeting shall be chaired by the Chairman. When the Chairman is on leave or for any reason unable to exercise the powers of the chairperson, the vice chairperson shall act in place of the chairman. If there is no vice chairman or the vice chairman is for any reason unable to exercise the powers of the duty, the Chairman shall appoint one of the directors to act as chair. Where the Chairman does not make such a designation, the directors shall select from among themselves one person to serve as chair.  
When a director serves as chair, as referred above, the director shall be one who has held that position for 6 months

or more and understands the financial and business conditions of the Company. The same shall be true for a representative of a institutional director that serves as chair.

Shareholders meetings convened by the Boar shall be chaired by the Chairman in person and attended by a majority of the directors in person with at one representative in person from each functional committee. The attendance shall be recorded in the meeting minutes.

A shareholders' meeting convened by any other person having the convening right, he/she shall act as the chairman of that meeting. If there are two or more persons having the convening right, the meeting chair shall be elected from among themselves.

6. The Company may appoint its attorneys, certified public accountants, or related persons to attend shareholders' meetings.
7. The Company, beginning from the time it accepts shareholder attendance registrations, shall make a non-stop audio and video recording of the registration procedure, the proceedings of the meeting and the voting and vote counting procedures.

The recorded materials shall be retained for at least one year. However, if a lawsuit has been instituted by any shareholder in accordance with Article 189 of the Company Act, the materials of the meeting involved shall be kept by the Company until the legal proceedings of the foregoing lawsuit have been concluded.

Resolutions adopted at a shareholders' meeting shall be recorded in the minutes of the meeting and handled in accordance with Article 183 in the Company Act.

8. The chair shall call the meeting to order at the appointed meeting time. However, when the attending shareholders do not represent a majority of the total number of issued shares, the chair may announce a postponement, provided that no more than two such postponements, for a combined total of no more than 1 hour, may be made. If the quorum is still not met after two postponements, but the attending shareholders represent one third or more of the total number of issued shares, a tentative resolution may be adopted pursuant to Article 175, paragraph 1 under the Company Act.

When, prior to conclusion of the meeting, the attending shareholders represent a majority of the total number of issued shares, the chair may resubmit the tentative resolution for a vote by the shareholders meeting pursuant to Article 174 under the Company Act.

9. If a shareholders meeting is convened by the Board, the meeting agenda shall be set by the Board. Votes shall be cast on each separate proposal in the agenda (including extraordinary motions and amendments to the original proposals set out in the agenda). The meeting shall proceed in the order set by the agenda, which may not be changed without a resolution of the shareholders meeting.

The provisions aforementioned apply to a shareholders meeting convened by a party with the power to convene other than the Board of directors.

The meeting chair may not declare the adjournment prior to completion of deliberation on the meeting agenda of the preceding two paragraphs (including extraordinary motions), except by a resolution of the shareholders meeting. During the session of a shareholders' meeting, if the chair declares the adjournment of the meeting in a manner violating such rules governing the proceedings of meetings, a new meeting chair may be elected by a resolution to be adopted by a majority of the voting rights represented by the attending shareholders to continue.

10. Before speaking in the meeting, an attending shareholder must specify on a speaker's slip the subject of the speech, his/her shareholder account number (or attendance card number) with the account name. The order in which shareholders speak will be set by the chair.

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

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

11. Except with the consent of the chair, a shareholder may not speak more than twice on the same proposal, and a single speech may not exceed 3 minutes.

The chair has the power to restrain the shareholder's speech when he/she continues speaking after the time limit or beyond the subject matter or violating the meeting procedures. The chair has the power to ban the shareholder's speech if he/she continues speaking after the restraint.

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

When appointing two or more representatives to attend a meeting, only one of the representatives appointed may speak on the same proposal.

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

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

15. When voting on a proposal, the monitoring and counting personnel shall be appointed by the chair, provided that all monitoring personnel shall be shareholders of the Company.

Vote counting for proposals or elections shall be conducted in public at the venue of the shareholders' meeting. The voting results, including the statistical tallies of the number of votes and the list of elected candidates, shall be announced on-site at the meeting right after vote counting has been completed and put on record.

All ballots counted from the voting mentioned above shall be kept properly for no less than a year. However, if a lawsuit has been instituted by any shareholder in accordance with Article 189 of the Company Act, the materials of the meeting involved shall be kept by the Company until the legal proceedings of the foregoing lawsuit have been concluded.

Rights of shareholders of the company shall be based on records in the shareholders' roster.

16. A shareholder shall be entitled to one vote for each share held, except when the shares are restricted shares or are deemed non-voting shares under Article 179, Paragraph 2 of the Company Act.

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

In case a shareholder elects to exercise the voting power in writing or by way of electronic transmission, the declaration of intention shall be served to the Company two days prior to the shareholders' meeting. When duplicate declarations of intent are delivered, the one received earliest shall prevail , except when a declaration is made to cancel the earlier declaration of intent.

In case a shareholder who has exercised the voting power in writing or by way of electronic transmission intends to attend the shareholders' meeting in person, he/she/it shall, two days prior to the shareholders' meeting and in the same manner previously used in exercising the voting power, serve a separate declaration of intention to rescind the previous declaration of intention made in exercising the voting power under the previous section. In the absence of a timely rescission of the previous declaration of intention, the voting power exercised in writing or by way of electronic transmission shall prevail. In case a shareholder has exercised the voting power in writing or by way of electronic transmission, and has also authorized a proxy to attend the shareholders' meeting in his/her/its behalf, then the voting power exercised by the authorized proxy for the said shareholder shall prevail.

Unless otherwise provided in the Company Act and the Company's Articles of Incorporation, the passage of a proposal shall require an affirmative vote of a majority of the voting rights represented by the attending shareholders.

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

17. 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.
18. The chair may direct the disciplinary officers (or the security guard) to help maintain order at the Meeting place. Such disciplinary officers (or security guards) shall wear badges marked "Disciplinary Officers" for identification purposes.
19. 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.

Before the meeting (including Extemporaneous Motions) is finalized on the agenda set by the shareholders meeting, and the meeting venue cannot be used at that time, the shareholders meeting may decide to find another venue to continue the meeting.

20. In case a shareholders' meeting is discontinued for any reason, a resolution may be adopted before adjournment to defer or resume the meeting within five days in accordance with Article 182 of the Company Act. Paragraph 2, this shall not apply to procedures detailed on Paragraph 2, Article 172 of the Company Act.
21. Matters not provided in these Rules and Procedures shall be handled in accordance with the relevant provisions of the Company Act and the Company's Articles of Incorporation.
22. These rules, and any amendments hereto, shall be implemented from the date it is adopted by the shareholders' meeting.

## Articles Of Incorporation Of WAH LEE INDUSTRIAL CORP.

### CHAPTER I General Provisions

Article 1: The Company, under the Company Act, shall name this entity 華立企業股份有限公司 in Chinese language and

WAH LEE INDUSTRIAL CORP. in English language

Article 2: The business scope of the Company is as follows:

1. F401010 International Trade
2. F107120 Wholesale of Precision Chemical Materials
3. F107140 Wholesale of Raw Plastic Material
4. F119010 Wholesale of Electronic Materials.
5. F113110 Wholesale of Batteries.
6. F113070 Wholesale of Telecommunication Apparatus.
7. F213010 Retail Sale of Electrical Appliances.
8. F108031 Wholesale of Medical Devices.
9. F107130 Wholesale of Synthetic Resin.
10. F107150 Wholesale of Synthetic Rubber
11. F107170 Wholesale of Industrial Catalyst.
12. F113100 Wholesale of Pollution Controlling Equipments.
13. F120010 Wholesale of Refractory Materials.
14. F107990 Wholesale of Other Chemical Products (photoresist, stripper, metal oxides, silicon oxide polishing compound, silicon carbide heating element, glass substrate, conductive glass, liquid crystal, dry film resist, foaming agent, refrigerant, air conditioner coolant, automobile and refrigerator coolant, elastic fiber, glass fiber, carbon fiber, boron fiber, polyethylene fiber).
15. F113030 Wholesale of Precision Instruments.
16. F103010 Wholesale of Animal Feeds
17. F202010 Retail Sale of Feeds
18. D101060 Self-usage Power Generation Equipment Utilizing Renewable Energy Industry.
19. E601010 Electric Appliance Construction
20. IG03010 Energy Technical Services
21. I301010 Information Software Services
22. I301020 Data Processing Services
23. J101040 Waste Treatment
24. J101060 Wastewater (Sewage) Treatment.
25. J101080 Resource Recycling
26. F106040 Wholesale of Plumbing Materials
27. F105050 Wholesale of Furniture, Bedding Kitchen Utensils and Fixtures
28. F106050 Wholesale of Ceramic and Glassware.
29. ZZ99999 All business items that are not prohibited or restricted by law, except those that are subject to special approval.

Article 3: The Company shall have its head office in Kaohsiung City, Taiwan, Republic of China, and shall be free, upon approval of the Board, to set up representative and branch offices at various locations within and without the territory of the Taiwan, whenever the Company deems it necessary to carry out any or all of its

activities.

Article 4: Any and all public announcements to be made by the Company shall comply with associated articles under Company Act.

## CHAPTER II Capital Stock

Article 5: The total authorized capital stock of the Company shall be in the amount of NT\$5,000,000,000, divided into 500,000,000 shares, at NT10 each, of which, the unissued portion shall be authorized to the Board to make issuance plan through various lots, either in common shares or preferred shares.

An amount of NT\$100,000,000 of the capital stock stated above shall be reserved for issuances of 10,000,000 shares, through various shares, including stock warrant, convertible bound, preferred shares with warrant, at NT10 each, upon Board's resolutions.

Article 5-1: The rights and obligations and other important issuance terms of preferred shares of the Company are as follows:

1. The dividend for preferred shares shall be capped at 8% per annum, calculated by the issue price per share, and the dividend may be distributed in cash once every year. After the financial statements and the profit distribution proposal are approved by the general shareholders' meeting, the Board shall determine a record date to pay the distributable dividends of the previous year. The distribution amount of dividends in the year of issuance and redemption shall be calculated by the actual number of issue days the preferred shares remained outstanding in that year. The issue date shall be defined as the record date for the capital increase via issuance of the preferred shares.

2. The Corporation has sole discretion over the dividend distribution of preferred shares. The Company may decide not to distribute dividends of preferred shares, as resolved in the shareholders' meeting. If there are no earnings for the fiscal year or if the shareholders' meeting resolves not to distribute dividends, the undistributed dividends shall not be cumulative and shall not be paid in arrears in a future year when there are earnings.

3. Except for the dividends prescribed in Subparagraph 2 of this Article, preferred shareholders may not participate in the distribution of cash or stock dividends for common shares derived from earnings or capital reserves.

4. Preferred shareholders are entitled to distribution priority on the residual property of the Company compared with common shareholders and shall rank *pari passu* with holders of other preferred shares issued by the Company, and the preferential right of the preferred shareholders shall be only inferior to general creditors; the amount of such distribution shall not exceed the amount of the issued and outstanding preferred shares at the time of such distribution calculated by the issue price.

5. Preferred shareholders have no voting right at the shareholders' meeting but may be elected as directors and have the right to vote in preferred shareholders' meetings or shareholders' meetings that involve the rights and obligations of preferred shareholders.

6. Preferred shares are not convertible to common shares.

7. Preferred shares have no maturity date, and preferred shareholders shall not request the Company to redeem preferred shares held thereby. Notwithstanding the foregoing, the Corporation may redeem all or part of the preferred shares at any time on the next day after five years of issuance at the original issue price. The rights and obligations set forth in the in the foregoing paragraphs will remain unchanged to the unredeemed preferred shares. If the Company decides to distribute dividends in a year, the amount of dividends that shall be distributed until the redemption date shall be calculated based on the actual days in

the redemption year up to the redemption date.

8. The capital reserve received from the issuance of preferred shares in excess of par value shall not be capitalized during the issue period of the preferred shares. The Board is authorized to determine the name, issuance date and specific issuance terms upon actual issuance after considering the situation of capital market and the willingness of investors in accordance with this Articles and related laws and regulations.

Article 6: The Company's stock certificates shall be in registered form and signed by three or more Directors or having their seals affixed to the certificate, and issued upon certification by the regulating authority or the agency authorized to handle the registration of issuance of stock certificates.

Printing of share certificates for a particular new issuance shall be centralized according to the number of new shares and kept by a centralized securities depository enterprise.

The Company may be exempted from printing any share certificate for a new issuance and register the issued shares with a centralized securities depository enterprise.

Article 7: All matters related to the Company's shares shall be handled in accordance with the relevant regulations of the governing authority.

Article 8: (Deleted)

### Chapter III Shareholders' meeting

Article 9: The shareholders' meeting shall be divided into two types: Annual General meeting of shareholders and Extraordinary General meeting of shareholders. Annual General meeting of shareholders will be held once every year within six months after close of each fiscal year. The Extraordinary General meeting of shareholders will be called, in accordance with applicable laws and regulations, when necessary.

Meeting of the preferred shareholders can be convened in accordance with applicable laws and regulations when necessary.

Article 10: If a shareholder is unable to attend the shareholders' meeting in person, such shareholder may appoint a proxy to attend by showing a proxy issued by the Company and specifying therein the scope of power authorized to the proxy. The proxy provision is stipulated in accordance with "Regulations Governing the Use of Proxies for Attendance at Shareholder Meetings of Public Companies," as well as Company Act.

Article 10-1: The Company may transmit documents related to convening of shareholders meetings and other notices via electronic documents.

Article 11: Every shareholder of the Company shall be entitled to one vote per. The Company has no voting power when it is under Article 179 of the Company Act.

Article 12: A shareholders' meeting shall be, convened by the Board and chaired by the Chairman. When the Chairman is unable to do so, the vice chairman shall act in place of the chairman. If there is no vice chairman or the vice chairman is for any reason unable to exercise the powers of the duty, the Chairman shall appoint one director to act as chair. Where the Chairman does not make such a designation, the directors shall select from among themselves one person to serve as chair. A shareholders' meeting convened by any other person, outside of the Board, having the convening right, he/she shall act as the chairman of that meeting. If there are two or more persons having the convening right, the meeting chair shall be elected from among themselves.

### Chapter IV Directors and the Audit Committee

Article 13: The Company shall have seven to eleven Directors. All Directors shall have a term of three years and be eligible for re-election upon expiry of such term. In case no election of new directors is effected after 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. The percentage of all directors' shareholdings is subject to the provisions separately prescribed by the competent authority in charge of securities affairs.

Of the number of seats for Directors mentioned above, there shall be three Independent Directors, who shall be elected by a shareholders' meeting from a list of independent director candidates. The relevant professional qualifications, restrictions on shareholdings and concurrent positions held, method of nomination and election, and other matters of compliance with respect to Independent Directors shall be governed by the relevant laws and regulations.

Article 13-1: The Audit Committee of the Company shall be composed solely by all Independent Directors in accordance with Article 14-4 under Securities and Exchange Act and is in charge of exercising supervisor duties prescribed under Company Act, Securities and Exchange Act, and related laws and regulations.

The composition of the Audit Committee, their duties and other matter for compliance shall be handled in accordance with the relevant regulations with its rule of organization stipulated by the Board.

The Company shall form a compensation committee or committees of other functions when requested by the relevant regulations or for the operation needs.

Article 13-2 (Deleted)

Article 14: The Board of directors shall elect a chairman of the Board, from among the directors by a majority vote at a meeting attended by over two-thirds of the directors, to handle all business matter of the Company.

The Company may elect another among themselves to serve as the Vice Chairman of the Board.

Article 14-1: A notice setting forth the purpose of the meeting shall be given to each Director no later than seven days prior to a Board meeting; however, a Board meeting may be convened at any time in case of emergency.

A meeting of the Board of Directors shall be called in writing, via e-mail or facsimile.

Article 15: All shareholders' and Board meetings shall be presided over by the Chairman. When the Chairman is unable to do so, the vice chairman shall act in place of the chairman. If there is no vice chairman or the vice chairman is for any reason unable to exercise the powers of the duty, the Chairman shall appoint one director to act as chair. Where the Chairman does not make such a designation, the directors shall select from among themselves one person to serve as chair.

Article 16: Unless otherwise specified in the Company Act, meetings of the Board of Directors shall be convened by the Chairman of the Board. Directors may appoint another director to attend a meeting of the board of directors in his/her/its behalf, he/she/it shall, in each time, shall issue a written proxy and state therein the scope of authority with reference to the subjects to be discussed at the meeting. However, a director may act as the proxy of only one other director.

However, an independent director is unable to attend in person, he or she shall not appoint another non-independent director to attend as his or her proxy, but shall issue a written opinion in advance, which shall be recorded in the meeting minutes

Article 16-1: Resolutions of the Board meeting shall be adopted by a majority of the directors at a meeting attended by a majority of the directors. The meeting minutes shall be affixed with a signature or seal from the meeting chair.

Article 16-2 (Deleted)

Article 16-3 (Deleted)

## Chapter V Managerial Officers

Article 17: The Company may institute a chief executive officer and a vice chief executive officer, upon the Board's resolution, to lead and be responsible for operation matters and decisions in the Company and all associated companies.

The Company shall have one general manager to execute business and operation matters within the authorized scope through the Board's guidance.

Employing, dismissing and compensating managerial officers of the Company is handled in accordance with Article 29 in the Company Act.

## Chapter VI Accounting

Article 18: At the end of each accounting year, the Board shall compile 1) a business reports; 2) financial statements; 3) proposal concerning appropriation of net profits or making up losses and submit for the approval from the general shareholder's meeting

Article 19: The Directors shall be compensated, regardless of earnings results, for their service to the Company. The compensation scheme is authorized to the Board for decision with reference to their participation in and contribution to the Company's operation, but shall not exceed the highest salary range defined by the salary policy of the Company. In addition, distribution shall be made in accordance with Article 20 when there is operating earning.

The Board Directors shall liable with respect to the damage resulting from exercising their duties during their terms of directorship. The Board shall be authorized to obtain directors liability insurance for the Directors.

Article 20: The Company shall set aside 9%~13% and no more than 2%, respectively, from profit as employee bonus and directors' remuneration. However, the profit shall be retained when there are accumulated losses, not yet covered.

Employee remuneration stated above may be made in cash or stock and shall be allocated to employees fitted to the certain criteria.

The two items above shall be executed according to the Board resolution and reported in the shareholders' meeting.

Article 20-1: When there is net income, after all taxes have been paid and accumulated losses have been covered, it shall first set aside 10% of such profits as a legal reserve to the point that such legal reserve has reached the Company's total paid-in capital. If necessary, it may set aside or reverse a special reserve in accordance with the relevant laws. from the balance plus undistributed earnings. After that, it there's surplus from the year, plus the retained earnings, it may distribute preferred stock dividends under Article 5-1 herein, and after that it may distribute common stock dividends from the balance, and the Board shall draw up a surplus earnings distribution proposal to be resolved in shareholders' meeting. The Company's dividend policy is based on its current and future development plans, consideration of the investment environment, capital requirements, domestic and international competition, and shareholders' interests. Distribution to common shareholders shall not be less than 10% of distributable earnings, no distribution shall be made if the balance is less than 1% of paid-in capital. Dividends may be distributed to shareholders in cash or in shares, with cash dividends being no less than 50% of the total dividends.

Article 20-2: If the Company is to repurchases its own shares for the purpose of transferring them to its employees at less than the average actual share repurchase price, it shall handle the transaction in accordance with Article 10-1 and 13 under "Regulations Governing Share Repurchase by Exchange-Listed and OTC-

Listed Companies” after the consent of at least two-thirds of the voting rights present at the most recent shareholders meeting attended by shareholders representing a majority of total issued shares.

Article 20-3: If the Company is to issue employee stock option for a exercise price less than the actual share price (net book value/share) , it shall handle the transaction in accordance with Article 56-1 and 76 under “Regulations Governing the Offering and Issuance of Securities by Securities Issuers” after the resolution from the shareholders’ meeting.

#### CHAPTER VII Supplementary Provisions

Article 21: Loan guarantee made by the Company may proceed in accordance with “Rules Governing Making Grantee and Endorsement” of the Company.

Article 22: Investments made by the Company shall be handled in accordance with “Rules Governing Long/Short Investment” of the Company and is not subject to the limit of 40% of invitee's paid-in capital.

Article 23: Matters not covered in these Articles of Incorporation, the Company Act shall govern

Article 24: These Articles of Incorporation were established on August 22, 1968. The 1st amendment was made on July 13, 1974, 2nd on September 21, 1974, 3rd on February 5, 1975, 4th on July 13, 1977, 5th on August 29, 1981, 6th on September 18, 1983, 7th on November 22, 1984, 8th on October 8, 1976, 9th on September 25, 1979, 10th on December 7, 1989, 11th on September 7, 1990, 12th on September 15, 1991, 13th on January 24, 1992, 14th on October 21, 1993, 15th on November 20, 1997, 16th on January 27, 1994, the 17th on November 5, 1995, 18th on June 25, 1996, 19th on July 31, 1996, 20th on October 3, 1996, 21st on December 29, 1996, 22nd on June 15, 1997, 23rd on September 4, 1997, 24th on October 17, 1997, 25th on November 22, 1997, 26th on 19 May 1998, 27th on June 11, 1998, 28th on October 17, 1998, 29th on June 11, 1999, 30th on May 15, 2000, 31st on April 30, 2001, 32nd on May 30, 2002, 33rd on May 30, 2002, and the 34th on June 18, 2003, 35th on May 18th, 2004. 36th on June 7th, 2005, 37th correction May 24, 2005, 38th on June 13th, 2007, 39th on June 18, 2004, 40th on June 8th, 2010, 41st on 3 June 2013, 42nd on 17 June 2016, 43rd on 26 May 2017, 44th on 30 May 2019, and 45th on 28 May 2020.

WAH LEE INDUSTRIAL CORP.

Chairman: Jui-Chin Chang

WAH LEE INDUSTRIAL CORP.

Procedures of Assets Acquisition and Disposal

Amendment approved in the shareholders' meeting on May 30, 2019

Article 1: Objective

These Procedures are established to protect the Company's assets and implement the information disclosure. Matters not covered in this procedure shall be handled in accordance with the relevant laws and regulations.

Article 2: Legal basis

These Procedures are formulated in accordance with the relevant laws and regulations issued by Financial Supervisory Commission (FSC hereafter)

Article 3: The scope of assets

1. Long-term and short-term securities: Investments in stocks, government bonds, corporate bonds, financial bonds, securities representing interest in a fund, depositary receipts, call (put) warrants, beneficial interest securities, and asset-backed securities.
2. Real property (including land, houses and buildings and investment property) and equipment.
3. Memberships.
4. Intangible assets: Patents, copyrights, trademarks, and franchise rights.
5. Right-of-use assets.
6. Claims of financial institutions (including receivables, bills purchased and discounted, loans, and overdue receivables).
7. Derivative products
8. Assets acquired or disposed of in connection with mergers, demergers, acquisitions, or transfer of shares in accordance with law.
9. Other major assets.

Article 4: Term Definition

1. Derivatives: Forward contracts, options contracts, futures contracts, leverage contracts, or swap contracts, whose value is derived from a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable; or hybrid contracts combining the above contracts; or hybrid contracts or structured products containing embedded derivatives. The term "forward contracts" does not include insurance contracts, performance contracts, after-sales service contracts, long-term leasing contracts, or long-term purchase (sales) contracts.
2. Assets acquired or disposed through mergers, demergers, acquisitions, or transfer of shares in accordance with law: Refers to assets acquired or disposed through mergers, demergers, or acquisitions conducted under the Business Mergers and Acquisitions Act, Financial Holding Company Act, The 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 Paragraph 8, Article 156 of the Company Act.
3. Related party or subsidiary: As defined in the Regulations Governing the Preparation of Financial Reports by Securities Issuers.
4. Professional appraiser: Refers to a real property appraiser or other person duly authorized by laws to engage in the value appraisal of real property or equipment.
5. "Date of occurrence" herein means the date of contract signing, date of payment, , date of consignment trade, date of transfer, dates of boards of directors resolutions, or other date that can confirm the counterparty and the monetary amount of the transaction, whichever date is earlier. Investment for which approval of the competent authority is required, the earlier of the above date or the date of receipt of approval by the competent authority shall apply.
6. Mainland China area investment: Refers to investments in the mainland China area approved by the Ministry of Economic Affairs Investment Commission or conducted in accordance with the provisions of the Regulations Governing Permission for Investment or Technical Cooperation in the Mainland Area.

Article 5: The Company, in principle, shall not acquire or dispose claims of financial institutions. If it subsequently wishes to engage a transaction, an approval from the Board shall be obtained before formulate relevant appraisal and handling procedures.

Article 6: Professional appraisers and their officers, certified public accounts, attorneys, and securities underwriters that provide the Companies with appraisal reports, certified public accountant's opinions, attorney's opinions, or underwriter's opinions shall meet the following requirements:

1. May not have previously received a final and unappealable sentence to imprisonment for 1 year or longer for a violation of relevant laws and regulations. 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.
2. May not be a related party or de facto related party of any party to the transaction.
3. When it is required under the procedures herein 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.

Article 7: Procedures of appraisal and operation

1. Means of price determination and supporting reference materials.
  - (1) All assets acquired or disposed by the Company shall be handled by authorized managers in accordance with "Investment cycle for real property, plant and equipment."

- (2) When dealing with securities, apart from short-term securities which shall be handled by authorized dedicated personnel for market volatility, the Company shall obtain financial statements of the issuing company for the most recent period, certified or reviewed by a certified public accountant, for reference in appraising the transaction price and proceed the transaction in accordance with "Investment Cycles" under the internal control system of the Company. Appraisals for securities held for both short and long terms shall conducted in accordance with GAAP and relevant laws and regulations.
- (3) When dealing with real property, reference should be made to assessed present value, appraised price, transaction prices in the neighboring areas and contract terms and price with the transaction handled in accordance with the decision made by authorized authority from the Company.
- (4) When dealing with real property, plant and equipment, prices inquired, compared and negotiated shall be assessed with prudence and sent to the working departments with the transaction handled in accordance with the decision made by authorized authority from the Company.
- (5) When dealing with memberships, reference shall be made to market prices with contract terms and prices with the transaction handled in accordance with the decision made by authorized authority from the Company.
- (6) When dealing with intangible assets, reference shall be made to professions report or market prices with contract terms and prices with the transaction handled in accordance with the decision made by authorized authority from the Company.
- (7) When dealing with derivative products, the Company trader shall plan a overall trading strategy for the Company covering trend judgement and risk assessment from regular position calculation and market information, which shall become the trading execution basis after the approval from the due authority of the Company.
- (8) When conducting a merger, demerger, acquisition, or transfer of shares, prior to convening the board of directors to resolve on the matter, the Company shall engage a CPA, attorney, or securities underwriter to give an opinion on the reasonableness of the share exchange ratio, acquisition price, or distribution of cash or other property to shareholders, and submit it to the board of directors for deliberation and passage.

## 2. Investment limits and the hierarchy of decision-making authority and delegation

- (1) Valuable securities shall be acquired and disposed under the guidance approved by the Company. Any transactions < NT\$ 100 million shall be approved by the Board before proceeding.
- (2) Property, plant and equipment for both business and non-business use shall be handled under the guidance approved by the Company. Any transactions < NT\$ 100 million shall be approved by the Board before proceeding.
- (3) Non-business-use real property or right-of-use assets thereof or securities acquired by the company and each subsidiary shall be subject to limits in term of total sum or individual securities:
  1. Non-business-use real property or right-of-use assets acquired by the Company, the total sum of acquiring prices shall not exceed 30% of the net worth from the most current financial statements. Non-business-use real property or right-of-use assets acquired by each subsidiary shall not exceed 10% the Company's net worth from the most current financial statements.
  2. Total sum of investment made on securities by the Company, shall not exceed 100% of the net worth from the most current financial statements. Such transactions made by each subsidiary shall not exceed 50% the Company's net worth from the most current financial statements.
  3. Investment made on individual security by the Company, shall not exceed 30% of the net worth

from the most current financial statements. Such transactions made by each subsidiary shall not exceed 30% the Company's net worth from the most current financial statements.

4. Equity share of entities or establishment held by the Company or jointly of more than 50%, upon calculation those participating in investment and incorporation or serving as the directors and supervisors who intend to hold the investment on a long-term basis may not be counted.

- (4) Membership dealings with NT\$10 million or less shall be handled under the guidance approved by the Company and reported in the next coming shareholders' meeting. Dealings exceeding NT\$10 million or less shall not be proceed before the approval from shareholders' meeting.
- (5) Intangible assets dealings with NT\$30 million or less shall be handled under the guidance approved by the Company and reported in the next coming shareholders' meeting. Dealings exceeding NT\$30 million or less shall not be proceed before the approval from shareholders' meeting.
- (6) For derivative instruments, an application from the charged personnel is required for approvals from the associated supervisor and the chairman to ensure security, apart from the consideration of business growth and the then risk exposure. No transaction adjustment shall be proceeded before an approval from the chairman. When the execution timing is under consideration, the charged person is allowed to proceed after obtaining oral approval from the associated supervisor and the chairman, trailed by a supplementary application afterward. Followed-up reporting regarding the transaction shall be made to the Board.
- (7) When participating in a merger, demerger, acquisition, or transfer of shares, the Company shall prepare a report for shareholders detailing important contractual content and matters relevant to the transaction prior to the shareholders meeting and include it along with the expert opinion referred to in subparagraph (8) of the preceding paragraph when sending the meeting notification to the shareholders meeting for reference in deciding whether to approve the deal. Provided, where a provision of another act exempts a company from convening a shareholders meeting to approve the merger, demerger, or acquisition, this restriction shall not apply. Where the shareholders meeting of any one of the companies participating in a merger, demerger, or acquisition fails to convene or pass a resolution due to lack of a quorum, insufficient votes, or other legal restriction, or the proposal is rejected by the shareholders meeting, the companies participating in the merger, demerger or acquisition shall immediately publicly explain the reason, the follow-up measures, and the preliminary date of the next shareholders meeting.
- (8) Where the transactions regarding assets acquisition or disposal are handled in the procedures herein and relevant regulations and submitted for discussion by the board of directors, the board of directors shall take into full consideration each independent director's opinions. If an independent director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the board of directors meeting.
- (9) Where departments of the Company are to acquire or dispose assets for business purposes, which involve matters described in Article 185 under the Company Act, the transaction shall be submitted to shareholders' meeting for approval.

### III. The execution body

The reporting hierarchy below shall be followed when acquiring or disposing an asset with approval from the Board when necessary.

- (1) For unlisted securities, all transactions shall be handled according to "Investment Cycle" under the internal control system by the Department of Investor Relationship & Investment

Management and the Finance Department. For listed securities, a dedicated personnel is appointed by the Chairman to handle the related transactions in the centralized securities exchange market or the OTC securities market.

- (2) For property, plant and equipment, all transactions shall be handled according to “Property, Plant and Equipment Cycle” by the Operation Support Department.
- (3) For membership or intangible asset, all transactions shall be approved by the Operation Support Department before proceeding by user or associated departments.
- (4) For derivative products, all transactions shall be handled by the Finance Department according to the Procedures herein.
- (5) When conducting a merger, demerger, acquisition, or transfer of shares, the Company shall engage an attorney, CPA, and securities underwriter to formulate an execution time table according to the laws, and establish a task force to proceed accordingly.

#### 4. Appraisal of Real Property or Equipment

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

- (1) Where due to special circumstances it is necessary to give a limited price, specified price, or special price as a reference basis for the transaction price, the transaction shall be submitted for approval in advance by the board of directors; the same procedure shall also be followed whenever there is any subsequent change to the terms and conditions of the transaction.
- (2) Where the transaction amount is NT\$1 billion or more, appraisals from two or more professional appraisers shall be obtained.
- (3) Where any one of the following circumstances applies with respect to the professional appraiser's appraisal results, unless all the appraisal results for the assets to be acquired are higher than the transaction amount, or all the appraisal results for the assets to be disposed of are lower than the transaction amount, a certified public accountant shall be engaged to 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:
  1. The discrepancy between the appraisal result and the transaction amount is 20% or more of the transaction amount.
  2. The discrepancy between the appraisal results of two or more professional appraisers is 10% or more of the transaction amount.
- (4) No more than three months may elapse between the date of the appraisal report issued by a professional appraiser and the contract execution date. An opinion may still be issued by the original professional appraiser when the publicly announced current value for the same period is used and not more than 6 months have elapsed,

#### 5. Professional Opinion for acquiring or disposing securities

When acquiring or disposing of securities, the Company shall, prior to the date of occurrence of the event, obtain financial statements of the issuing company for the most recent period, certified or reviewed by a certified public accountant, for reference in appraising the transaction price, and

if the dollar amount of the transaction is 20% of the company's paid-in capital or NT\$300 million or more, the company shall additionally engage a certified public accountant prior to the date of occurrence of the event to provide an opinion regarding the reasonableness of the transaction price. If the CPA needs to use the report of an expert as evidence, the CPA shall do so in accordance with the provisions of Statement of Auditing Standards No. 20 published by the ARDF. This does not apply, however, to publicly quoted prices of securities that have an active market, or where otherwise provided by regulations of the Financial Supervisory Commission (FSC).

6. Professional Opinion for Acquisition and Disposal of membership, intangible assets or the right-of-use thereof

Where a public company acquires or disposes of intangible assets or right-of-use assets thereof or memberships and the transaction amount reaches 20% or more of paid-in capital or NT\$300 million or more, except in transactions with a domestic government agency, the company shall engage a certified public accountant prior to the date of occurrence of the event to render an opinion on the reasonableness of the transaction price; the CPA shall comply with the provisions of Statement of Auditing Standards No. 20 published by the ARDF.

7. Where a public 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.

8. The calculation of the transaction amounts referred to in Paragraph #4~6 shall be done in accordance with Point #1.5 under Article 1 herein, and "within the preceding year" as used herein refers to the year preceding the date of the transaction occurrence. 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.

9. For transactions of material assets, a consent from the Audit Committee shall be obtained before submitting to the Board for resolution.

Article 8: Procedures handling related party transactions

1. When engaging in any acquisition or disposal of assets, including right-of-use types, from or to a related party, in addition to complying with the procedures for real property and ensuring that the necessary resolutions are adopted and the reasonableness of the transaction is appraised based on the provisions below, the Company shall also obtain an appraisal report from a professional appraiser or a CPA's opinion in compliance with the provisions of the preceding Section and this Section if the transaction amount reaches 10% or more of the company's total assets,

The calculation of the transaction amount referred to in the preceding paragraph shall be made in accordance with Article 7, Paragraph 8 herein.

When judging whether the counterparty is a related party, the substance of the relationship shall also be considered in addition to the legal formalities.

## 2. Procedures of appraisal and operation

When the Company intends to acquire or dispose of real property or right-of-use assets thereof from or to a related party, or when the transaction value reaches 20% or more of paid-in capital, 10% or more of the Company's total assets, or NT\$300 million or more, except for 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 consented by the Audit Committee

before submitting to the Board for approval:

- (1) The purpose, necessity and anticipated benefits of the acquisition or disposal of assets.
- (2) The reason for choosing the related party as a transaction counterparty.
- (3) With respect to the acquisition of real property or right-of-use assets thereof from a related party, information regarding appraisal of the reasonableness of the preliminary transaction terms in accordance with Paragraph 3, Subparagraph (1) and (5) under the current Article.
- (4) The date and price at which the related party originally acquired the real property, the original transaction counterparty, and that transaction counterparty's relationship to the Company and the related party.
- (5) Monthly cash flow forecasts for a year commencing from the projected month of contract signing, and the necessity evaluation of the transaction, and reasonableness of the funds utilization.
- (6) An appraisal report from a professional appraiser or a CPA's opinion obtained in compliance with the Paragraph #1.
- (7) Restrictive covenants and other important stipulations associated with the transaction.

When a transaction is submitted for discussion by the Board pursuant to matter above, the Board shall take into full consideration each independent director's opinions. Any objection or reservation expressed by independent directors shall be recorded in the minutes of the Board meeting.

The calculation of the transaction amounts referred to in the preceding paragraph shall be made in accordance with Article 11, Paragraph 2, 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 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% of the issued shares or authorized capital, the Company's Board may, pursuant to Article 7, Paragraph 2, Subparagraph 2, delegate the chairman to decide such matters when the transaction value is within a certain range and have the decision subsequently submitted to and ratified by the next Board meeting:

- (1) Acquisition or disposal of equipment or right-of-use assets thereof held for business use.
- (2) Acquisition or disposal of property right-of-use assets held for business use.

## 3. Assessment of reasonableness of transaction costs

- (1) When acquiring real property or right-of-use assets thereof from a related party, the Company shall evaluate the reasonableness of the transaction costs by the following means:

1. Based upon the related party's transaction price plus necessary interest on funding and the costs to be duly borne by the buyer. "Necessary interest on funding" is imputed as the weighted average interest rate on borrowing in the year the company purchases the property; provided, it may not be higher than the maximum non-financial industry lending rate

announced by the Ministry of Finance.

2. Total loan value appraisal from a financial institution where the related party has previously created a mortgage on the property as security for a loan; provided, the actual cumulative amount loaned by the financial institution shall have been 70% or more of the financial institution's appraised loan value of the property and the period of the loan shall have elapsed for 1 year or more. However, this shall not apply where the financial institution is a related party of one of the transaction counterparties.
- (2) Where land and structures thereupon are combined as a single property purchased or leased in one transaction, the transaction costs for the land and the structures may be separately appraised in accordance with either of the means listed in the preceding paragraph.
- (3) A public company that acquires real property or right-of-use assets thereof from a related party and appraises the cost of the real property or right-of-use assets thereof in accordance with Paragraph 3, Subparagraph 1 and 2 in this article shall also engage a CPA to review the appraisal and render a specific opinion.
- (4) While conducting reasonableness assessment of its cost over acquiring real property or right-of-use assets thereof from a related party, Paragraph 3, Subparagraph (1)~(3), not Paragraph 1 and 2, shall be applied if the transaction fits into any of the following criteria:
  1. The related party acquired the real property or right-of-use assets thereof through inheritance or as a gift.
  2. More than 5 years will have elapsed from the time the related party signed the contract to obtain the real property or right-of-use assets thereof to the signing date for the current transaction.
  3. The real property is acquired through signing of a joint development contract with the related party, or through engaging a related party to build real property, either on the company's own land or on rented land.
  4. The real property right-of-use assets for business use are acquired by the public company with its parent or subsidiaries, or by its subsidiaries in which it directly or indirectly holds 100 percent of the issued shares or authorized capital.
- (5) Real property acquired by the Company from a relate parties shall appraise Paragraph 3, Subparagraph (1) and (2) in this article.

Paragraph 3, Subparagraph (6) shall be applicable when the appraised value is lower than the contract price. 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:

1. Where the related party acquired undeveloped land or leased land for development, it may submit proof of compliance with one of the following conditions:
  - (1) Where undeveloped land is appraised in accordance with the means in the preceding Article with premises are based on the related party's construction costs plus reasonable construction profit, the sum of the two values is 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 three years or the gross profit margin for the construction industry for the most recent period as announced by the Ministry of Finance, whichever is lower.
  - (2) Completed transactions by unrelated parties within the preceding year involving other floors of the same property or neighboring area, where the property area and transaction

terms are similar after consideration of reasonable price discrepancies in accordance with standard property market sale practices.

- (3) Leasing cases by unrelated parties within the preceding year involving other floors of the same property, where the transaction terms are similar after calculation of reasonable price discrepancies in floor in accordance with standard property leasing practices.

2. Where the Company acquiring real property, or obtaining real property right-of-use assets through leasing, from a related party provides evidence that the terms of the transaction are similar to the terms of completed transactions involving neighboring area of a similar size by unrelated parties within the preceding year.

Completed transactions involving neighboring area in the preceding paragraph in principle refer to properties in the same or an adjacent block and within a distance of no more than 500 meters or of a similar current assess value. Transactions involving similarly sized properties in principle refer to transactions completed by unrelated parties for properties with an area of no less than 50% of the property in the planned transaction. "Within the preceding year" refers to the year preceding the date of occurrence of the acquisition of the real property or obtainment of the right-of-use assets thereof.

- (6) Where a public company acquires real property or right-of-use assets thereof from a related party and the results of appraisals conducted in accordance with Paragraph 3, Subparagraph 1 and 2 herein are uniformly lower than the transaction price, the following steps shall be taken:

1. A special reserve shall be set aside in accordance with Article 41, Paragraph, Subparagraph 1 of Securities and Exchange Act against the difference between the real property transaction price and the appraised cost, and may not be distributed or used for capital increase or issuance of bonus shares. Where a public company uses the equity method to account for its investment in the Company, then a special reserve called for under Article 41, Paragraph 1 of 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 Company.
2. Independent directors in the Audit Committee shall comply with Article 218 of the Company Act.
3. Actions taken pursuant to the preceding two subparagraphs shall be reported to a shareholders meeting, and the details of the transaction shall be disclosed in the annual report and any investment prospectus.

- (7) While setting aside a special reserve under the preceding paragraph, the Company may not utilize the special reserve until it has recognized a loss on decline in market value of the assets it purchased or leased at a premium, or they have been disposed of, or the leasing contract has been terminated, or adequate compensation has been made, or the status quo ante has been restored, or there is other evidence confirming that there was nothing unreasonable about the transaction, and the FSC has given its consent. When the Company obtains real property or right-of-use assets thereof from a related party, it shall also comply with the Paragraph 3, Subparagraph 6 herein if there is other evidence indicating that the acquisition was not an arms length transaction.

- (8) When the Company obtains real property or right-of-use assets thereof from a related party, it shall also comply with the Paragraph 3, Subparagraph 6 herein if there is other evidence indicating that the acquisition was not an arms length transaction.

Article 9: Procedures of acquiring or disposing derivative products

I. Transaction principles and guidelines

(I) Transaction Types

1. All derivative products covered under Article 4 herein.

2. Margin trading on bonds

(II) Operating (hedging) strategy

The purpose of the Company's trading of financial derivatives is to hedge the risks arising from the Company's business activities. The foreign currencies held shall fit its actual import/export need with an aim to reach a holding position of natural hedged to lower foreign exchange risk and trading cost for the Company.

(III) Authorization

1. Trading Personnel

Trading execution personnel for financial derivative instruments are responsible for collecting relevant regulations for the products, planning hedging strategies with risk disclosure. Full knowledge of the Company's management system and philosophy are required to judge the market trend and risk. A trading plan detailing trading strategies with exposure and hedging proposals must be submitted for approval from the authorized supervisor before implementation.

2. Trading Confirmation Personnel

Responsible for corresponding with financial institutions on trading checking and confirmation with necessary document support.

3. Settlement Personnel

In charge of transaction settlements and regular cash flow checking to secure transactions.

4. Accounting Personnel

Responsible for ensuring profits and losses from all transactions are stated appropriately on financial statements in accordance with associated regulations (such as GAAP)

(4) Performance evaluation

1. Hedging performance is evaluated against the pre-determined strategy. The Finance Department shall use the prevailing market prices for performance evaluation every two weeks and hand in a evaluation report covering the transaction results from the previous month to the chairman during the first week of the month.

2. The Finance Department shall provide an assessment to foreign exchange position along with the market trend & analysis. Any abnormality discovered, during regular evaluation, shall respond with necessary measures immediately and report to the chairman.

(5) Limits on maximum contractual value as a whole and upper limits on losses

1. Total aggregated contractual value

1.1 Trading limit for hedging transaction

The aggregate balance of all contracts for hedging purpose at any point shall not exceed the business transaction value that need for hedging need over the course of one year for the Company. No individual contract value shall exceed US\$ 2 million for an equivalent value in other foreign currency.

2.2 Trading limit for speculation transaction

No trading for speculation purpose is allowed.

2. Upper limit on losses

Losses derived from trading of derivative instruments shall be limited within 20% of the contract value, whether individually or aggregately.

## 2. Risk management

### (1) Credit risk

The Company, in principle, shall only deal with banks or well-know financial institutions from which it has credit lines and receive professional information.

### (2) Market risk

All derivative product dealings of the Company are limited to hedging purpose. No speculation activity shall be allowed.

### (3) Liquidity risk

To ensure market liquidity, the Company shall select financial instruments of higher liquidity (meaning the holding position can be covered any time); and the entrusted financial institution must have sufficient information and the ability to trade in any market at any time.

### (4) Cash flow risk

To ensure stable working capital, capital for derivative trading is limited to fund generated internally after consideration of future cash flow and capital need.

### (5) Operation risk

1. To avoid operation risk, internal regulations regarding transaction authorization and operating procedures shall be adhered strictly and included in the internal audit.
2. Personnel engaged in derivatives trading may not serve concurrently in other operations such as confirmation and settlement.
3. Risk measurement, monitoring, and control personnel shall be assigned to a different department from the personnel in the preceding subparagraph and shall report to the Board senior management personnel who is not responsible for trading or position decision-making.
4. Derivatives trading positions held shall be evaluated at least once per week; however, positions for hedge trades required by business shall be evaluated at least twice per month. Evaluation reports shall be submitted to senior management authorized by the Board.

### (6) Product risk management

Internal trading personnel shall possess complete and accurate professional knowledge to financial products and request the counteryparty institution to disclose risk fully to avoid misunderstanding.

### (7) Regulation risk management

All legal paper shall be reviewed by the personnel responsible from foreign exchange and compliance departments or dedicated legal consultants before signing.

## 3. Internal audit system.

The internal audit personnel shall periodically make a review on the suitability of internal controls on derivative trading and conduct a monthly audit of how faithfully derivatives trading by the trading department adheres to the procedures for derivatives trading, and prepare an audit report. If any material violation is discovered, all Audit Committee shall be notified in writing.

## 4. Regular review

- (1) The Board shall authorize top manager to conduct regular supervision and evaluation to ensure that trading activities of derivative products adhere to the trading procedures and the born risks are within acceptable limits. Immediate reports shall be made to the Board when there's a valuation abnormality for the position, and corrective measure shall be implement

afterward.

- (2) Derivatives trading positions held shall be evaluated at least once per week; however, positions for hedge trades required by business shall be evaluated at least twice per month. Evaluation reports shall be submitted to senior management authorized by the Board.

5. Monitoring and management principles of the Board

- (1) The Board shall designate senior management to pay continuous attention to monitoring and controlling derivatives trading risk with the following principles adopted:
  1. Whether the existing risk management measures are suitable and executed in accordance with the procedures herein.
  2. When irregular circumstances are found during the course of supervising trading and checking profit-loss, appropriate measures shall be adopted and a report immediately made to the Board meeting, and shall be present and express an opinion.
- (2) Periodically evaluate whether derivatives trading performance is consistent with established operational strategy and whether the risk undertaken is within the Company's permitted scope of tolerance.
- (3) When conducting derivative trading, the handling personnel as authorized under the procedures herein shall report to the next coming Board meeting after the transaction.

6. Establishment of a log book

When engaging in derivatives trading, a log book shall be established, in which details of the types and amounts of derivatives trading engaged in, board of directors approval dates, and the matters required to be carefully evaluated under Paragraph 4, subparagraph 2 and Paragraph 5, Subparagraph 1 and 2 under the article herein.

Article 10: Procedures handling merger, demerger, acquisition, or transfer of shares.

1. Dates of Board meeting and shareholders' meetings

A company participating in a merger, demerger, or acquisition shall convene a board meeting and shareholders meeting on the day of the transaction to resolve matters relevant to the merger, demerger, or acquisition, unless another act provides otherwise or the FSC is notified in advance of extraordinary circumstances and grants consent.

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.

A company participating in a transfer of shares shall call a board meeting on the day of the transaction, unless another act provides otherwise or the FSC is notified in advance of extraordinary circumstances and grants consent.

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

- (1) Personnel basic information: Including the position titles, names, and national ID numbers (or passport numbers in the case of foreign nationals) of every member involved in the planning or implementation of any merger, demerger, acquisition, or transfer of another company's shares prior to disclosure of the information.
- (2) Dates of material events: Including the signing of any letter of intent or memorandum of understanding, the hiring of a financial or legal advisor, the execution of a contract, and the

convening of a board of directors meeting.

- (3) Important documents and minutes: Including merger, demerger, acquisition, and share transfer plans, any letter of intent or memorandum of understanding, material contracts, and minutes of board of directors meetings.

When participating in a merger, demerger, acquisition, or transfer of another company's shares, a company listed on an exchange or on an OTC market, the Company shall submit information listed in the Subparagraph 1 and 2 under the previous Paragraph, in the prescribed format and via the Internet-based information system to the FSC for recordation within two days starting from the date of the Board resolution.

Where any of the companies participating in a merger, demerger, acquisition, or transfer of another company's shares which are neither listed on an exchange nor traded on an OTC market, the Company shall sign an agreement with such companies and proceed the transaction according to Paragraph 4, Subparagraph 1~3.

## 2. Prior confidential agreement

Every person participating in or privy to the plan for merger, demerger, acquisition, or transfer of shares shall issue a written undertaking of confidentiality and may not disclose the content of the plan prior to public disclosure of the information and may not trade, in their own name or under the name of another person, in any stock or other equity security of any company related to the plan for merger, demerger, acquisition, or transfer of shares.

## 3. Principles for changes of share exchange ratios or acquisition price

Companies involved a merger, demerger, acquisition, or transfer of shares shall, prior to the Board meetings of the both parties, engage a CPA, attorney, or underwriter to give an opinion on the reasonableness of the share exchange ratio, acquisition price, shareholder cash or other distributions, and make such a reporting in their shareholders' meeting. No share exchange ratio or acquisition price can be altered arbitrarily, unless such terms are stipulated in the contract and that have been publicly disclosed. Conditions triggering changes of share exchange ratio or acquisition price are as follows:

- (1) Cash capital increase, issuance of convertible corporate bonds, or the issuance of bonus shares, issuance of corporate bonds with warrants, preferred shares with warrants, stock warrants, or other equity based securities.
- (2) An action, such as a disposal of major assets, that affects the company's financial operations.
- (3) An event, such as a major disaster or major change in technology, that affects shareholder equity or share price.
- (4) An adjustment where any of the companies participating in the merger, demerger, acquisition, or transfer of shares from another company, buys back treasury stock.
- (5) An increase or decrease in the number of entities or companies participating in the merger, demerger, acquisition, or transfer of shares.
- (6) Other terms or conditions that the contract stipulates may be altered and that have been publicly disclosed.

## 4. Contract terms and conditions:

Apart from complying with Company Act and the associated regulation, the contract for participation in a merger, demerger, acquisition, or of shares shall record the rights and obligations of the companies participating in the transactions and shall record the following:

- (1) Handling of breach of contract.
- (2) Principles dealing with equity-type securities previously issued or treasury stock previously

bought back by any company that is extinguished in a merger or that is demerged.

(3) The amount of treasury stock participating companies are permitted under law to buy back after the record date of calculation of the share exchange ratio, and the principles for handling thereof.

(4) The manners handling changes in the number of participating entities or companies.

(5) Preliminary progress schedule for plan execution, and anticipated completion date.

(6) Scheduled date for convening the legally mandated shareholders meeting if the plan exceeds the deadline without completion, and relevant procedures.

5. An increase or decrease in the number of entities or companies participating in the 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 on the matter anew.

6. Where any of the companies participating in a merger, demerger, acquisition, or transfer of shares is not a public company, the Company shall sign an agreement with the non-public company and proceed the transaction in accordance with Paragraph 1 for Board meeting date, Paragraph 2 for confidential agreement and Paragraph 5 for handling changes of the number of participating entities.

7. The requirement of obtaining an opinion on reasonableness issued by an expert may be exempted in the case of a merger of a subsidiary in which the Company directly or indirectly holds 100% of the issued shares or authorized capital.

Article 11: Procedures of information disclosure

1. Under any of the following circumstances, the Company, when acquiring or disposing of assets, shall publicly announce and report the relevant information in the Market Observation Post System in the appropriate format as prescribed by regulations within 2 days counting inclusively from the date of occurrence of the event:

- (1) Acquisition or disposal of real property or right-of-use assets thereof from or to a related party, or acquisition or disposal of assets other than real property or right-of-use assets thereof from or to a related party where the transaction amount reaches 20% or more of paid-in capital, 10% or more of the Company's total assets, or NT\$300 million or more; provided, this shall not apply to trading of domestic government bonds or bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises.
- (2) Merger, demerger, acquisition, or transfer of shares.
- (3) Losses from derivatives trading reaching the limits on aggregate losses or losses on individual contracts set out in the procedures adopted by the Company.
- (4) Types of assets acquired or disposed

Where equipment or right-of-use assets are for business use and the transaction counterparty is not a related party, and the transaction amount meets any of the following criteria:

1. For a public company whose paid-in capital is less than NT\$10 billion, the transaction amount reaches NT\$500 million or more.
2. For a public company whose paid-in capital is less than NT\$10 billion, the transaction amount reaches NT\$ 1 billion or more.

- (5) 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.
  - (6) Where an asset transaction other than any of those referred to in the preceding five subparagraphs, a disposal of receivables by a financial institution, or an investment in the mainland China area reaches 20% or more of paid-in capital or NT\$300 million. Provided, this shall not apply to the following circumstances:
    1. Trading of domestic government bonds.
    2. Trading of bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises.
  - (7) "Within the preceding year" as used in the Subparagraph 6 in the preceding paragraph refers to the year preceding the date of occurrence of the current transaction. Items duly announced in accordance with the associated regulations need not be counted toward the transaction amount.
    1. The amount of any individual transaction
    2. The cumulative transaction amount of acquisitions and disposals of the same type of underlying asset with the same transaction counterparty within the preceding year.
    3. The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of real property or right-of-use assets thereof within the same development project within the preceding year.
    4. The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of the same security within the preceding year.
  - (8) For the calculation of 10% of total assets under these provisions, 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.
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 Market Observation Post System within the first 10 days in the current month.
  3. When the Company at the time of public announcement makes an error or omission in an item required by regulations to be publicly announced and so is required to correct it, all the items shall be again publicly announced and reported in their entirety within two days counting inclusively from the date of knowing of such error or omission.
  4. When acquiring or disposing of assets the Company shall keep all relevant contracts, meeting minutes, log books, appraisal reports and opinions of CPA, attorney, and securities underwriter at the Company, where they shall be retained for five years except where another act provides otherwise.
  5. Where any of the following circumstances occurs with respect to a transaction that the Company has already publicly announced and reported in accordance with the preceding article, a public report of relevant information shall be made available in Market Observation Post System within two days counting inclusively from the date of occurrence of the event:
    - (1) Change, termination, or rescission of a contract signed in regard to the original transaction.
    - (2) The merger, demerger, acquisition, or transfer of shares is not completed by the scheduled date

set forth in the contract.

(3) Change to the originally publicly announced and reported information.

Article 12: The subsidiary of the Company shall handle the matter according to the following:

1. The Company shall ask its subsidiaries to establish procedures handling assets acquisition and disposal” based on its business nature and scale and local regulations. The subsidiary shall handle all asset acquisition or disposition accordingly
2. The Company shall ask its subsidiaries to perform a self-check to ensure that the procedures set above comply with “ Regulations Governing the Acquisition and Disposal of Assets by Public Companies” and all the transactions were made in accordance with the procedures.
3. The internal auditor of the Company shall review the self-check reports from the subsidiaries.
4. Where the transaction of acquiring or disposing an asset by a subsidiary reaches the threshold requiring public announcement and regulatory filing under Article 12 herein, and the subsidiary is not a public company, the reporting shall be filed by the Company.
5. The paid-in capital or total assets of the Company shall be the standard applicable to when determining whether the transaction of a subsidiary reaches a threshold requiring public announcement and regulatory filing.

Article 13: Penalties

Personnel violating the procedures herein shall be subject to the reviewing procedures under the Employee Handbook of the Company according to the severity of the damage arising from such violation.

Article 14: Implementation and revision

These procedures shall be approved by the Audit Committee and then the board, and be submitted to the shareholders' meeting for approval. The identical approval shall be applied when the procedures are to be amend.

## WAH LEE INDUSTRIAL CORP.

## Directors Shareholding

1. The total paid-in capital of the Company is NT\$2,313,901,380 with 231,390,138 shares issued. In accordance with “Rules and Review Procedures for Director and Supervisor Share Ownership Ratios at Public Companies,” total shares held by the Board of directors shall be 12,000,000 units or more.
2. As of the date for suspension of share transfer for a shareholders meeting (March 30, 2021) total numbers of shares held by the directors in the shareholders’ list has met the requirement of the minimum percentages of registered shares to be held by directors under Article 26 in Securities and Exchange Act as listed below:

| Position             | Name                                    | Date elected | Office term | No. of shares held on the date for suspension of share transfer |                | Name of proxy    |
|----------------------|-----------------------------------------|--------------|-------------|-----------------------------------------------------------------|----------------|------------------|
|                      |                                         |              |             | Shares                                                          | Shareholding % |                  |
| Chairman             | Kang Tai Investment Corporation         | 2020/05/28   | 3 years     | 16,660,155                                                      | 7.20%          | Jui-Chin Chang   |
| Deputy Chairman      | Chun-Ying Chen                          | 2020/05/28   | 3 years     | 3,796,014                                                       | 1.64%          | —                |
| Director             | Zhi-Hai Lin                             | 2020/05/28   | 3 years     | 2,609,959                                                       | 1.13%          | —                |
| Director             | Bao Gung Investment Corporation         | 2020/05/28   | 3 years     | 1,971,873                                                       | 0.85%          | Shu-Zhen Lin     |
| Director             | Kang Tai Investment Corporation         | 2020/05/28   | 3 years     | 16,660,155                                                      | 7.20%          | Tsun-Hsien Chang |
| Director             | Ching-Pin Yeh                           | 2020/05/28   | 3 years     | 3,356,263                                                       | 1.45%          | —                |
| Independent Director | Yea-Kang Wang,                          | 2020/05/28   | 3 years     | —                                                               | —              | —                |
| Independent Director | Hao-Min Chu                             | 2020/05/28   | 3 years     | —                                                               | —              | —                |
| Independent Director | So-De Shyu                              | 2020/05/28   | 3 years     | —                                                               | —              | —                |
|                      | <b>Directors shareholding, subtotal</b> |              |             | <b>28,394,264</b>                                               | <b>12.27%</b>  |                  |

Note: Total share ownership figures calculated for Board of directors other than the independent directors is decreased by 20% as there are independent directors in the Company’s Board

## Other explanation notes

Shareholder proposals in this shareholders meeting:

- Note: 1. According to Article 172-1 under the Company Act, shareholders holding 1% or more of the total number of outstanding shares of the Company may make a proposal for discussion at a regular shareholders' meeting, provided that only one matter shall be allowed and the word count of the proposal is limited to 300.
2. The period of taking shareholders' proposals for this meeting starting from March 19, 2021 to March 30, 2021 and is posted on Market Observation Post System.
3. No shareholder proposal has been received as of the last day of the taking period.