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Stock Code: 2069



**YUEN CHANG
STAINLESS STEEL**

**2023 Annual
General Meeting**



Date of Meeting: June 9, 2023 (Friday)

**Venue: No. 12, Huaxi Rd., Daliao Dist. (Dafa Industrial
Park), Kaohsiung City**

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Yuen Chang Stainless Steel Co., Ltd.
2023 Annual General Meeting Procedure

1. Call the meeting to order
2. Chairperson's opening remarks
3. Report Matters
4. Proposals and Acknowledgment
5. Discussion Matters
6. Elections
7. Other Motions
8. Extempore Motions
9. Adjournment

Yuen Chang Stainless Steel Co., Ltd.

2023 Annual General Meeting Agenda

Time: June 9, 2023 (Friday), 10:00AM

Venue: No. 12, Huaxi Rd., Daliao Dist. (Dafa Industrial Park), Kaohsiung City (Dafa Plant of the Company)

Method for convening the meeting: Annual General Meeting in a tangible form.

1. Call the meeting to order (report the total number of shares represented by the present shareholders)
2. Chairperson's opening remarks
3. Report Matters
 - (1). 2022 Business Report.
 - (2). 2022 Audit Committee's Review Report
 - (3). 2022 Report on distribution of remuneration to employees and directors
 - (4). 2022 Report on compensation to directors
 - (5). Report on issuance of corporate bonds
 - (6). Report on implementation status of treasury stock
 - (7). Amendments to certain provisions of the Company's "Corporate Governance Best Practice Principles"
 - (8). Amendments to certain provisions of the Company's "Sustainable Development Best Practice Principles"
4. Proposals and Acknowledgment
 - (1). 2022 Business report and financial statements.
 - (2). 2022 Earnings appropriation proposal.
5. Discussion Matters
Amendments to certain provisions of the Company's "Articles of Incorporation"
6. Elections
Re-election of the whole directors
7. Other Motions
Termination of the non-competition restrictions imposed on new directors and their representatives
8. Extempore Motions
9. Adjournment

Report Matters

(1) The 2022 business report is presented for review.

Explanation: For the Company's 2022 business report, please refer to Pages 8~9 hereof (Attachment 1).

(2) The 2022 Audit Committee's review report is presented for review.

Explanation: For the Company's 2022 Audit Committee's Audit Report, please refer to Page 10 hereof (Attachment 2).

(3) The 2022 report on distribution of remuneration to employees and directors is presented for review.

Explanation: 1. According to Article 20 of the Articles of Incorporation, subject to the profit sought by the Company (i.e. the income before pre-tax income less

remuneration distributed to employees and directors) for any fiscal year, the Company shall allocate at least 2% of the balance remaining after accumulated losses are paid up, if any, as the remuneration to employees and no more than 2% thereof as the remuneration to directors.

2. The Company distributed 2% thereof, i.e. NT\$6,140,000, as remuneration to employees, and 0.37% thereof, i.e. NT\$1,148,000, as remuneration to directors, all in cash in 2022.

(4) The 2022 report on compensation to directors is presented for review.

Explanation: 1. According to Article 17 of the Articles of Incorporation, the Board of Directors is authorized to resolve the remuneration to all directors based on their participation in the Company's operation and contribution value and the typical pay levels adopted by peer companies, irrelevant with profit or loss retained by the Company.

2. Article 20 of the Articles of Incorporation also requires that no more than 2% thereof shall be distributed as the remuneration to directors.
3. For the details about the remuneration to directors, please refer to Page 11 hereof (Attachment 3).

(5) The report on issuance of corporate bonds is presented for review.

Explanation:

Type of corporate bond	Domestic 4th unsecured convertible corporate bonds
Date of issuance	November 25, 2021
Par value	NT\$100,000
Issue price	Issued at 111.60% of the par value The fund raised actually was NT\$334,809,610.
Total amount	NT\$300 million
Interest rate	Annual coupon rate 0%
Term	3 years
Cause of raising	Repayment of bank loans
Outstanding principal	NT\$300 million
Implementation status of corporate bonds until the book closure date, April 11, 2023	The number of share already converted into the Company's common share is 0.

(6) The report on implementation status of treasury stock is presented for review.

Explanation:

Serial number of the term of buyback	2nd (Term)
Purpose of buyback	Transfer of shares to employees
Period of buyback	March 23, 2020 – May 19, 2020
Buyback price range	9.00~18.00 (The Company will continue the buyback if its stock price is less than the price range.)
Category and quantity of buyback	2,700,000 ordinary shares
Amount of buyback	NT\$40,787,529
Quantity of buyback to the scheduled quantity of buyback (%)	54%
Quantity of shares having been canceled and transferred	1,350,000 shares
Cumulative quantity of the issued shares held by the Company.	1,350,000 shares
Cumulative quantity of the issued shares held by the Company to the total quantity of shares issued by the Company (%)	0.86%

(7) The amendments to certain provisions of the Company’s “Corporate Governance Best Practice Principles” are presented for review.

Explanation: In response to the relevant laws and regulations promulgated by the competent authority, the Company amended certain provisions of its "Corporate Governance Best Practice Principles."

2. For the comparative table of the “Corporate Governance Best Practice Principles” before and after the amendments, please refer to Pages 12~15 hereof (Attachment 4).

(8) The amendments to certain provisions of the Company’s "Sustainable Development Best Practice Principles" are presented for review.

Explanation: 1. In response to the relevant laws and regulations promulgated by the competent authority, the Company amended certain provisions of its "Sustainable Development Best Practice Principles."

2. For the comparative table of the “Sustainable Development Best Practice Principles” before and after the amendments, please refer to Pages 16 hereof (Attachment 5).

Proposals and Acknowledgment

1st Proposal (Proposed by the Board of Directors)

Summary: 2022 Business report and financial statements.

Explanation: The 2022 business report and consolidated financial statements & parent company only financial statements have been prepared accordingly. The financial statements already audited by Hsu Kai-Ning, CPA and Wu Chang-Chun, CPA of Deloitte Taiwan, together with the business report, were submitted to the Audit Committee for review, for which the Audit Committee already issued the review report.

2. For the business report, External Auditor's Report and said financial statements, please refer to Pages 8~9 hereof (Attachment 1) and Pages 17~36 hereof (Attachment 6 and Attachment 7).
3. Hereby proposed for acknowledgment.

Resolution:

2nd Proposal (Proposed by the Board of Directors)

Summary: 2022 Earnings appropriation plan.

Explanation: 1. The Company's 2022 net income was NT\$191,611,243. According to the Company Act and Article 19 of the Company's Articles of Incorporation, the Company prepared the earnings appropriation plan. Please refer to Page 37 hereof (Attachment 8).

2. Hereby proposed for acknowledgment.

Resolution:

Discussion Matters

(Proposed by the Board of Directors)

Summary: Amendments to certain provisions of the Company's "Articles of Incorporation"

Explanation: 1. In response to the Company's future development, the Company plans to amend certain provisions of the "Articles of Incorporation."

2. For the comparative table of the "Articles of Incorporation" before and after the amendments, please refer to Page 38 hereof (Attachment 9).
3. For the "Articles of Incorporation" before the amendments, please refer to Pages 68~73 hereof (Appendix 3).
4. Hereby proposed for discussion.

Resolution:

Elections

(Proposed by the Board of Directors)

Summary: Re-election of the whole directors

Explanation: 1. The term of office to be held by the Company's existing directors will be expired on June 22, 2023. Therefore, in response to the annual general meeting, the Company plans to carry out the re-election of the whole directors.

2. According to Article 14 of the Articles of Incorporation, 7 directors shall be elected (including 4 independent directors) in accordance with the candidate nomination system. The new directors shall hold the term of office for three years from June 9, 2023 to June 8, 2026. The term of office held by the original directors shall expire at the end of the annual general meeting.
3. For the name list of director candidates, please refer to Pages 39~40 hereof (Attachment 10).
4. The election was carried out in accordance with the Company's "Regulations for Election of Directors." Please refer to Pages 74~76 hereof (Appendix 4).
5. Please proceed with the election accordingly.

Election results:

Other Motions

(Proposed by the Board of Directors)

Summary: Termination of the non-competition restrictions imposed on new directors and their representatives

Explanation: 1. According to Article 209 of the Company Act, “a director who does anything for himself or on behalf of another person that is within the scope of the company's business, shall explain to the meeting of shareholders the essential contents of such an act and secure its approval.”

2. In order to rely on the expertise and related experience of the Company's directors, without prejudicing the Company's interest, the motion is proposed to ask the shareholders’ meeting for the approval of it is proposed to submit to the shareholders' meeting for approval of termination of the non-competition restrictions imposed on new directors and their representatives.

3. The non-competition restrictions imposed on directors are specified as follows:

Type of election	Name	Dismissal
Chairman	Yen Te-Ho	Chairman of Board, Ningbo Qiyi Precision Metals Co., Ltd.
Director	Yen The-Wei	Supervisor, Ningbo Qiyi Precision Metals Co., Ltd.

4. Hereby proposed for discussion.

Resolution:

Extempore Motions

Adjournment

2022 Business Report

I. 2022 Business Report

The operating revenue declined by 2% in 2022, primarily as a result of the severe COVID-19 epidemic and lockout policy in China, which resulted in the interruption in the domestic marketing of China. The 2022 business performance is reported as follows:

(I) Implementation results of the business plan

Unit: NTD thousand

Item	Performance in 2021	Performance in 2022	Comparison of performance	Growth rate
Operating revenue, net	14,260,416	14,042,665	-217,751	-1.53%

(II) Budget execution

Unit: NTD thousand

Item	Scheduled execution in 2022	Actual execution in 2022	Achievement rate
Operating Revenue	17,180,098	14,042,665	81.74%
Sale volume (MT)	218,000	163,748	75.11%

(III) Profitability analysis

Year	2021	2022
Gross profit margin	13.55%	8.34%
Net profit margin	5.19%	1.36%

(IV) Revenue and expenditure

Unit: NTD thousand

Item	2021	2022	Change in Amount	Note
Net cash inflow (outflow) from operating activities	(1,143,661)	2,138,703	3,282,364	1
Net cash inflow (outflow) from investing activities	(264,705)	(3,624)	261,081	2
Net cash inflow (outflow) from financing activities	(1,419,774)	(2,252,022)	(3,671,796)	3

Note 1: The increase in the net cash inflow from operating activities is primarily a result of the decrease in purchase of inventories from the previous period.

Note 2: The increase in the net cash inflow from investing activities is primarily a result of the increase in deposits pledged in the current period less than that in the previous period.

Note 3: The net decrease in long-term and short-term loans amounted to NT\$1,896,125 thousand in the current period, and net increase amounted to NT\$876,316 thousand in the previous period. The cash dividends distributed in the current period increased by NT\$277,811 thousand from the previous period. Less the corporate bonds distributed in the previous period, NT\$330,816 thousand, and cash capital increase by NT\$279,200 thousand, the net cash outflow from financing activities arose.

(V) R&D

The Company has assigned the unit dedicated to improving and developing the product processing technology. In order to satisfy customers' special needs, the Company has researched and developed the functional stainless steel plates intended for various uses, and held mature production experience and manufacturing technology, which upgrade the Company's independent innovation capabilities and comprehensive competitiveness thoroughly. For the time being, the Company's products are extensively applied to computers, communications, and consumer electronics, automobile industry, eco-friendly energy, household appliances, button cell batteries and construction projects. Considering that the Company owns ultra-thin precision stainless steel production technique, it will continue to optimize its product portfolio and develop high value-added products, and also keep improving its applications to car trims, electronics and energy and eco-friendly batteries.

Thank you for your kindness and support in the past. Looking forward to the coming year, the Company will continue to develop and create more competitive products, reduce the production cost, provide customers with more competitive price, help customers secure opportunities in the market, and pursue common prosperity for customers, shareholders, employees and suppliers, in order to create a future full of remarkable results!

Chairman: Yen Te-Ho

General Manager:
Yen The-Wei

Accounting Manager:
Chu Pei-Chen

Audit Committee's Report

Yuen Chang Stainless Steel Co., Ltd.

Audit Committee's Review Report

The Company's 2022 business report and financial statements (including consolidated financial statements) have been prepared and submitted by the Board of Directors. Among the other things, the financial statements (including consolidated financial statements) were already audited by Hsu Kai-Ning, CPA and Wu Chang-Chun, CPA of Deloitte Taiwan appointed by the Board of Directors, who issued the external auditor's report accordingly. Based on the Audit Committee's review on said report and statements prepared and submitted by the Board of Directors, it found no inconsistency existing. The Report is presented in accordance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act.

To:

The Company's 2023 Annual General Meeting

Yuen Chang Stainless Steel Co., Ltd.
Convener of Audit Committee: Tseng Chi-Kuo

March 16, 2023

Compensation to Directors

Unit: NT\$ Thousand; Shares in Thousand; %

Job Title	Name (Note 1)	Remuneration to directors								Sum of A, B, C, and D as a Percentage of Net Income		Employee compensation received by directors								Sum of A, B, C, D, E, F, and G as a Percentage of Net Income		Compensat ion from investees other than subsidiaries or from the parent company
		Remuneration (A)		Severance payment and pension (B)		Director remuneration (C)		Professional practice fees (D)				Salaries, bonuses and special allowances, etc. (E)		Severance payment pension (F)		Employee remuneration (G)						
		The Company	Companies Included in the Financial Statements	The Company	Companies Included in the Financial Statements	The Company	Companies Included in the Financial Statements	The Company	Companies Included in the Financial Statements	The Company	Companies Included in the Financial Statements	The Company	Companies Included in the Financial Statements	The Company	Companies Included in the Financial Statements	The Company		Companies Included in the Financial Statements		The Company	Companies Included in the Financial Statements	
																Amount in cash	Amount in stock	Amount in cash	Amount in stock			
Chairman	Yen Te-Ho	3,870	3,870	-	-	800	800	497	497	2.27%	2.27%	-	-	-	-	-	-	-	-	2.27%	2.27%	None
Director	Yen The-Wei	342	342	-	-	58	58	21	21	0.22%	0.22%	2,896	2,896	-	-	862	-	862	-	2.18%	2.18%	None
Director	Yen Po-Chien	342	342	-	-	58	58	21	21	0.22%	0.22%	983	2,094	-	-	613	-	613	-	1.05%	1.63%	None
Director	Huang Hung-Chieh	342	342	-	-	58	58	21	21	0.22%	0.22%	-	-	-	-	-	-	-	-	0.22%	0.22%	None
Independent director	Tseng Chi-Kuo	342	342	-	-	58	58	18	18	0.22%	0.22%	-	-	-	-	-	-	-	-	0.22%	0.22%	None
Independent director	Chen Mu-Tan	342	342	-	-	58	58	21	21	0.22%	0.22%	-	-	-	-	-	-	-	-	0.22%	0.22%	None
Independent director	Pan Yung-Shan	342	342	-	-	58	58	21	21	0.22%	0.22%	-	-	-	-	-	-	-	-	0.22%	0.22%	None

Yuen Chang Stainless Steel Co., Ltd.

Comparative table of the “Corporate Governance Best Practice Principles” before and after the amendments

Provisions after amendments	Provisions before amendments	Explanation
Article 3-1 (omitted) It is required that the corporate governance affairs mentioned in the preceding paragraph include at least the following items: (omitted) VI. Report to the Board of Directors the review results on compliance with the related laws and regulations by the nomination, election and term of office of the independent directors. VII. Process any update on the directors. VIII. Other matters set out in the Articles of Incorporation or contracts.	Article 3-1 (omitted) It is required that the corporate governance affairs mentioned in the preceding paragraph include at least the following items: (omitted) VI. Other matters set out in the Articles of Incorporation or contracts.	According to the Corporate Governance 3.0-Sustainable Development Roadmap planning, and results of the inquiry about external opinions, the compliance matters about the qualification of independent directors (including independent director candidates and current independent directors) shall be included into the corporate governance officers’ functions. Meanwhile, in order to improve the corporate governance officers’ functions, any update on the directors (including but not limited to, corporate governance officers’ acceptance of resignation by directors or requirements to be met upon receipt of the notice for re-appointment under Paragraph 3 of Article 27 of the Company Act) shall also be included into the corporate governance officers’ functions. Subparagraphs 6 and 7 are added accordingly.
Chapter 2. Protection of Shareholders' Rights and Interests	Chapter 2. Protection of Shareholders' Rights and Interests	Considering that the Section governs the governance relationship between

Provisions after amendments	Provisions before amendments	Explanation
Section 1. Encouraging Shareholders to Participate in Corporate Governance (omitted) Section 2. Establishing a Mechanism for Interaction with Shareholders (omitted) Section 3. Corporate Governance Relationships Between the Company and Related Parties	Section 1. Encouraging Shareholders to Participate in Corporate Governance (omitted) Section 2. Establishing a Mechanism for Interaction with Shareholders (omitted) Section 3. Corporate Governance Relationships Between the Company and Its Affiliated Enterprises	the Company and its affiliated enterprises and also the management of transactions with related parties, the name of the Section is amended accordingly.
Article 12 (omitted) When the Company is involved in a merger, acquisition or public tender offer, in addition to proceeding in accordance with the applicable laws and/or regulations, it shall not only pay attention to the fairness, rationality, etc. of the plan and transaction of the merger, acquisition or public tender offer, but information disclosure and the soundness of the Company's financial structure thereafter. <u>With respect to the review on whether Audit Committee members satisfy Article 3 of the Regulations Governing Appointment of Independent Directors and Compliance Matter for Public Companies by the Company's management or major shareholders participating in the mergers & acquisitions referred to in the preceding paragraph, and the requirement that they shall not be related parties to, or involve the conflict of interest with, the trading counterparts in the mergers & acquisitions so as to affect their independence, whether the related procedural design and execution comply with related laws and regulations and whether the information is disclosed satisfactorily in accordance with laws, the Company shall retain independent attorneys-at-law to issue written legal opinions. The attorneys-at-law referred to in the preceding paragraph shall satisfy the qualification requirements under Article 3 of the Regulations Governing Appointment of Independent Directors and</u>	Article 12 (omitted) When the Company is involved in a merger, acquisition or public tender offer, in addition to proceeding in accordance with the applicable laws and/or regulations, it shall not only pay attention to the fairness, rationality, etc. of the plan and transaction of the merger, acquisition or public tender offer, but information disclosure and the soundness of the Company's financial structure thereafter. The relevant personnel of the Company handling the matters in the preceding paragraph shall pay attention to the occurrence of any conflicts of interest and the need for	Article 12 is amended and promulgated per the public notice by TWSE under Tai-Zheng-Shang-1-Zi No. 1110023245 on November 25, 2022.

Provisions after amendments	Provisions before amendments	Explanation
<u>Compliance Matter for Public Companies, and they shall not be related parties to, or involve the conflict of interest with, the trading counterparts in the mergers & acquisitions so as to affect their independence.</u> The relevant personnel of the Company handling the matters <u>related to mergers & acquisitions or public tender</u> shall pay attention to the occurrence of any conflicts of interest and the need for recusal.	recusal.	
Article 17 When the Company and its related parties enter into financial and business transactions, a written agreement governing the relevant financial and business operations between them shall be made in accordance with the principle of fair dealing and reasonableness. Price and payment terms shall be definitively stipulated when contracts are signed, and non-arm's length transactions and transfer of unjustified benefits shall be prohibited. The written regulations referred to in the preceding paragraph shall include the management procedures governing transactions including sales, acquisition or disposal of assets, loaning of funds and endorsements/guarantees, and related significant transactions shall be reported to the Board of Directors for resolution, and reported to or approved by a shareholders' meeting.	Article 17 When the Company and its affiliated enterprises enter into inter-company business transactions, a written agreement governing the relevant financial and business operations between them shall be made in accordance with the principle of fair dealing and reasonableness. Price and payment terms shall be definitively stipulated when contracts are signed, and non-arm's length transactions shall be prohibited. All transactions or contracts made by and between the Company and its affiliated persons and shareholders shall follow the principles set forth in the preceding paragraph, and improper channeling of profits is strictly prohibited.	I. Amended Paragraph I. The existing provisions only require that when the Company and its affiliated enterprises enter into inter-company business transactions, a written agreement shall be made. In order to improve the management of the Company's transactions with related parties, a written agreement governing the Company's transactions with related parties and shareholders shall be also required. Further, the related parties are supposed to include affiliated companies. Therefore, the existing Paragraph 2 is consolidated into Paragraph 1, and certain text correction is made. II. Paragraph 2 is added to expressly define that the written regulations referred to in the preceding paragraph shall include the management procedures governing

Provisions after amendments	Provisions before amendments	Explanation
		related transactions, and any significant transactions shall be reported to the Board of Directors for resolution, and reported to or approved by a shareholders' meeting.
Article 29 (omitted) The Company shall evaluate the AQIs of the CPA engaged by the Company regularly, and no less frequently than once annually. In the event that the Company engages the same CPA without replacement for 7 years consecutively, or if the CPA is subject to disciplinary action or other circumstances prejudicial to the CPA's independence, the Company shall evaluate the necessity of replacing the CPA and submit its conclusion to the Board of Directors.	Article 29 (omitted) The Company shall evaluate the independence and suitability of the CPA engaged by the Company regularly, and no less frequently than once annually. In the event that the Company engages the same CPA without replacement for 7 years consecutively, or if the CPA is subject to disciplinary action or other circumstances prejudicial to the CPA's independence, the Company shall evaluate the necessity of replacing the CPA and submit its conclusion to the Board of Directors.	In order to improve the transparency of the audit quality, the "Corporate Governance 3.0-Sustainable Development Roadmap" encourages TWSE/TPEX listed companies to take the AQI information provided by the CPA firm into consideration when evaluating replacement of the CPA firm, by promoting the AQIs.

Yuen Chang Stainless Steel Co., Ltd.

Comparative table of the “Sustainable Development Best Practice Principles” before and after the amendments

Provisions after amendments	Provisions before amendments	Explanation
Article 27-1 The Company is advised to, through donation, sponsorship, investment, procurement, strategic cooperation, enterprise’s voluntary technical service or other supporting models, dedicate resources to arts and culture activities or cultural and creative industries to promote the cultural development.	This provision is added.	In order to encourage enterprises to support the arts and culture activities and promote the sustainable development of cultures.

[Attachment 6]

2022 Consolidated Financial Statements and External Auditor's Report

External Auditor's Report

To: Yuen Chang Stainless Steel Co., Ltd.

Audit Opinions

We have completed our review on the Consolidated Balance Sheet of Yuen Chang Stainless Steel Co., Ltd. (hereinafter referred to as the "Company") and its subsidiaries on December 31, 2022 and 2021, and Consolidated Statement of Comprehensive Income, Consolidated Statement of Changes in Equity, Consolidated Cash Flow Statement, and Notes to the Consolidated Financial Statements (including a summary of significant accounting policies) for January 1 to December 31, 2022 and 2021.

In our opinion, said consolidated financial statements in all major respects are in compliance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with International Financial Reporting Standards (IFRSs), International Accounting Standards (IAS), IFRIC Interpretation, or SIC Interpretation endorsed by the Financial Supervisory Commission. They are sufficient to adequately express the consolidated financial status of the Company and its subsidiaries as of December 31, 2022 and 2021 and its consolidated financial performance and consolidated cash flow from January 1 through December 31, 2022 and 2021.

Basis for the Audit Opinions

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of the report. We are independent of the Company and its subsidiaries 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 opinions, based on our audit results and the other external auditors' report.

Key Audit Matters

Key audit matters refer to the most important matters for the audit of 2022 consolidated financial statements of the Company and its subsidiaries based on our professional judgment. 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.

Key audit matters of 2022 consolidated financial statements of the Company and its subsidiaries are hereby stated as follows:

Genuineness of sales revenue and adequacy of the deadline

According to the delivery terms and conditions agreed on by the Company, its subsidiaries, and customers, there was a deviation between the physical shipping date and delivery date or on board date. We evaluated that false revenue might be recognized, as no physical shipment took place. Revenue risk was also recognized earlier than the actual delivery or on board. Therefore, we identify the genuineness of sales revenue and adequacy of the deadline close to the balance sheet date as the key audit matters.

Meanwhile, we also perform the following primary audit procedures:

- I. Test the internal control related to genuineness of recognition of revenue and adequacy of the deadline.
- II. Perform random checks on customer orders, shipping bills and sales invoices from the statement of operating revenue dated close to the balance sheet date to identify whether the buyers identified in the customers' orders and sales invoices are identical, and whether the sales invoice amount is consistent with the recognized revenue.
- III. Perform random checks on the external shipping certificates from the statement of operating revenue dated close to the balance sheet date, in order to confirm that the sales revenue is true, and recognized within adequate accounting period.

Other information

The Company has prepared the parent company only financial statements for 2022 and 2021, and the audit reports with unqualified opinions that we have issued are on file for reference.

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

The 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 with International Financial Reporting Standards (IFRSs), International Accounting Standards (IAS), IFRIC Interpretation, or SIC Interpretation endorsed by the Financial Supervisory Commission, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the management is responsible for assessing the ability of the Company and its subsidiaries to continue operations, disclosing related matters, as well as continuing operations with the basis of accounting, unless the management either intends to liquidate the Company and its subsidiaries or to cease operations, or has no feasible alternative but to do so.

Those charged with governance (including Audit Committee) are responsible for overseeing the financial reporting process of the Company and its subsidiaries.

External Auditors' Responsibilities for the Audit on 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 will always detect a material misstatement in the consolidated financial statements 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, we exercise professional judgment and professional skepticism throughout the audit. We also:

- I. 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.
- II. 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 internal control of the Company and its subsidiaries.
- III. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- IV. Conclude on the appropriateness of the management's use of the going concern basis of accounting and whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Company and its subsidiaries to continue as a going concern, based on the audit evidence obtained. 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 Company and its subsidiaries to cease to continue as a going concern.
- V. Evaluate the overall presentation, structure, and contents of the consolidated financial statements, including the related notes, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

VI. Obtain sufficient and appropriate audit evidence regarding the financial information of entities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the audit. We remain solely responsible for our audit opinion on the Group.

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 under the Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and to communicate with them all relationships and other matters that may reasonably be considered affecting our independence, and where applicable, other matters (including related safeguards).

From the matters communicated with the governance unit, we have determined key audit matters of 2022 consolidated financial statements of the Company and its subsidiaries. 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.

Deloitte Taiwan
CPA: Hsu Kai-Ning

CPA: Wu Chang-Chun

Approval reference of the Financial
Supervisory Commission
Jin-Guan-Zheng-Shen-Zi No. 1090347472

Approval reference of the Financial
Supervisory Commission
Jin-Guan-Zheng-Shen-Zi No. 1110348898

March 16, 2023

Yuen Chang Stainless Steel Co., Ltd. and its subsidiaries

Consolidated Balance Sheet

December 31, 2022 and 2021

Unit: NT\$ Thousand

Code	Assets	December 31, 2022		December 31, 2021	
		Amount	%	Amount	%
	Current assets				
1100	Cash and cash equivalents (Note 6)	\$ 190,822	2	\$ 212,990	2
1150	Notes receivable (Notes 8 and 19)	34,258	-	85,183	1
1170	Accounts receivable, net (Notes 8, 19 and 28)	757,189	9	1,166,766	11
1200	Other receivables	83,155	1	251,638	2
1310	Inventory (Note 9)	2,819,849	32	4,206,014	38
1410	Prepayments	117,888	1	141,611	1
1476	Other financial assets — current (Notes 10 and 28)	109,722	1	345,268	3
1479	Other current assets	27,225	-	39,535	-
11XX	Total current assets	<u>4,140,108</u>	<u>46</u>	<u>6,449,005</u>	<u>58</u>
	Non-current assets				
1600	Property, plant and equipment (Notes 11, 20, 24 and 28)	4,480,831	50	4,031,498	36
1755	Right-of-use assets (Notes 12, 20 and 28)	114,863	1	115,255	1
1760	Investment property (Notes 13 and 28)	45,380	1	363,053	3
1840	Deferred income tax assets (Note 21)	149,184	2	107,247	1
1915	Prepayments for equipment	24,693	-	79,210	1
1990	Other non-current assets (Note 20)	5,575	-	487	-
15XX	Total non-current assets	<u>4,820,526</u>	<u>54</u>	<u>4,696,750</u>	<u>42</u>
1XXX	Total assets	<u>\$ 8,960,634</u>	<u>100</u>	<u>\$ 11,145,755</u>	<u>100</u>
代碼	Liabilities and equity				
	Current liabilities				
2100	Short-term loans (Notes 14 and 28)	\$ 2,393,344	27	\$ 3,235,124	29
2110	Short-term notes and bills payable (Note 14)	280,000	3	200,000	2
2120	Financial liabilities at fair value through profit or loss (Notes 7, 15 and 26)	2,812	-	-	-
2130	Contract liabilities — current (Note 19)	190,992	2	192,183	2
2150	Notes payable	20,887	-	47,255	1
2170	Accounts payable	163,619	2	257,631	2
2219	Other payables (Note 16)	230,819	3	344,809	3
2230	Current income tax liabilities	116,031	1	139,596	1
2280	Lease liabilities - current (Note 12)	254	-	-	-
2321	Corporate bonds payable - current portion (Notes 15 and 26)	310,962	4	-	-
2322	Long-term loans - current portion (Notes 14 and 28)	-	-	88,757	1
2399	Other current liabilities	4,476	-	3,818	-
21XX	Total current liabilities	<u>3,714,196</u>	<u>42</u>	<u>4,509,173</u>	<u>41</u>
	Non-current liabilities				
2530	Corporate bonds payable (Notes 15 and 26)	-	-	317,109	3
2540	Long-term loans (Notes 14 and 28)	1,053,162	12	1,991,307	18
2570	Deferred income tax liabilities (Note 21)	45,741	-	63,646	-
2640	Net defined benefit liability (Notes 4 and 17)	-	-	2,325	-
2645	Deposit received	13,256	-	6,844	-
25XX	Total non-current liabilities	<u>1,112,159</u>	<u>12</u>	<u>2,381,231</u>	<u>21</u>
2XXX	Total liabilities	<u>4,826,355</u>	<u>54</u>	<u>6,890,404</u>	<u>62</u>
	Equity attributable to owners of the Company (Note 18)				
3110	Ordinary share capital	1,663,868	18	1,663,868	15
3200	Capital surplus	1,323,687	15	1,322,817	12
	Retained earnings				
3310	Legal reserve	296,047	4	222,033	2
3320	Special reserve	199,095	2	215,174	2
3350	Undistributed earnings	824,511	9	1,050,946	9
3300	Total retained earnings	<u>1,319,653</u>	<u>15</u>	<u>1,488,153</u>	<u>13</u>
3400	Other equity	(152,535)	(2)	(199,093)	(2)
3500	Treasury stocks	(20,394)	-	(20,394)	-
3XXX	Total equity	<u>4,134,279</u>	<u>46</u>	<u>4,255,351</u>	<u>38</u>
3X2X	Total liabilities and equity	<u>\$ 8,960,634</u>	<u>100</u>	<u>\$ 11,145,755</u>	<u>100</u>

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

(Please refer to the audit report issued by Deloitte Taiwan on March 16, 2023)

Chairman: Yen Te-Ho

General Manager: Yen The-Wei

Accounting Manager: Chu Pei-Chen

Yuen Chang Stainless Steel Co., Ltd. and its subsidiaries

Consolidated Statement of Comprehensive Income

January 1 to December 31, 2022 and 2021

Unit: NTD thousand, except for EPS (NTD)

Code		2022		2021	
		Amount	%	Amount	%
4000	Operating revenue, net (Note 19)	\$ 14,042,665	100	\$ 14,260,416	100
5000	Operating costs (Notes 9 and 20)	<u>12,871,784</u>	<u>91</u>	<u>12,327,626</u>	<u>87</u>
5900	Gross profit	<u>1,170,881</u>	<u>9</u>	<u>1,932,790</u>	<u>13</u>
	Operating expenses (Notes 8 and 20)				
6100	Selling expenses	636,927	5	766,436	6
6200	Administrative expenses	131,452	1	171,369	1
6300	R&D expenses	29,373	-	36,221	-
6450	Loss on (gain on reversal of) expected credit impairment	(<u>148</u>)	<u>-</u>	<u>226</u>	<u>-</u>
6000	Total operating expenses	<u>797,604</u>	<u>6</u>	<u>974,252</u>	<u>7</u>
6900	Net operating profit	<u>373,277</u>	<u>3</u>	<u>958,538</u>	<u>6</u>
	Non-operating revenue and expenses (Note 20)				
7100	Interest revenue	10,700	-	5,094	-
7010	Other revenue	23,092	-	79,751	1
7020	Other gains and losses	(10,671)	-	19,530	-
7050	Financial costs	(<u>152,861</u>)	(<u>1</u>)	(<u>141,313</u>)	(<u>1</u>)
7000	Total non-operating revenue and expenses	(<u>129,740</u>)	(<u>1</u>)	(<u>36,938</u>)	<u>-</u>
7900	Profit before tax	243,537	2	921,600	6
7950	Income tax expenses (Note 21)	<u>51,927</u>	<u>-</u>	<u>180,860</u>	<u>1</u>
8200	Net income	<u>191,610</u>	<u>2</u>	<u>740,740</u>	<u>5</u>

(Continued)

(Brought Forward)

Code		2022		2021	
		Amount	%	Amount	%
	Other comprehensive income				
	Items not reclassified to profit and loss				
8311	Defined benefit plan remeasurement	\$ 1,834	-	(\$ 750)	-
8349	Income tax related to items not reclassified to profit and loss	<u>1,137</u>	<u>-</u>	<u>150</u>	<u>-</u>
8310		<u>2,971</u>	<u>-</u>	<u>(600)</u>	<u>-</u>
	Items that might be reclassified to profit and loss				
8361	Exchange differences on translation of foreign financial statements	46,558	-	20,099	-
8399	Income tax related to items might be reclassified to profit and loss	<u>-</u>	<u>-</u>	<u>(4,020)</u>	<u>-</u>
8360		<u>46,558</u>	<u>-</u>	<u>16,079</u>	<u>-</u>
8300	Other comprehensive income for the current period (net after tax)	<u>49,529</u>	<u>-</u>	<u>15,479</u>	<u>-</u>
8500	Total comprehensive income for the current year	<u>\$ 241,139</u>	<u>2</u>	<u>\$ 756,219</u>	<u>5</u>
8600	Net income attributed to:				
8610	Owners of the Company	<u>\$ 191,610</u>	<u>1</u>	<u>\$ 740,740</u>	<u>5</u>
8700	Total comprehensive income attributed to:				
8710	Owners of the Company	<u>\$ 241,139</u>	<u>2</u>	<u>\$ 756,219</u>	<u>5</u>
	Earnings per share (Note 22)				
9750	Basic earnings per share	<u>\$ 1.16</u>		<u>\$ 4.73</u>	
9850	Diluted earnings per share	<u>\$ 1.08</u>		<u>\$ 4.68</u>	

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

(Please refer to the audit report issued by Deloitte Taiwan on March 16, 2023)

Chairman: Yen Te-Ho

General Manager: Yen The-Wei

Accounting Manager: Chu Pei-Chen

Yuen Chang Stainless Steel Co., Ltd. and its subsidiaries
Consolidated Statement of Changes in Equity
January 1 to December 31, 2022 and 2021

Unit: NT\$ Thousand

		Equity attributable to owners of the Company						Other equity items		
Code		Share capital	Capital surplus	Legal reserve	Special reserve	Undistributed earnings	Total	Exchange differences on translation of foreign financial statements	Treasury stocks	Total equity
A1	Balance on January 1, 2021	<u>\$ 1,563,868</u>	<u>\$ 1,160,533</u>	<u>\$ 217,979</u>	<u>\$ 223,306</u>	<u>\$ 349,363</u>	<u>\$ 790,648</u>	<u>(\$ 215,172)</u>	<u>(\$ 40,788)</u>	<u>\$ 3,259,089</u>
	2020 Appropriation and distribution of retained earnings (Note 18)									
B1	Legal reserve	-	-	4,054	-	(4,054)	-	-	-	-
B3	Special reserve	-	-	-	(8,132)	8,132	-	-	-	-
B5	Cash dividends to the Company's shareholders	-	-	-	-	(42,635)	(42,635)	-	-	(42,635)
		-	-	4,054	(8,132)	(38,557)	(42,635)	-	-	(42,635)
C5	Recognized components of equity of corporate bonds issued by the Company (Notes 15 and 18)	-	12,894	-	-	-	-	-	-	12,894
C15	Cash dividends allocated from capital surplus (Note 18)	-	(42,635)	-	-	-	-	-	-	(42,635)
D1	Profit 2021	-	-	-	-	740,740	740,740	-	-	740,740
D3	2021 Other comprehensive income after tax	-	-	-	-	(600)	(600)	16,079	-	15,479
D5	2021 Total comprehensive income	-	-	-	-	740,140	740,140	16,079	-	756,219
E1	Cash capital increase (Note 18)	100,000	179,200	-	-	-	-	-	-	279,200
N1	Transfer of treasury stocks to employees (Note 18)	-	5	-	-	-	-	-	20,394	20,399
N1	Share-based payment transactions (Note 23)	-	12,820	-	-	-	-	-	-	12,820
Z1	Balance on December 31, 2021	<u>1,663,868</u>	<u>1,322,817</u>	<u>222,033</u>	<u>215,174</u>	<u>1,050,946</u>	<u>1,488,153</u>	<u>(199,093)</u>	<u>(20,394)</u>	<u>4,255,351</u>
	2021 Appropriation and distribution of retained earnings (Note 18)									
B1	Legal reserve	-	-	74,014	-	(74,014)	-	-	-	-
B3	Special reserve	-	-	-	(16,079)	16,079	-	-	-	-
B5	Cash dividends to the Company's shareholders	-	-	-	-	(363,081)	(363,081)	-	-	(363,081)
		-	-	74,014	(16,079)	(421,016)	(363,081)	-	-	(363,081)
C17	Other changes in capital surplus	-	870	-	-	-	-	-	-	870
D1	Profit 2022	-	-	-	-	191,610	191,610	-	-	191,610
D3	2022 Other comprehensive income after tax	-	-	-	-	2,971	2,971	46,558	-	49,529
D5	2022 Total comprehensive income	-	-	-	-	194,581	194,581	46,558	-	241,139
Z1	Balance on December 31, 2022	<u>\$ 1,663,868</u>	<u>\$ 1,323,687</u>	<u>\$ 296,047</u>	<u>\$ 199,095</u>	<u>\$ 824,511</u>	<u>\$ 1,319,653</u>	<u>(\$ 152,535)</u>	<u>(\$ 20,394)</u>	<u>\$ 4,134,279</u>

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

(Please refer to the audit report issued by Deloitte Taiwan on March 16, 2023)

Chairman: Yen Te-Ho

General Manager: Yen The-Wei

Accounting Manager: Chu Pei-Chen

Yuen Chang Stainless Steel Co., Ltd. and its subsidiaries

Consolidated Cash Flow Statement

January 1 to December 31, 2022 and 2021

Unit: NT\$ Thousand

Code		2022	2021
	Cash flow from operating activities		
A10000	Profit before tax for the current year	\$ 243,537	\$ 921,600
A20010	Adjustments to reconcile profit (loss)		
A20100	Depreciation expenses	229,841	216,765
A20200	Amortization expenses	58	102
A20300	Loss on (gain on reversal of) expected credit impairment	(148)	226
A20400	Net losses from financial assets and liabilities at fair value through profit or loss	3,570	933
A20900	Financial costs	152,861	141,313
A21200	Interest revenue	(10,700)	(5,094)
A21900	Compensation cost of employee stock options	-	12,820
A23700	Inventory valuation losses	11,585	8,720
A29900	Other items	(632)	(1,686)
A30000	Net changes in operating assets and liabilities		
A31130	Notes receivable	50,925	(24,656)
A31150	Accounts receivable	409,043	(308,347)
A31180	Other receivables	168,491	(178,428)
A31200	Inventories	1,373,870	(2,247,523)
A31230	Prepayments	23,723	51,984
A31240	Other current assets	7,870	(13,946)
A32125	Contract liabilities — current	(1,401)	45,679
A32130	Notes payable	(26,368)	38,169
A32150	Accounts payable	(94,636)	191,888
A32180	Other payables	(125,501)	167,939
A32990	Other business liabilities	(100)	(14,440)
A33000	Cash inflow (outflow) from operating activities	2,415,888	(995,982)
A33100	Interest collected	4,545	4,074
A33300	Interest paid	(147,764)	(139,700)
A33500	Income tax paid	(133,966)	(12,053)
AAAA	Net cash inflow (outflow) from operating activities	<u>2,138,703</u>	<u>(1,143,661)</u>
	Cash flow from investing activities		
B02700	Acquisition of property, plant and equipment	(240,495)	(253,394)
B02800	Proceeds from disposal of property, plant and equipment	2,027	20,000

(Continued)

(Brought Forward)

Code		2022	2021
B06500	Decrease (increase) in other financial assets	\$ 235,546	(\$ 32,208)
B06700	Decrease (increase) in other non-current assets	(702)	897
BBBB	Net cash outflow from investing activities	(3,624)	(264,705)
	Cash flow from financing activities		
C00100	Increase in short-term loans	-	322,366
C00200	Decrease in short-term loans	(875,132)	-
C00500	Increase in short-term notes and bills payable	80,000	-
C00600	Decrease in short-term notes and bills payable	-	(60,000)
C01200	Issuance of convertible corporate bond	-	330,610
C01600	Borrowing of long-term loans	1,269,800	1,822,832
C01700	Repayment of long-term loans	(2,370,793)	(1,208,882)
C03000	Increase in deposit received	6,397	-
C03100	Decrease in deposit received	-	(433)
C04020	Repayment of principal portion of lease liabilities	(83)	(1,048)
C04500	Allocation of cash dividends	(363,081)	(85,270)
C04600	Cash capital increase	-	279,200
C05000	Transfer of treasury stocks to employees	-	20,399
C09900	Other financing activities	870	-
CCCC	Cash inflow (outflow) from financing activities	(2,252,022)	1,419,774
DDDD	Effect of foreign exchange rate changes on cash	94,775	(78)
EEEE	Net increase (decrease) in cash and cash equivalents for the current year	(22,168)	11,330
E00100	Balance of cash and cash equivalents, beginning	212,990	201,660
E00200	Balance of cash and cash equivalents, ending	\$ 190,822	\$ 212,990

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

(Please refer to the audit report issued by Deloitte Taiwan on March 16, 2023)

Chairman: Yen Te-Ho

General Manager: Yen The-Wei

Accounting Manager: Chu Pei-Chen

【附件七】

2022 Independent Financial Statements and External Auditor's Report

External Auditor's Report

To: Yuen Chang Stainless Steel Co., Ltd.

Audit Opinions

We have completed our review on the Parent Company Only Balance Sheet of Yuen Chang Stainless Steel Co., Ltd. (hereinafter referred to as the "Company") on December 31, 2022 and 2021, and Parent Company Only Statement of Comprehensive Income, Parent Company Only Statement of Changes in Equity, Parent Company Only Cash Flow Statement, and Notes to the Parent Company Only Financial Statements (including a summary of significant accounting policies) for January 1 to December 31, 2022 and 2021.

In our opinion, said parent company only financial statements in all major respects are in compliance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers. They are sufficient to adequately express the parent company only financial status of the Company as of December 31, 2022 and 2021 and its parent company only financial performance and parent company only cash flow from January 1 through December 31, 2022 and 2021.

Basis for the Audit Opinions

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Parent Company Only Financial Statements section of the 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 opinions, based on our audit results and the other external auditors' report.

Key Audit Matters

Key audit matters refer to the most important matters for the audit of 2022 consolidated financial statements of the Company based on our professional judgment. 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.

Key audit matters of 2022 parent company only financial statements of the Company and its subsidiaries are hereby stated as follows:

Genuineness of sales revenue and adequacy of the deadline

According to the delivery terms and conditions agreed on by the Company and customers, there was a deviation between the physical shipping date and delivery date or on board date. We evaluated that false revenue might be recognized, as no physical shipment took place, and revenue risk was recognized earlier than the actual delivery or on board. Therefore, we identify the genuineness of sales revenue and adequacy of the deadline close to the balance sheet date as the key audit matters.

Meanwhile, we also perform the following primary audit procedures:

- I. Test the internal control related to genuineness of recognition of revenue and adequacy of the deadline.
- II. Perform random checks on customer orders, shipping bills and sales invoices from the statement of operating revenue dated close to the balance sheet date to identify whether the buyers identified in the customers' orders and sales invoices are identical, and whether

- the sales invoice amount is consistent with the recognized revenue.
- III. Perform random checks on the external shipping certificates from the statement of operating revenue dated close to the balance sheet date, in order to confirm that the sales revenue is true, and recognized within adequate accounting period.

Responsibilities of the management and governing body to the parent company only financial statements

The 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, the management is responsible for assessing the ability of the Company to continue operations, disclosing related matters, as well as continuing operations with the basis of accounting, unless the management either intends to liquidate the Company or to cease operations, or has no feasible alternative but to do so.

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

External Auditors' Responsibilities for the Audit on 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 will always detect a material misstatement in the parent company only financial statements 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 the parent company only financial statements.

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

- I. 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.
- II. 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 internal control of the Company.
- III. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- IV. Conclude on the appropriateness of the management's use of the going concern basis of accounting and whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Company to continue as a going concern, based on the audit evidence obtained. 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.

- V. Evaluate the overall presentation, structure, and contents of the parent company only financial statements, including the related notes, and whether the parent company only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- VI. Obtain sufficient and appropriate audit evidence regarding the financial information of entities 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 on the Company.

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 under the Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and to communicate with them all relationships and other matters that may reasonably be considered affecting our independence, and where applicable, other matters (including related safeguards).

From the matters communicated with the governance unit, we have determined key audit matters of 2022 parent company only financial statements of the Company. 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.

Deloitte Taiwan
CPA: Hsu Kai-Ning

CPA: Wu Chang-Chun

Approval reference of the Financial
Supervisory Commission
Jin-Guan-Zheng-Shen-Zi No. 1090347472

Approval reference of the Financial
Supervisory Commission
Jin-Guan-Zheng-Shen-Zi No. 1110348898

March 16, 2023

Yuen Chang Stainless Steel Co., Ltd.
Parent Company Only Balance Sheet
December 31, 2022 and 2021

Unit: NT\$ Thousand

Code	Assets	December 31, 2022		December 31, 2021	
		Amount	%	Amount	%
	Current assets				
1100	Cash (Note 6)	\$ 38,022	1	\$ 85,421	1
1150	Notes receivable (Notes 8 and 20)	1,061	-	2,174	-
1170	Accounts receivable (Notes 8, 20, 28 and 29)	186,595	3	496,213	6
1200	Other receivables	81,953	1	230,170	3
1310	Inventory (Note 9)	2,100,474	33	3,309,521	40
1410	Prepayments	40,049	1	38,502	1
1476	Other financial assets — current (Notes 10 and 29)	109,642	2	259,832	3
1479	Other current assets	2,279	-	4,726	-
11XX	Total current assets	<u>2,560,075</u>	<u>41</u>	<u>4,426,559</u>	<u>54</u>
	Non-current assets				
1550	Investments under equity method (Note 11)	2,572,701	41	2,700,968	33
1600	Property, plant and equipment (Notes 12, 21, 25 and 29)	1,046,257	16	652,391	8
1755	Right-of-use assets (Notes 13 and 21)	253	-	-	-
1760	Investment property (Notes 14 and 29)	45,380	1	363,053	4
1840	Deferred income tax assets (Note 22)	55,472	1	52,157	1
1915	Prepayments for equipment	20,086	-	30,595	-
1990	Other non-current assets	971	-	276	-
15XX	Total non-current assets	<u>3,741,120</u>	<u>59</u>	<u>3,799,440</u>	<u>46</u>
1XXX	Total assets	<u>\$ 6,301,195</u>	<u>100</u>	<u>\$ 8,225,999</u>	<u>100</u>
代碼	Liabilities and equity				
	Current liabilities				
2100	Short-term loans (Notes 15 and 29)	\$ 692,667	11	\$ 1,268,303	15
2120	Financial liabilities at fair value through profit or loss (Notes 7, 16 and 27)	2,812	-	-	-
2110	Short-term notes and bills payable (Note 15)	280,000	5	200,000	2
2130	Contract liabilities — current (Note 20)	158,662	3	182,228	2
2150	Notes payable	20,887	-	47,255	1
2170	Accounts payable (Note 28)	153,404	2	260,715	3
2219	Other payables (Note 17)	81,879	1	210,431	3
2230	Current income tax liabilities (Note 22)	116,031	2	139,596	2
2280	Lease liabilities - current (Note 13)	254	-	-	-
2321	Corporate bonds payable - current portion (Notes 16 and 27)	310,962	5	-	-
2322	Long-term loans - current portion (Notes 15 and 29)	-	-	50,000	1
2399	Other current liabilities	3,812	-	3,163	-
21XX	Total current liabilities	<u>1,821,370</u>	<u>29</u>	<u>2,361,691</u>	<u>29</u>
	Non-current liabilities				
2530	Corporate bonds payable (Notes 16 and 27)	-	-	317,109	4
2540	Short-term loans (Notes 15 and 29)	317,899	5	1,267,223	15
2570	Deferred income tax liabilities (Note 22)	15,720	-	16,327	-
2640	Net defined benefit liability (Notes 4 and 18)	-	-	2,325	-
2645	Deposit received	11,927	-	5,973	-
25XX	Total non-current liabilities	<u>345,546</u>	<u>5</u>	<u>1,608,957</u>	<u>19</u>
2XXX	Total liabilities	<u>2,166,916</u>	<u>34</u>	<u>3,970,648</u>	<u>48</u>
	Equity (Note 19)				
3100	Ordinary share capital	1,663,868	26	1,663,868	20
3200	Capital surplus	1,323,687	21	1,322,817	16
	Retained earnings				
3310	Legal reserve	296,047	5	222,033	3
3320	Special reserve	199,095	3	215,174	2
3350	Undistributed earnings	824,511	13	1,050,946	13
3300	Total retained earnings	<u>1,319,653</u>	<u>21</u>	<u>1,488,153</u>	<u>18</u>
3400	Other equity	(152,535)	(2)	(199,093)	(2)
3500	Treasury stocks	(20,394)	-	(20,394)	-
3XXX	Total equity	<u>4,134,279</u>	<u>66</u>	<u>4,255,351</u>	<u>52</u>
3X2X	Total liabilities and equity	<u>\$ 6,301,195</u>	<u>100</u>	<u>\$ 8,225,999</u>	<u>100</u>

The accompanying notes shall constitute an integral part of the parent company only financial statements.
(Please refer to the audit report issued by Deloitte Taiwan on March 16, 2023)

Chairman: Yen Te-Ho

General Manager: Yen The-Wei

Accounting Manager: Chu Pei-Chen

Yuen Chang Stainless Steel Co., Ltd.
Parent Company Only Statement of Comprehensive Income
January 1 to December 31, 2022 and 2021

Unit: NTD thousand, except for EPS (NTD)

Code		2022		2021	
		Amount	%	Amount	%
4000	Operating revenue, net (Notes 20 and 28)	\$ 10,761,503	100	\$ 9,971,374	100
5000	Operating costs (Notes 9, 21 and 28)	<u>9,709,881</u>	<u>90</u>	<u>8,482,764</u>	<u>85</u>
5900	Gross profit	<u>1,051,622</u>	<u>10</u>	<u>1,488,610</u>	<u>15</u>
	Operating expenses (Note 21)				
6100	Selling expenses	534,030	5	607,839	6
6200	Administrative expenses	61,511	1	101,826	1
6300	R&D expenses	<u>3,037</u>	<u>-</u>	<u>4,584</u>	<u>-</u>
6000	Total operating expenses	<u>598,578</u>	<u>6</u>	<u>714,249</u>	<u>7</u>
6900	Net operating profit	<u>453,044</u>	<u>4</u>	<u>774,361</u>	<u>8</u>
	Non-operating revenue and expenses				
7100	Interest revenue (Note 21)	6,874	-	2,186	-
7010	Other revenue (Note 21)	7,103	-	17,854	-
7020	Other gains and losses (Note 21)	39,738	-	2,906	-
7050	Financial costs (Note 21)	(32,708)	-	(34,129)	-
7070	Share of profit or loss of subsidiaries accounted for using equity method (Note 11)	(<u>174,825</u>)	(<u>1</u>)	<u>134,759</u>	<u>1</u>
7000	Total non-operating revenue and expenses	(<u>153,818</u>)	(<u>1</u>)	<u>123,576</u>	<u>1</u>
7900	Profit before tax	299,226	3	897,937	9
7950	Income tax expenses (Note 22)	<u>107,616</u>	<u>1</u>	<u>157,197</u>	<u>1</u>
8200	Net income	<u>191,610</u>	<u>2</u>	<u>740,740</u>	<u>8</u>

(Continued)

(Brought Forward)

Code		2022		2021	
		Amount	%	Amount	%
	Other comprehensive income				
	Items not reclassified to profit and loss				
8311	Defined benefit plan remeasurement	\$ 1,834	-	(\$ 750)	-
8349	Income tax related to items not reclassified to profit and loss	<u>1,137</u>	<u>-</u>	<u>150</u>	<u>-</u>
8310		<u>2,971</u>	<u>-</u>	<u>(600)</u>	<u>-</u>
	Items that might be reclassified to profit and loss				
8380	Share of other comprehensive income of subsidiaries accounted for using equity method	46,558	-	20,099	-
8399	Income tax related to items might be reclassified to profit and loss	<u>-</u>	<u>-</u>	<u>(4,020)</u>	<u>-</u>
8360		<u>46,558</u>	<u>-</u>	<u>16,079</u>	<u>-</u>
8300	Other comprehensive income for the current period (net after tax)	<u>49,529</u>	<u>-</u>	<u>15,479</u>	<u>-</u>
8500	Total comprehensive income for the current year	<u>\$ 241,139</u>	<u>2</u>	<u>\$ 756,219</u>	<u>8</u>
	Earnings per share (Note 23)				
9750	Basic earnings per share	<u>\$ 1.16</u>		<u>\$ 4.73</u>	
9850	Diluted earnings per share	<u>\$ 1.08</u>		<u>\$ 4.68</u>	

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

(Please refer to the audit report issued by Deloitte Taiwan on March 16, 2023)

Chairman: Yen Te-Ho

General Manager: Yen The-Wei

Accounting Manager: Chu Pei-Chen

Yuen Chang Stainless Steel Co., Ltd.
Parent Company Only Statement of Changes in Equity
January 1 to December 31, 2022 and 2021

Unit: NT\$ Thousand

		Retained earnings						Other equity items		
				Legal reserve	Special reserve	Undistributed earnings	Total	Exchange differences on translation of foreign financial statements	Treasury stocks	Total equity
		Share capital	Capital surplus							
A1	Balance on January 1, 2021	\$ 1,563,868	\$ 1,160,533	\$ 217,979	\$ 223,306	\$ 349,363	\$ 790,648	(\$ 215,172)	(\$ 40,788)	\$ 3,259,089
	2020 Appropriation and distribution of retained earnings (Note 19)									
B1	Legal reserve	-	-	4,054	-	(4,054)	-	-	-	-
B3	Special reserve	-	-	-	(8,132)	8,132	-	-	-	-
B5	Cash dividends to the Company's shareholders	-	-	-	-	(42,635)	(42,635)	-	-	(42,635)
		-	-	4,054	(8,132)	(38,557)	(42,635)	-	-	(42,635)
C5	Recognized equity elements of convertible corporate bonds issued by the Company (Notes 16 and 19)	-	12,894	-	-	-	-	-	-	12,894
C15	Cash dividends allocated from capital surplus (Note 19)	-	(42,635)	-	-	-	-	-	-	(42,635)
D1	Profit 2021	-	-	-	-	740,740	740,740	-	-	740,740
D3	2021 Other comprehensive income after tax	-	-	-	-	(600)	(600)	16,079	-	15,479
D5	2021 Total comprehensive income	-	-	-	-	740,140	740,140	16,079	-	756,219
E1	Cash capital increase (Note 19)	100,000	179,200	-	-	-	-	-	-	279,200
N1	Transfer of treasury stocks to employees (Note 19)	-	5	-	-	-	-	-	20,394	20,399
N1	Share-based payment transactions (Note 24)	-	12,820	-	-	-	-	-	-	12,820
Z1	Balance on December 31, 2021	1,663,868	1,322,817	222,033	215,174	1,050,946	1,488,153	(199,093)	(20,394)	4,255,351
	2021 Appropriation and distribution of retained earnings (Note 19)									
B1	Legal reserve	-	-	74,014	-	(74,014)	-	-	-	-
B3	Special reserve	-	-	-	(16,079)	16,079	-	-	-	-
B5	Cash dividends to the Company's shareholders	-	-	-	-	(363,081)	(363,081)	-	-	(363,081)
		-	-	74,014	(16,079)	(421,016)	(363,081)	-	-	(363,081)
C17	Other changes in capital surplus	-	870	-	-	-	-	-	-	870
D1	Profit 2022	-	-	-	-	191,610	191,610	-	-	191,610
D3	2022 Other comprehensive income after tax	-	-	-	-	2,971	2,971	46,558	-	49,529
D5	2022 Total comprehensive income	-	-	-	-	194,581	194,581	46,558	-	241,139
Z1	Balance on December 31, 2022	\$ 1,663,868	\$ 1,323,687	\$ 296,047	\$ 199,095	\$ 824,511	\$ 1,319,653	(\$ 152,535)	(\$ 20,394)	\$ 4,134,279

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

(Please refer to the audit report issued by Deloitte Taiwan on March 16, 2023)

Chairman: Yen Te-Ho

General Manager: Yen The-Wei

Accounting Manager: Chu Pei-Chen

Yuen Chang Stainless Steel Co., Ltd.
Parent Company Only Cash Flow Statement
January 1 to December 31, 2022 and 2021

Unit: NT\$ Thousand

Code		2022	2021
	Cash flow from operating activities		
A10000	Profit before tax for the current year	\$ 299,226	\$ 897,937
A20010	Adjustments to reconcile profit (loss)		
A20100	Depreciation expenses	40,247	35,984
A20400	Net losses from financial assets and liabilities at fair value through profit or loss	3,570	933
A20900	Financial costs	32,708	34,129
A21200	Interest revenue	(6,874)	(2,186)
A21900	Compensation cost of employee stock options	-	12,820
A22400	Share of profit or loss of subsidiaries accounted for using equity method	174,825	(134,759)
A23700	Inventory valuation losses	16,575	-
A29900	Other items	(553)	(412)
A30000	Net changes in operating assets and liabilities		
A31130	Notes receivable	1,113	2,104
A31150	Accounts receivable	309,618	(259,436)
A31180	Other receivables	148,225	(171,995)
A31200	Inventories	1,192,472	(2,057,631)
A31230	Prepayments	(1,547)	(9,933)
A31240	Other current assets	2,447	(4,210)
A32125	Contract liabilities — current	(23,566)	61,640
A32130	Notes payable	(26,368)	38,169
A32150	Accounts payable	(107,311)	201,893
A32180	Other payables	(128,416)	151,771
A32990	Other business liabilities	(109)	(241)
A33000	Cash inflow (outflow) from operating activities	1,926,282	(1,203,423)
A33100	Interest collected	719	1,165
A33300	Interest paid	(31,614)	(32,368)
A33500	Income tax paid	(133,966)	(12,053)
AAAA	Net cash inflow (outflow) from operating activities	<u>1,761,421</u>	<u>(1,246,679)</u>
	Cash flow from investing activities		
B02700	Acquisition of property, plant and equipment	(106,201)	(69,077)
B02800	Proceeds from disposal of property, plant and equipment	62	248

(Continued)

(Brought Forward)

Code		2022	2021
B06500	Decrease (increase) in other financial assets	\$ 150,190	(\$ 17,677)
B06700	Decrease (increase) in other non-current assets	(695)	897
BBBB	Net cash inflow (outflow) from investing activities	43,356	(85,609)
	Cash flow from financing activities		
C00100	Increase in short-term loans	-	299,454
C00200	Decrease in short-term loans	(575,636)	-
C00500	Increase in short-term notes and bills payable	80,000	-
C00600	Decrease in short-term notes and bills payable	-	(60,000)
C01200	Issuance of convertible corporate bond	-	330,610
C01600	Borrowing of long-term loans	1,269,800	1,046,450
C01700	Repayment of long-term loans	(2,270,000)	(530,000)
C03000	Increase in deposit received	5,954	-
C04020	Repayment of principal portion of lease liabilities	(83)	(1,048)
C04500	Allocation of cash dividends	(363,081)	(85,270)
C04600	Cash capital increase	-	279,200
C05000	Transfer of treasury stocks to employees	-	20,399
C09900	Other financing activities	870	-
CCCC	Cash inflow (outflow) from financing activities	(1,852,176)	1,299,795
EEEE	Net decrease in cash this year	(47,399)	(32,493)
E00100	Balance of cash, beginning	85,421	117,914
E00200	Balance of cash, ending	\$ 38,022	\$ 85,421

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

(Please refer to the audit report issued by Deloitte Taiwan on March 16, 2023)

Chairman: Yen Te-Ho

General Manager: Yen The-Wei

Accounting Manager: Chu Pei-Chen

[Attachment 8]

Yuen Chang Stainless Steel Co., Ltd.

2022 Earnings Appropriation Plan

Unit: NT\$	
Item	Amount
Undistributed earnings, beginning	\$629,931,311
Add: Profit of the current year	191,611,243
Less: Defined benefit plan remeasurement recognized into retained earnings	2,971,284
Undistributed earnings upon adjustment	824,513,838
Less: Provision of 10% legal reserve	(19,458,253)
Add: Reversal of special reserve	46,557,463
Distributable earnings in the current year	\$851,613,048
Distribution items	
Shareholder bonus - cash dividend NT\$2.2 per share	(165,036,836)
Undistributed earnings in the current year	\$686,576,212

Note 1: The earnings appropriation plan distributes the earnings in the most recent year as the first priority.

Note 2: The record date for distribution of dividends should be set by the Board of Directors separately upon approval of the shareholders' meeting.

Note 3: The total distributable shareholder bonus was calculated based on the 165,036,836 outstanding shares on December 31, 2022.

Chairman: Yen Te-Ho

General Manager: Yen The-Wei

Accounting Manager: Chu Pei-Chen

Yuen Chang Stainless Steel Co., Ltd.

Comparative table of the “Articles of Incorporation” before and after the amendments

Provisions after amendments	Provisions before amendments	Explanation
Article 15 The Board of Directors shall consist of the Company’s directors. The Chairman shall be elected among and from the directors by a majority of the directors attending a meeting of the Board of Directors at which at least two-third of directors are present. The same shall apply to the election of the Vice Chairman. The Chairman shall represent the Company externally.	Article 15 The Board of Directors shall consist of the Company’s directors. The Chairman shall be elected among and from the directors by a majority of the directors attending a meeting of the Board of Directors at which at least two-third of directors are present. The Chairman shall represent the Company externally.	The Company plans to appoint the Vice Chairman.

Yuen Chang Stainless Steel Co., Ltd.

Name List of Director Candidates

Type of Nominee	Name	Educational Background	Work Experience	Current Job Title	Number of shares held (Unit: shares)	Name of government or juristic person represented by him	Other related information
Director	Yen Te-Ho	EMBA (Master's), National Sun Yat-sen University		Chairman, Yuen Chang Stainless Steel Co., Ltd. Director, QIYI PRECISION METALS CO., LTD. Director, Surewin Global Limited (HK) Chairman of Board, Ningbo Qiyi Precision Metals Co., Ltd. Director, Krystal Holding Ltd.	7,215,568	None	None
Director	Yen The-Wei	MBA (Master's), University of Missouri Professor, Department of Business Management, National Taiwan University	Sales Manager, Wholesale Banking Business Unit, American Express Bank Specialist, Import & Export Dept., Citibank Taiwan	Yuen Chang Stainless Steel Co., Ltd. General Manager Supervisor, Ningbo Qiyi Precision Metals Co., Ltd. Chairman of Board, Pei Li Investment Co., Ltd. General Manager, QIYI PRECISION METALS CO., LTD. General Manager, Surewin Global Limited (HK) Director, Horizon Sky Holding Ltd.	2,300,482	None	None

Type of Nominee	Name	Educational Background	Work Experience	Current Job Title	Number of shares held (Unit: shares)	Name of government or juristic person represented by him	Other related information
Representative of Juristic Person Director	Chang Yun-Ching	MBA, Purdue University	Financial Specialist, HTC Corporation Financial Specialist, Taishin International Bank Production Division, Yuen Chang Stainless Steel Co., Ltd. Purchasing Division, Yuen Chang Stainless Steel Co., Ltd.	Chairman's Special Assistant, Yuen Chang Stainless Steel Co., Ltd.	37,731,750	Yuji Investment Co., Ltd.	None
Independent director	Pan Yung-Shan	Department of Materials Science and Engineering, NCKU	Vice General Manager, TANG ENG IRON WORKS CO., LTD.		0	None	None
Independent director	Chen Chih-Cheng	Department of Accounting, Feng Chia University	Senior Assistant Vice President, Deloitte Taiwan	Practicing CPA, Zhuo Cheng CPA Firm	0	None	None
Independent director	Tu Chin-Hsiang	EMBA (Master's), National Sun Yat-sen University	Assistant Vice President, Kinmax Technology Inc. Manager, Kinmax Technology Inc. Director, Kinmax Technology Inc. Sales Engineer, Acer Incorporated	Senior Assistant Vice President, Kinmax Technology Inc.	0	None	None

Type of Nominee	Name	Educational Background	Work Experience	Current Job Title	Number of shares held (Unit: shares)	Name of government or juristic person represented by him	Other related information
Independent director	Liu Hsin-Hung	Master, Department of Public Finance and Taxation, National Kaohsiung University of Science and Technology	Director, Yeou Yih Steel Co., Ltd. Supervisor, Yeou Yih Steel Co., Ltd.	Executive Vice President, SUMI STEEL CO., LTD.	100,888	None	None

Yuen Chang Stainless Steel Co., Ltd.

Corporate Governance Best Practice Principles (Before Amendments)

Enforced after passing at the Board of Directors meeting on December 25, 2015

1st amendments made at the Board of Directors meeting on November 10, 2016

2nd amendments made at the Board of Directors on December 25, 2018

3rd amendments made at the Board of Directors meeting on March 20, 2020

4th amendments made at the Board of Directors meeting on December 23, 2021

Chapter 1. General Provisions

Article 1 In order to build a fair corporate governance system, the Company adopts the Corporate Governance Best Practice Principles in accordance with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies established by the Taiwan Stock Exchange Corporation (TWSE) and the Taipei Exchange (TPEX), to be followed by the Company.

The Company is advised to formulate its own corporate governance principles and establish an effective corporate governance framework with reference to these Principles and disclose them through the Market Observation Post System (MOPS).

Article 2 When setting up the corporate governance system, in addition to complying with relevant laws, regulations, articles of incorporation, contracts signed with the TWSE or TPEX, and other relevant regulations, the Company shall follow the following principles:

1. Protect the rights and interests of shareholders.
2. Strengthen the powers of the Board of Directors.
3. Fulfill the function of Audit Committee.
4. Respect the rights and interests of stakeholders.
5. Enhance information transparency.

Article 3 The Company shall follow the Criteria Governing Establishment of Internal Control Systems by Public Reporting Companies and take into consideration the overall operational activities of itself and its subsidiaries to design and fully implement an internal control system, and shall conduct continuing reviews of the system, in order to ensure the continued effectiveness of its design and implementation in light of changes in the Company's internal and external environment.

The Company shall perform full self-assessments of its internal control system. Its Board of Directors and management shall review the results of the self-assessments by each department at least annually and the reports of the internal audit department on a quarterly basis. The Audit Committee shall also attend to and supervise these matters. Directors and independent directors shall periodically hold discussions with their internal auditors about reviews of internal control system deficiencies. A record of the

discussions shall be kept, and the discussions shall be followed up, improvements implemented, and a report submitted to the Board of Directors. The Company is advised to establish channels and mechanisms of communication between their independent directors, Audit Committee, and chief internal auditors, and the convener of the Audit Committee shall report the communications between members of the Audit Committee and chief internal auditors at the shareholders' meeting.

The Company's management shall pay special attention to the internal audit department and its personnel, fully empower them and urge them to conduct audits effectively, to evaluate problems of the internal control system and assess the efficiency of its operations to ensure that the system can operate effectively on an on-going basis, and to assist the Board of Directors and the management to perform their duties effectively so as to ensure a sound corporate governance system.

Appointment, dismissal, evaluation and review, salary and compensation of internal auditors of the Company shall be reported to the Board of Directors or shall be submitted by the chief internal auditor to the Chairman of Board for approval.

Article 3-1 The Company is advised to have an adequate number of corporate governance personnel with appropriate qualifications based on the size of the company, business situations and management needs, and shall appoint in accordance with the requirements of the competent authorities, TWSE or TPEx a chief corporate governance officer as the most senior officer to be in charge of corporate governance affairs. Said officer shall be a qualified or practice-eligible lawyer or accountant or have been in a managerial position for at least three years in a securities, financial, or futures related institution or a public company in handling legal affairs, legal compliance, internal audit, financial affairs, stock affairs, or corporate governance affairs.

It is required that the corporate governance affairs mentioned in the preceding paragraph include at least the following items:

1. Handling matters relating to the Board of Directors' meetings and shareholders' meetings according to laws.
2. Producing minutes of the Board of Directors meetings and shareholders' meetings.
3. Assisting in onboarding and continuous development of directors.
4. Furnishing information required for business execution by directors.
5. Assisting directors with legal compliance.
6. Other matters set out in the Articles of Incorporation or contracts.

Chapter 2. Protection of Shareholders' Rights and Interests

Section 1. Encouraging Shareholders to Participate in Corporate Governance

Article 4 The corporate governance system of the Company shall be designed to protect shareholders' rights and interests and treat all shareholders equitably.

The Company shall establish a corporate governance system which ensures shareholders' rights of being fully informed of, participating in and making decisions over important matters of the Company.

Article 5 The Company shall convene shareholders' meetings in accordance with the Company Act and relevant laws and regulations, and provide comprehensive rules for such meetings. The Company shall faithfully implement resolutions adopted by shareholders' meetings in accordance with the rules for the meetings.

Resolutions adopted by shareholders' meetings of the Company shall comply with laws, regulations and Articles of Incorporation.

Article 6 The Board of Directors of the Company shall properly arrange the agenda items and procedures for shareholders' meetings, and formulate the principles and procedures for shareholders' nomination of directors and submissions of shareholder proposals. The Board of Directors shall also properly handle the proposals duly submitted by shareholders. Arrangements shall be made to hold shareholders' meetings at a convenient location, with sufficient time allowed and sufficient numbers of suitable personnel assigned to handle attendance registrations. No arbitrary requirements shall be imposed on shareholders to provide additional evidentiary documents beyond those showing eligibility to attend. Shareholders shall be granted reasonable time to deliberate each proposal and an appropriate opportunity to make statements.

It is advisable that shareholders' meetings convened by the Board of Directors be chaired by the Chairman of Board in person and attended by a majority of the directors (including at least one independent director) and the convener of Audit Committee in person, and at least one member of each functional committee on behalf of the committee. The attendance shall be recorded in the meeting minutes.

Article 7 The Company shall encourage its shareholders to actively participate in corporate governance. It is advisable that the Company should engage a professional shareholders service agent to handle shareholders' meeting matters, so that shareholders' meetings can be convened on a legal, effective and secure basis. The Company shall seek all ways and means, including fully exploiting technologies for information disclosure, to upload annual reports, annual financial statements, notices, agendas and supplementary information of shareholders' meetings in both Chinese and English concurrently, and shall adopt electronic voting, in order to enhance shareholders' attendance rates at shareholders' meetings and ensure their exercise of rights at such meetings in accordance with laws.

The Company is advised to avoid raising extempore motions and amendments to original proposals at a shareholders' meeting.

The Company is advised to arrange for their shareholders to vote on each separate proposal in the shareholders' meeting agenda, and following conclusion of the meeting, to enter the voting results the same day, namely the numbers of votes cast

for and against and the number of abstentions, on the Market Observation Post System.

Article 8 The Company, in accordance with the Company Act and other applicable laws and regulations, shall record in the shareholders' meeting minutes the date and place of the meeting, the name of the chairperson, the method of adopting resolutions, and a summary of the essential points of the proceedings and the results of the meeting. With respect to the election of directors, the meeting minutes shall record the method of voting adopted therefor and the total number of votes for the elected directors.

The shareholders' meeting minutes shall be properly and perpetually kept by the Company during its legal existence, and should be sufficiently disclosed on the Company's website.

Article 9 The chairperson of the shareholders' meetings shall be fully familiar and comply with the rules governing the proceedings of the shareholders' meetings established by the Company. The chairperson shall ensure the proper progress of the proceedings of the meetings and may not adjourn the meetings at will.

In order to protect the interests of most shareholders, if the chairperson declares the adjournment of the meeting in a manner in violation of rules governing the proceedings of the shareholders' meetings, it is advisable for the members of the Board of Directors other than the chairperson of the shareholders' meeting to promptly assist the attending shareholders at the shareholders' meeting in electing a new chairperson of the shareholders' meeting to continue the proceedings of the meeting, by a resolution to be adopted by a majority of the votes represented by the shareholders attending the said meeting in accordance with the legal procedures.

Article 10 The Company shall place high importance on the shareholder right to know, and shall faithfully comply with applicable regulations regarding information disclosure in order to provide shareholders with regular and timely information on company financial conditions and operations, insider shareholdings, and corporate governance status through the MOPS or the website established by the Company.

To treat all shareholders equally, it is advisable that the Company should concurrently disclose the information under the preceding paragraph in English.

To protect its shareholders' rights and interests and ensure their equal treatment, the Company shall adopt internal rules prohibiting the Company's insiders from trading securities using information not disclosed to the market.

It is advisable that the rules mentioned in the preceding paragraph include stock trading control measures from the date insiders of the Company become aware of the contents of the Company's financial reports or relevant results, including but not limited to, no director allowed to trade stocks within the closure period, namely 30 days prior to publication of the annual financial report, or 15 days prior to publication of quarterly financial reports.

- Article 10-1 The Company is advised to report the remuneration received by directors at the annual general meeting, including the compensation policy, contents and amount of the remuneration to individual directors, and their correlation with the performance evaluation results.
- Article 11 The shareholders shall be entitled to earnings appropriation by the Company. In order to ensure the investment interests of shareholders, the shareholders' meeting may, pursuant to Article 184 of the Company Act, examine the statements and books prepared and submitted by the Board of Directors and the reports submitted by the Audit Committee, and may decide earnings appropriation and loss compensation plans by resolution. In order to proceed with said audit, the shareholders' meeting may appoint an inspector.
- The shareholders may, pursuant to Article 245 of the Company Act, apply with the court to select an inspector in examining the accounting records, assets, particulars, documents and records of specific transaction of the Company.
- The Board of Directors, Audit Committee, and managers of the Company shall fully cooperate in the examination conducted by the inspectors in the preceding two paragraphs without any circumvention, obstruction or rejection.
- Article 12 In entering into material financial and business transactions, such as acquisition or disposal of assets, lending funds, and making endorsements or providing guarantees, the Company shall proceed in accordance with the applicable laws and/or regulations and establish operating procedures in relation to these material financial and business transactions which shall be reported to and approved by the shareholders' meeting so as to protect the interests of the shareholders.
- When the Company is involved in a merger, acquisition or public tender offer, in addition to proceeding in accordance with the applicable laws and/or regulations, it shall not only pay attention to the fairness, rationality, etc. of the plan and transaction of the merger, acquisition or public tender offer, but information disclosure and the soundness of the Company's financial structure thereafter.
- The relevant personnel of the Company handling the matters in the preceding paragraph shall pay attention to the occurrence of any conflicts of interest and the need for recusal.
- Article 13 In order to protect the interests of the shareholders, it is advisable that the Company should designate personnel exclusively dedicated to handling shareholder proposals, inquiries, and disputes.
- The Company shall properly deal with any legal action duly instituted by shareholders in which it is claimed that shareholder rights and interests are damaged by a resolution adopted at a shareholders' meeting or a Board of Directors meeting in violation of applicable laws, regulations, or the Company's Articles of Incorporation, or that such damage is caused by a breach of applicable laws, regulations or the Company's Articles of Incorporation by any directors or managers in performing their duties.

It is advisable that the Company should adopt internal procedures for appropriate handling of matters referred to in the preceding two paragraphs, and that it keep relevant written records for future reference and incorporate the procedures in its internal control system for management purposes.

Section 2. Establishing a Mechanism for Interaction with Shareholders

Article 13-1 The Board of Directors of the Company is responsible for establishing a mechanism for interaction with shareholders to enhance mutual understanding of the development of the Company's objectives.

Article 13-2 In addition to communicating with shareholders through shareholders' meetings and encouraging shareholders to participate in such meetings, the Board of Directors of the Company together with managers and independent directors shall engage with shareholders in an efficient manner to ascertain shareholders' views and concerns, and expound company policies explicitly, in order to gain shareholders' support.

Section 3. Corporate Governance Relationships Between the Company and Its Affiliated Enterprises

Article 14 The Company shall clearly identify the objectives and the division of authority and responsibility between it and its affiliated enterprises with respect to management of personnel, assets, and financial matters, and shall properly carry out risk assessments and establish appropriate firewalls.

Article 15 Unless otherwise provided by the laws and regulations, any of the Company's managers may not serve as a manager of its affiliated enterprises concurrently. Any of the Company's directors who engages in any transaction for himself or on behalf of another person that is within the scope of the Company's operations shall explain the major contents of such actions to the shareholders' meeting and obtain its consent.

Article 16 The Company shall establish sound objectives and systems for management of finance, operations, and accounting in accordance with applicable laws and regulations. It shall further, together with its affiliated enterprises, properly conduct an overall risk assessment of major banks they deal with and customers and suppliers, and implement the necessary control mechanisms to reduce credit risk.

Article 17 When the Company and its affiliated enterprises enter into inter-company business transactions, a written agreement governing the relevant financial and business operations between them shall be made in accordance with the principle of fair dealing and reasonableness. Price and payment terms shall be definitively stipulated when contracts are signed, and non-arm's length transactions shall be prohibited. All transactions or contracts made by and between the Company and its affiliated persons and shareholders shall follow the principles set forth in the preceding paragraph, and improper channeling of profits is strictly prohibited.

Article 18 A juristic person shareholder having controlling power over the Company shall comply with the following provisions:

1. It shall bear a duty of good faith to other shareholders and shall not directly or indirectly cause the Company to conduct any business which is contrary to normal business practice or not profitable.
2. The Company's representative shall follow the rules implemented by the Company with respect to the exercise of rights and participation of resolution, so that at a shareholders' meeting, the representative shall exercise his/her voting right in good faith and for the best interest of all shareholders and shall exercise the fiduciary duty and duty of care of a director.
3. It shall comply with relevant laws, regulations and the Articles of Incorporation of the company in nominating directors, but shall not act beyond the authority granted by the shareholders' meeting or Board of Directors' meeting.
4. It shall not improperly intervene in corporate policy making or obstruct corporate management activities.
5. It shall not restrict or impede the management or production of the Company by methods of unfair competition such as monopolizing corporate procurement or foreclosing sales channels.
6. The representative that is designated when a juristic person shareholder has been elected as a director or supervisor shall meet the Company's requirements for professional qualifications. Arbitrary replacement of the juristic person shareholder's representative is inappropriate.

Article 19 The Company shall retain at all times a register of major shareholders who own a relatively high percentage of shares and have controlling power, and of the persons with ultimate control over those major shareholders.

The Company shall disclose periodically important information about its shareholders holding more than 10 percent of the outstanding shares of the Company relating to the pledge, increase or decrease of share ownership, or other matters that may possibly trigger a change in the ownership of their shares.

The major shareholder indicated in the first paragraph refers to those who owns 5 percent or more of the outstanding shares of the Company or the shareholding stake thereof is on the top 10 list, provided however that the Company may set up a lower shareholding threshold according to the actual shareholding stake that may control the Company.

Chapter 3. Enhancing the Functions of the Board of Directors

Section 1. Structure of the Board of Directors

Article 20 The Board of Directors of the Company shall direct company strategies, supervise the management, and be responsible to the Company and shareholders. The various procedures and arrangements of its corporate governance system shall ensure that, in exercising its authority, the Board of Directors complies with laws, regulations, Articles of Incorporation, and the resolutions of its shareholders' meetings.

The structure of the Company's Board of Directors shall be determined by choosing an appropriate number of the Board members, not less than five, in consideration of its business scale, the shareholdings of its major shareholders, and practical operational needs.

The composition of the Board of Directors shall be determined by taking diversity into consideration. The directors who hold the position as the Company's managers shall be no more than one-third of all of the directors, and an appropriate policy on diversity based on the Company's business operations, operating dynamics, and development needs be formulated and include, without being limited to, the following two general standards:

1. Basic requirements and values: Gender, age, nationality, and culture, and female directors preferably accounting for one-third of the whole directors.
2. Professional knowledge and skills: A professional background (e.g., law, accounting, industry, finance, marketing, or technology), professional skills, and industry experience.

All members of the Board shall have the knowledge, skills, and experience necessary to perform their duties. To achieve the ideal goal of corporate governance, the Board of Directors shall possess the following abilities:

1. Ability to make operational judgments.
2. Ability to perform accounting and financial analysis.
3. Ability to conduct management administration.
4. Ability to conduct crisis management.
5. Knowledge of the industry.
6. An international market perspective.
7. Ability to lead.
8. Ability to make policy decisions.

Article 21

The Company shall, according to the principles for the protection of shareholder rights and interests and equitable treatment of shareholders, establish a fair, just, and open procedure for the election of directors, encourage shareholders' participation, and adopt the cumulative voting mechanism pursuant to the Company Act in order to fully reflect shareholders' views.

Unless the competent authority otherwise grants an approval, a spousal relationship or a familial relationship within the second degree of kinship may not exist among more than half of the directors of the Company.

When the number of directors falls below five due to the discharge of a director for any reason, the Company shall hold a by-election for director at the following shareholders' meeting. When the number of directors falls short by one-third of the total number prescribed by the Articles of Incorporation, the Company shall convene a special shareholders' meeting within 60 days of the occurrence of that fact for a by-election for director(s).

The aggregate shareholding percentage of all of the directors of the Company shall comply with the laws and regulations. Restrictions on the share transfer of each director and the creation, release, or changes of any pledges over the shares held by each director shall be subject to the relevant laws and regulations, and the relevant information shall be fully disclosed.

Article 22 The Company shall specify in its Articles of Incorporation in accordance with the laws and regulations of the competent authorities that it adopts the candidate nomination system for elections of directors, carefully review the qualifications of a nominated candidate and the existence of any other matters set forth in Article 30 of the Company Act, and act in accordance with Article 192-1 of the Company Act.

Article 23 Clear distinctions shall be drawn between the responsibilities and duties of the Chairman of Board of the Company and those of its president.

It is inappropriate for the Chairman of Board to also act as the president or an equivalent post.

If the Company establishes any functional committee, it shall clearly define the responsibilities and duties of such committee.

Section 2. Independent Director System

Article 24 The Company shall appoint independent directors in accordance with its Articles of Incorporation. They shall be no less than three in number and no less than one-fifth of the total number of directors.

Independent directors shall possess professional knowledge and there shall be restrictions on their shareholdings. Applicable laws and regulations shall be observed and, in addition, it is not advisable for an independent director to hold office concurrently as a director (including independent director) or supervisor of more than five other TWSE/TPEX listed companies. Independent directors shall also maintain independence within the scope of their directorial duties, and may not have any direct or indirect interest in the Company. If the Company and its group companies and organizations, and another company and its group companies and organizations nominate for each other any director, supervisor or manager as a candidate for an independent director of the other, the Company shall, at the time it receives the nominations for independent directors, disclose the fact and explain the suitability of the candidate for independent director. If the candidate is elected as an independent director, the Company shall disclose the number of votes cast in favor of the elected independent director.

The "group companies and organizations" in the preceding paragraph comprise the subsidiaries of the Company, any foundation to which the Company's cumulative direct or indirect contribution of funds exceeds 50 percent of its endowment, and other institutions or juristic persons that are effectively controlled by the Company.

Change of status between independent directors and non-independent directors during their term of office is prohibited.

The professional qualifications, restrictions on both shareholding and concurrent positions held, determination of independence, method of nomination and other requirements with regard to the independent directors shall be set forth in accordance with the Securities and Exchange Act, the Regulations Governing Appointment of Independent Directors and Compliance Matter for Public Companies, and the rules and regulations of the Taiwan Stock Exchange or Taipei Exchange.

Article 25 The Company shall submit the following matters to the Board of Directors for approval by resolution as provided in the Securities and Exchange Act. When an independent director has a dissenting opinion or qualified opinion, it shall be noted in the minutes of the Board of Directors meeting:

1. Adoption of or amendments to the internal control system pursuant to Article 14-1 of the Securities and Exchange Act.
2. Adoption of or amendment to, pursuant to Article 36-1 of the Securities and Exchange Act, the handling procedures for financial or operational actions of material significance, such as acquisition or disposal of assets, derivatives trading, loaning to others, or endorsements or guarantees for others.
3. A matter bearing on the personal interest of a director.
4. A material asset or derivatives transaction.
5. A material loaning, endorsement, or provision of guarantee.
6. The offering, issuance, or private placement of any equity-type securities.
7. The appointment, discharge or compensation of an external auditor.
8. The appointment or discharge of a financial, accounting, or internal auditing officer.
9. Any other material matter so required by the competent authority.

Article 26 The Company shall stipulate the scope of duties of the independent directors and empower them with manpower and physical support related to the exercise of their power. The Company or any other members of the Board of Directors shall not obstruct, reject or circumvent the performance of duties by the independent directors. The Company shall stipulate the compensation of the directors according to applicable laws and regulations. The compensation of the directors shall fully reflect the personal performance and the long-term management performance of the Company, and shall also take the overall operational risks of the Company into consideration. Different but reasonable compensation from that of other directors may be set forth for the independent directors.

Section 3. Functional Committees

Article 27 For the purpose of developing supervisory functions and strengthening management mechanisms, the Board of Directors of the Company, in consideration of the Company's scale and type of operations and the number of its Board members, may set up functional committees for auditing, remuneration, nomination, risk management or any other functions, and based on concepts of corporate social responsibility and sustainable operation, may set up environmental protection, corporate social

responsibility, or other committees, and expressly provide for them in the Articles of Incorporation.

Functional committees shall be responsible to the Board of Directors and submit their proposals to the Board of Directors for approval, provided that the performance of supervisor's duties by the Audit Committee pursuant to Paragraph 4, Article 14-4 of the Securities and Exchange Act shall be excluded.

Functional committees shall adopt its articles of association to be approved by the Board of Directors. The articles of association shall contain the numbers, terms of office, and powers of committee members, as well as the meeting rules and resources to be provided by the Company for exercise of power by the committee.

Article 28 The Company shall establish an audit committee.

The Audit Committee shall be composed of the entire number of independent directors. It shall not be fewer than three persons in number, one of whom shall be the convener, and at least one of whom shall have accounting or financial expertise.

The exercise of power by Audit Committee and independent directors and related matters shall be set forth in accordance with the Securities and Exchange Act, the Regulations Governing the Exercise of Powers by Audit Committees of Public Companies, and the rules and regulations of the TWSE or TPEX.

Article 28-1 The Company shall establish a remuneration committee, and it is advisable that more than half of the committee members be independent directors. The professional qualifications for the committee members, the exercise of their powers of office, the adoption of the articles of association, and related matters shall be handled pursuant to the "Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Taiwan Stock Exchange or the Taipei Exchange."

Article 28-2 The Company is advised to establish a nomination committee and its articles of association. It is advisable that a majority of the members of said committee be independent directors and an independent director be its chairperson.

Article 28-3 The Company is advised to establish and announce channels for internal and external whistleblowers and have whistleblower protection mechanisms in place. The unit that handles whistleblowers' reporting shall be independent, provide encrypted protection for the files furnished by whistleblowers, and appropriately restrict access to such files. It shall also formulate internal procedures and incorporate those procedures into the Company's internal control system for management purposes.

Article 29 To improve the quality of its financial reports, the Company shall establish the position of deputy to its accounting manager.

To enhance the professional abilities of the deputy accounting manager referred to in the preceding paragraph, the deputy's continuing education shall proceed following the schedule of the accounting manager.

Accounting personnel handling the preparation of financial reports shall also participate in relevant professional development courses for 6 hours or more each year. Those courses may be the Company's internal training activities or may be professional courses offered by professional development institutions for the accounting manager.

The Company shall select as its external auditor a professional, responsible, and independent attesting CPA, who shall perform regular reviews of the financial conditions and internal control measures of the Company. With regard to any irregularity or deficiency discovered and disclosed in a timely manner by the auditor during the review, and concrete measures for improvement or prevention suggested by the auditor, the Company shall faithfully implement improvement actions. It is advisable that the Company should establish channels and mechanisms of communication between the independent directors, the Audit Committee, and the external auditor, and to incorporate procedures for that purpose into the Company's internal control system for management purposes.

The Company shall evaluate the independence and suitability of the CPA engaged by the Company regularly, and no less frequently than once annually. In the event that the Company engages the same CPA without replacement for 7 years consecutively, or if the CPA is subject to disciplinary action or other circumstances prejudicial to the CPA's independence, the Company shall evaluate the necessity of replacing the CPA and submit its conclusion to the Board of Directors.

Article 30 It is advisable that the Company should engage a professional and competent legal counsel to provide adequate legal consultation services to the Company, or to assist the Board of Directors, Audit Committee and management to improve their knowledge of the law, for the purposes of preventing any violation of laws or regulations by the Company or its staff and ensuring that corporate governance matters proceed pursuant to the relevant legal framework and the prescribed procedures.

When, as a result of performing their lawful duties, directors or the management are involved in litigation or a dispute with shareholders, the Company shall retain a legal counsel to provide assistance as circumstances require.

The Audit Committee or an independent director may retain the service of legal counsel, CPA, or other professionals on behalf of the Company to conduct a necessary audit or provide consultation on matters in relation to the exercise of their power, at the expense of the Company.

Section 4. Rules of Procedure for Board of Directors Meetings, and Decision-Making Procedures

Article 31 The Board of Directors of the Company shall meet at least once every quarter, or convene at any time in case of emergency. To convene a Board of Directors meeting, a meeting notice which specifies the purposes of the meeting shall be sent to each director no later than 7 days before the scheduled date. Sufficient meeting materials

shall also be prepared and enclosed in the meeting notice. If the meeting materials are deemed inadequate, a director may ask the unit in charge to provide more information or request a postponement of the meeting with the consent of the Board of Directors. The Company shall adopt the rules of procedure for Board of Directors meetings, which shall follow the Regulations Governing Procedure for Board of Directors Meetings of Public Companies with regard to the content of deliberations, operating procedures, matters to be recorded in the meeting minutes, public announcements, and other matters for compliance.

Article 32 The Company's directors shall exercise a high degree of self-discipline. If a director or a juristic person represented by the director is an interested party with respect to any proposal for a Board of Directors meeting, the director shall state the important aspects of the interested party relationship at the meeting. When the relationship is likely to prejudice the interests of the Company, the director may not participate in discussion or voting on that proposal and shall enter recusal during the discussion and voting. The director also may not act as another director's proxy to exercise voting rights on that matter.

Matters requiring the voluntary recusal of a director shall be clearly set forth in the rules of procedure for Board of Directors meetings.

Article 33 When a Board of Directors meeting is convened to consider any matter submitted to it pursuant to Article 14-3 of the Securities and Exchange Act, an independent director of the Company shall attend the Board of Directors meeting in person, and may not be represented by a non-independent director on behalf of him/her. When an independent director has a dissenting or qualified opinion, it shall be noted in the minutes of the Board of Directors meeting. If the independent director cannot attend the Board of Directors meeting in person to voice his or her dissenting or qualified opinion, he or she should provide a written opinion before the Board of Directors meeting unless there are justifiable reasons for failure to do so, and the opinion shall be noted in the minutes of the Board of Directors meeting.

In any of the following circumstances, decisions made by the Board of Directors shall be noted in the meeting minutes, and in addition, publicly announced and filed on the MOPS two hours before the beginning of trading hours on the first business day after the date of the Board of Directors meeting:

1. An independent director has a dissenting or qualified opinion which is on record or stated in a written statement.
2. The matter is not approved by the Audit Committee (if the Company has set up an audit committee), but has the consent of more than two-third of all directors.

During a Board of Directors meeting, managers from relevant departments who are not directors may, in view of the meeting agenda, sit in at the meetings, make reports on the current business conditions of the Company and respond to inquiries raised by the directors. Where necessary, a CPA, legal counsel, or other professional may be

invited to sit in at the meetings to assist the directors in understanding the conditions of the Company for the purpose of adopting an appropriate resolution, provided that they shall leave the meeting when deliberation or voting takes place.

Article 34 Staff personnel of the Company attending the Board of Directors meetings shall collect and correctly record the meeting minutes in detail, as well as a summary, the method of resolution, and voting results of all the proposals submitted to the meetings in accordance with relevant regulations.

The minutes of the Board of Directors meetings shall be signed by the chairperson and secretary of the meetings and sent to each director and Audit Committee member within 20 days after the meeting. The director attendance records shall be made part of the meeting minutes, treated as important corporate records, and kept safe permanently during the life of the Company.

Meeting minutes may be produced, distributed, and preserved by electronic means.

The Company shall record on audio or video tape the entire proceedings of a Board of Directors meeting and preserve the recordings for at least 5 years, in electronic form or otherwise.

If before the end of the preservation period referred to in the preceding paragraph a lawsuit arises with respect to a resolution of a Board of Directors meeting, the relevant audio or video recordings shall be preserved for a further period, in which case the preceding paragraph does not apply.

Where a Board of Directors meeting is held via teleconference or video conference, the audio or video recordings of the meeting form a part of the meeting minutes and shall be preserved permanently.

When a resolution of the Board of Directors violates laws, regulations, the Articles of Incorporation, or resolutions adopted in the shareholders' meeting, and thus causes an injury to the Company, dissenting directors whose dissent can be proven by minutes or written statements will not be liable for damages.

Article 35 The Company shall submit the following matters to its Board of Directors for discussion:

1. Corporate business plans.
2. Annual and semi-annual financial reports, with the exception of semi-annual financial reports which, under relevant laws and regulations, need not be CPA audited and attested.
3. Adoption or amendment to an internal control system pursuant to Article 14-1 of the Securities and Exchange Act, and evaluation of effectiveness of an internal control system.
4. Adoption of or amendment to, pursuant to Article 36-1 of the Securities and Exchange Act, the handling procedures for financial or operational actions of material significance, such as acquisition or disposal of assets, derivatives trading, loaning to others, or endorsements or guarantees for others.

5. The offering, issuance, or private placement of any equity-type securities.
6. The performance assessment and the standard of remuneration of the managers.
7. The structure and system of director's remuneration.
8. The appointment or discharge of a financial, accounting, or internal auditing officer.
9. A donation to a related party or a major donation to a non-related party, provided that a public-interest donation of disaster relief for a major natural disaster may be submitted to the next Board of Directors meeting for retroactive recognition.
10. Any matter required by Article 14-3 of the Securities and Exchange Act or any other law, regulation, or bylaw to be approved by resolution at a shareholders' meeting or to be approved by resolution at a Board of Directors meeting, or any such significant matter as may be prescribed by the competent authority.

Except for matters that must be submitted to the Board of Directors for discussion under the preceding paragraph, when the Board of Directors is in recess, it may delegate the exercise of its power to others in accordance with law, regulations, or the Articles of Incorporation. However, the level of delegation or the content or matters to be delegated shall be clearly specified, and general authorization is not permitted.

Article 36 The Company shall ask the appropriate corporate department or personnel to execute matters pursuant to Board of Directors' resolutions in a manner consistent with the planned schedule and objectives. It shall also follow up on those matters and faithfully review their implementation.

The Board of Directors shall remain informed of the progress of implementation and receive reports in subsequent meetings to ensure the actual implementation of the management decisions made by the Board of Directors.

Section 5. Fiduciary Duty, Duty of Care and Responsibility of Directors

Article 37 Members of the Board of Directors shall faithfully conduct corporate affairs and perform the duty of care of a good administrator. In conducting the affairs of the Company, it shall exercise its powers with a high level of self-discipline and prudence. Unless matters are otherwise reserved by law for approval in shareholders meetings or in the Articles of Incorporation, it shall ensure that all matters are handled according to the resolutions of the Board of Directors.

It is advisable that the Company should formulate rules and procedures for the performance assessment on the Board of Directors. Each year, in respect of the Board of Directors and individual directors, it shall conduct regularly scheduled performance assessments through self-assessments or peer-to-peer assessments, and may also do so through outside professional institutions or in any other appropriate manner. A performance assessment on the Board of Directors shall include the following aspects, and appropriate assessment indicators shall be developed in consideration of the Company's needs:

1. Degree of participation in the Company's operations.
2. Improvement of Board of Directors' decision-making quality;

3. Composition and structure of the Board;
4. Election of directors and their continuing professional education.
5. Internal controls.

The performance assessments on the Board members (self-assessments or peer-to-peer assessments) shall include the following aspects, with appropriate adjustments made on the basis of the Company's needs:

1. Alignment with the goals and mission of the Company.
2. Knowledge of directors' duties.
3. Degree of participation in the Company's operations.
4. Management of internal relationship and communication.
5. Professionalism and continuing education of directors.
6. Internal controls.

It is advisable that the Company should conduct performance assessments on a functional committee, covering the following aspects, with appropriate adjustments made on the basis of the Company's needs:

1. Degree of participation in the Company's operations.
2. Knowledge of the duties of the functional committee.
3. Improvement of the functional committee's decision-making quality.
4. Composition of the functional committee, and election and appointment of the committee members.
5. Internal controls.

The Company is advised to submit the results of performance assessments to the Board of Directors and use them as reference in determining remuneration for individual directors,

and their nomination for additional office terms.

Article 37-1 It is advisable for the Company to establish a succession plan for the management. The development and implementation of such plan shall be periodically evaluated by the Board of Directors to ensure sustainable operation.

Article 37-2 The Board of Directors is advised to evaluate and monitor the following aspects of the Company's direction of operation and performance in connection with intellectual properties, to ensure that the Company develops an intellectual property regulatory system in accordance with the "Plan-Do-Check-Act" cycle:

1. Formulate intellectual property regulatory policies, objectives and systems that are slightly associated with the operational strategies.
2. Develop, implement and maintain on the basis of scale and form its regulatory systems governing the procurement, protection, maintenance and utilization of intellectual properties.
3. Decide and provide the necessary resources sufficient to ensure effective implementation and maintenance of the intellectual property regulatory system.

4. Observe internally and externally the risks and opportunities that intellectual property regulation may present and adopt corresponding measures.
5. Plan for and implement a continuous improvement mechanism to ensure the operation and effects of the intellectual property regulatory regime meet the Company's expectations.

Article 38 If a resolution of the Board of Directors violates laws, regulations or the Company's Articles of Incorporation, then at the request of shareholders holding shares continuously for a year or an independent director, or at the notice of an independent director to discontinue the implementation of the resolution, members of the Board of Directors shall take appropriate measures or discontinue the implementation of such resolution as soon as possible.

Upon discovering a likelihood that the Company would suffer material injury, members of the Board of Directors shall immediately report to the Audit Committee or an independent director member of the Audit Committee in accordance with the preceding paragraph.

Article 39 The Company shall take out the liability insurance for the directors with respect to liabilities resulting from exercising their duties during their terms of office, so as to reduce and spread the risk of material harm to the Company and shareholders arising from the wrongdoings or negligence of any director.

The Company shall report the insured amount, coverage, premium rate, and other major contents of the liability insurance it has taken out or renewed for directors, at the next Board of Directors meeting.

Article 40 Members of the Board of Directors are advised to participate in training courses on finance, risk management, business, commerce, accounting, law or corporate social responsibility offered by institutions designated in the Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE/TPEX Listed Companies, which cover subjects relating to corporate governance upon becoming directors and throughout their terms of office. They shall also ensure that the Company's employees at all levels will enhance their professionalism and knowledge of the law.

Chapter 4. Respecting Stakeholders' Rights

Article 41 The Company shall maintain channels of communication with its banks, other creditors, employees, consumers, suppliers, community, or other stakeholders of the Company, respect and safeguard their legal rights and interests, and designate a stakeholders section on its website.

When any stakeholder's legal rights or interests is harmed, the Company shall handle the matter in a proper manner and in good faith.

Article 42 The Company shall provide sufficient information to banks and its other creditors to facilitate their evaluation of the operational and financial conditions of the Company and its decision-making process. When any of their legal rights or interest is harmed,

the Company shall respond with a responsible attitude and assist creditors in obtaining compensation through proper means.

Article 43 The Company shall establish channels of communication with employees and encourage employees to communicate directly with the management or directors so as to reflect the employees' opinions about the management, financial conditions, and material decisions of the Company concerning employee welfare.

Article 44 In developing its normal business and maximizing the shareholders' interest, the Company shall pay attention to consumers' interests, environmental protection of the community, and public interest issues, and shall give serious regard to the Company's social responsibility.

Chapter 5. Improving Information Transparency

Section 1. Enhancing Information Disclosure

Article 45 The Company shall perform its obligations faithfully in accordance with the relevant laws and the related TWSE and TPEX rules.

The Company is advised to publish and report its annual financial report within two months after the end of a fiscal year, and publish and report its financial reports for the first, second and third quarters as well as its operating status for each month before the specified deadline.

The Company shall establish an Internet-based reporting system for public information, appoint personnel responsible for gathering and disclosing the information, and establish a spokesperson system so as to ensure the proper and timely disclosure of information about policies that might affect the decisions of shareholders and stakeholders.

Article 46 In order to enhance the accuracy and timeliness of the material information disclosed, the Company shall appoint a spokesperson and acting spokesperson(s) who understand thoroughly the Company's financial and business conditions and who are capable of coordinating among departments for gathering relevant information and representing the Company in making statements independently.

The Company shall appoint one or more acting spokespersons who shall represent the Company, when the spokesperson cannot perform his/her duties, in making statements independently, provided that the order of authority is established to avoid any confusion.

In order to implement the spokesperson system, the Company shall unify the process of making external statements. It shall require the management and employees to maintain the confidentiality of financial and operational secrets and prohibit their disclosure of any such information at will.

The Company shall disclose the relevant information immediately whenever there is any change to the position of a spokesperson or acting spokesperson.

Article 47 In order to keep shareholders and stakeholders fully informed, the Company shall utilize the convenience of the Internet and set up a website containing the information regarding the Company's finances, operations, and corporate governance. It is also

advisable for the Company to furnish the financial, corporate governance, and other relevant information in English.

To avoid misleading information, the aforesaid website shall be maintained by specified personnel, and the recorded information shall be accurate, detailed and updated on a timely basis.

Article 48 The Company shall hold an investor conference in compliance with the regulations of the TWSE or TPEx, and shall keep an audio or video record of the meeting. The financial and business information disclosed in the investor conference shall be disclosed on the Market Observation Post System and provided for inquiry through the website established by the Company, or through other channels, in accordance with the TWSE or TPEx rules.

Section 2. Disclosure of Information on Corporate Governance

Article 49 The Company shall set up the zone dedicated to disclosing the following corporate governance information on its website and keep it updated from time to time:

1. Board of Directors: e.g. the Board members' resume and responsibilities, Board member diversity policy and implementation thereof.
2. Functional committees: e.g. each functional committee members' resume and responsibilities.
3. Corporate governance-related regulations: e.g. articles of incorporation, regulations governing procedure for board of directors meetings, and functional committee's articles of association, etc.
4. Important information related to corporate governance: e.g. Information about appointment of the chief corporate governance officer.

Chapter 7 Supplementary Provisions

Article 50 The Company shall at all times monitor domestic and international developments in corporate governance as a basis for review and improvement of the Company's own corporate governance mechanism, so as to enhance its effectiveness.

Article 51 The adopted and amended Principles shall be promulgated and enforced upon approval by the Board of Directors, and also reported to a shareholders' meeting.

Yuen Chang Stainless Steel Co., Ltd.

Sustainable Development Best Practice Principles (before amendments)

Passed at the annual general meeting on June 21, 2014

1st amendments made at the Board of Directors meeting on April 10, 2015

2nd amendments made at the Board of Directors on October 20, 2016

3rd amendments made at the Board of Directors meeting on March 20, 2020

4th amendments made at the Board of Directors meeting on December 23, 2021

Chapter 1. General Provisions

- Article 1 In order to assist the Company to fulfill its corporate social responsibility initiatives and to promote economic, environmental, and social advancement for purposes of sustainable development and management of the Company's risk and influence over the economy, environment and society, the Company hereby jointly adopts the Principles to be followed by the Company.
- Article 2 The Principles apply to business activities of the Company and its group companies. The Company actively fulfills sustainable development in the course of its business operations so as to follow international development trends and to contribute to the economic development of the country, to improve the quality of life of employees, the community and society by acting as responsible corporate citizens, and to enhance competitive edges built on sustainable development.
- Article 3 In promoting sustainable development initiatives, the Company shall, in its corporate management guidelines and business operations, give due consideration to the rights and interests of stakeholders and, while pursuing sustainable operations and profits, also give due consideration to the environment, society and corporate governance. The Company shall, in accordance with the materiality principle, conduct risk assessments on environmental, social, and corporate governance issues pertaining to company operations and establish the relevant risk management policy or strategy.
- Article 4 To implement sustainable development initiatives, the Company is advised to follow the principles below:
1. Exercise corporate governance;
 2. Foster a sustainable environment;
 3. Preserve public welfare;
 4. Enhance disclosure of corporate sustainable development information.
- Article 5 The Company shall take into consideration the correlation between the development of domestic and international sustainable development issues and corporate core business operations, and the effect of the operation of individual companies and of its business group as a whole on stakeholders, in establishing their policies, systems or relevant management guidelines, and concrete promotion plans for sustainable development

programs, which shall be approved by the Board of Directors and then reported to the shareholders' meeting.

When a shareholder proposes a motion involving sustainable development, the Company's Board of Directors is advised to review and consider including it in the shareholders' meeting agenda.

Chapter 2. Exercise Corporate Governance

Article 6 The Company is advised to follow the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies, Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and Code of Ethical Conduct for TWSE/TPEX Listed Companies to establish effective corporate governance frameworks and relevant ethical standards so as to enhance corporate governance.

Article 7 The Company's directors shall exercise the due care of good administrators to urge the Company to perform its sustainable development initiatives, examine the results of the implementation thereof from time to time and continually make adjustments so as to ensure the thorough implementation of its sustainable development policies.

The Board of Directors of the Company is advised to give full consideration to the interests of stakeholders, including the following matters, in the Company's promotion of its sustainable development objectives:

1. Identifying the Company's sustainable development mission or vision, and declaring its sustainable development policy, systems or relevant management guidelines;
2. Making sustainable development the guiding principle of the Company's operations and development, and ratifying concrete promotional plans for sustainable development initiatives; and
3. Enhancing the timeliness and accuracy of the disclosure of sustainable development information.

The Company shall have the Board of Directors authorize the senior management to deal with the issues in the domains of economy, environment and society and report the results to the Board of Directors. The relevant operating procedures and responsible persons shall be expressly specified.

Article 8 The Company is advised to, on a regular basis, organize education and training on the promotion of sustainable development initiatives, including promotion of the matters prescribed in paragraph 2 of the preceding article.

Article 9 For the purpose of managing sustainable development initiatives, the Company is advised to create a governance structure for promotion of sustainable development, and establish a unit dedicated to (or concurrently engaged in) promoting the sustainable development and being in charge of proposing and enforcing the sustainable development policies, systems, or relevant management guidelines, and concrete promotional plans and to report on the same to the Board of Directors on a periodic basis.

The Company is advised to adopt reasonable remuneration policies, to ensure that

remuneration arrangements support the strategic aims of the organization, and align with the interests of stakeholders.

It is advised that the employee performance evaluation system be combined with sustainable development policies, and that a clear and effective incentive and discipline system be established.

Article 10 The Company shall, based on respect for the rights and interests of stakeholders, identify stakeholders of the Company, and establish a designated section for stakeholders on the Company website; understand the reasonable expectations and demands of stakeholders through proper communication with them, and adequately respond to the important sustainable development issues which they are concerned about.

Chapter 3. Foster a Sustainable Environment

Article 11 The Company shall follow relevant environmental laws, regulations and international standards to properly protect the environment and shall endeavor to promote a sustainable environment when engaging in business operations and internal management.

Article 12 The Company is advised to endeavor to utilize energy more efficiently and use renewable materials which have a low impact on the environment to improve sustainability of natural resources.

Article 13 The Company is advised to establish proper environment management systems based on the characteristics of its industries. Such systems shall include the following tasks:

1. Collecting sufficient and up-to-date information to evaluate the impact of the Company's business operations on the natural environment.
2. Establishing measurable goals for environmental sustainability, and examining whether the development of such goals should be maintained and whether it is still relevant on a regular basis.
3. Adopting enforcement measures such as concrete plans or action plans, and examining the results of their operation on a regular basis.

Article 14 The Company is advised to establish a dedicated unit or assign dedicated personnel for drafting, promoting, and maintaining relevant environment management systems and concrete action plans, and should hold environment education courses for its managerial officers and other employees on a regular basis.

Article 15 The Company is advised to take into account the effect of business operations on ecological efficiency, promote and advocate the concept of sustainable consumption, and conduct research and development, procurement, production, operations, and services in accordance with the following principles to reduce the impact on the natural environment and human beings from their business operations:

1. Reduce resource and energy consumption of their products and services.
2. Reduce emission of pollutants, toxins and waste, and dispose of waste properly.
3. Improve recyclability and reusability of raw materials or products.

4. Maximize the sustainability of renewable resources.
5. Enhance the durability of products.
6. Improve efficiency of products and services.

Article 16 To improve water use efficiency, the Company shall properly and sustainably use water resources and establish relevant management measures. The Company shall construct and improve environmental protection treatment facilities to avoid polluting water, air and land, and use its best efforts to reduce adverse impact on human health and the environment by adopting the best practical pollution prevention and control measures.

Article 17 The Company is advised to assess the current and future potential risks and opportunities that climate change may present to enterprises and to adopt related responsive measures.

The Company is advised to adopt standards or guidelines generally used in Taiwan and abroad to enforce corporate greenhouse gas inventory and to make disclosures thereof, the scope of which

shall include the following:

1. Direct greenhouse gas emissions: emissions from operations that are owned or controlled by the Company.
2. Indirect greenhouse gas emissions: emissions resulting from the utilization of energy such as imported electricity, heating, or steam.
3. Other indirect emissions: emissions resulting from corporate activities that are not indirect emissions from energy, but are from other sources of emissions owned or controlled by the Company.

The Company is advised to compile statistics on greenhouse gas emissions, volume of water consumption and total weight of waste and to establish policies for energy conservation, carbon and greenhouse gas reduction, reduction of water consumption or management of other wastes. The Company's carbon reduction strategies should include obtaining carbon credits and be promoted accordingly to minimize the impact of its business operations on climate change.

Chapter 4. Preserve Public Welfare

Article 18 The Company shall comply with relevant laws and regulations, and the International Bill of Human Rights, with respect to rights such as gender equality, the right to work, and prohibition of discrimination.

The Company, to fulfill its responsibility to protect human rights, shall adopt relevant management policies and processes, including:

1. Presenting a corporate policy or statement on human rights.
2. Evaluating the impact of the Company's business operations and internal management on human rights, and adopting corresponding handling processes.
3. Reviewing on a regular basis the effectiveness of the corporate policy or statement on human rights.

4. In the event of any infringement of human rights, the Company shall disclose the processes for handling of the matter with respect to the stakeholders involved.

The Company shall comply with the internationally recognized human rights of labor, including the freedom of association, the right of collective bargaining, caring for vulnerable groups, prohibiting the use of child labor, eliminating all forms of forced labor, eliminating recruitment and employment discrimination, and shall ensure that its human resource policies do not contain differential treatments based on gender, race, socioeconomic status, age, or marital and family status, so as to achieve equality and fairness in employment, hiring conditions, remuneration, benefits, training, evaluation, and promotion opportunities.

The Company shall provide an effective and appropriate grievance mechanism with respect to matters adversely impacting the rights and interests of the labor force, in order to ensure equality and transparency of the grievance process. Channels through which a grievance may be raised shall be clear, convenient, and unobstructed. The Company shall respond to any employee's grievance in an appropriate manner.

Article 19 The Company shall provide information for its employees so that the employees have knowledge of the labor laws and the rights they enjoy in the countries where the Company has business operations.

Article 20 The Company is advised to provide safe and healthful work environments for its employees, including necessary health and first-aid facilities, and shall endeavor to curb dangers to employees' safety and health and to prevent occupational accidents.

The Company is advised to organize training on safety and health for its employees on a regular basis.

Article 21 The Company is advised to create an environment conducive to the development of its employees' careers and establish effective training programs to foster career skills.

The Company shall establish and implement reasonable employee welfare measures (including remuneration, leave and other welfare etc.) and appropriately reflect the business performance or achievements in the employee remuneration, to ensure the recruitment, retention, and motivation of human resources, and achieve the objective of sustainable operations.

Article 22 The Company shall establish a platform to facilitate regular two-way communication between the management and the employees for the employees to obtain relevant information on and express their opinions on the Company's operations, management and decisions.

The Company shall respect the employee representatives' rights to bargain for the working conditions, and shall provide the employees with necessary information and hardware equipment, in order to improve the negotiation and cooperation among employers, employees and employee representatives.

The Company shall, by reasonable means, inform employees of operation changes that might have material impacts.

- Article 22-1 The Company is advised to treat customers or consumers of its products or services in a fair and reasonable manner, including the following principles: fairness and good faith in contracting, duty of care and fiduciary duty, truthfulness in advertising and soliciting, fitness of products or services, notification and disclosure, commensuration between compensation and performance, protection of the right to complain, professionalism of salespersons etc. The Company shall also develop the relevant strategies and specific measures for implementation.
- Article 23 The Company shall take responsibility for their products and services, and take marketing ethics seriously. In the process of research and development, procurement, production, operations, and services, the Company shall ensure the transparency and safety of its products and services. It shall also establish and disclose policies on consumer rights and interests, and enforce them in the course of business operations, in order to prevent the products or services from adversely impacting the rights, interests, health, or safety of consumers.
- Article 24 The Company shall ensure the quality of its products and services by following the laws and regulations of the government and relevant standards of its industries.
The Company shall follow relevant laws, regulations and international guidelines in regard to customer health and safety and customer privacy involved in, and marketing and labeling of, its products and services and shall not deceive, mislead, commit fraud or engage in any other acts which would betray consumers' trust or damage consumers' rights or interests.
- Article 25 The Company is advised to evaluate and manage all types of risks that could cause interruptions in operations, so as to reduce the impact on consumers and society.
The Company is advised to provide a clear and effective procedure for accepting consumer complaints to fairly and timely handle consumer complaints, shall comply with laws and regulations related to the Personal Data Protection Act for respecting consumers' rights of privacy and shall protect personal data provided by consumers.
- Article 26 The Company is advised to assess the impact its procurement has on society as well as the environment of the community that it is procuring from, and shall cooperate with its suppliers to jointly implement the corporate social responsibility initiative.
The Company is advised to establish supplier management policies and request suppliers to comply with rules governing issues such as environmental protection, occupational safety and health or labor rights. Prior to engaging in commercial dealings, the Company is advised to assess whether there is any record of a supplier's impact on the environment and society, and avoid conducting transactions with those against corporate social responsibility policy.
When the Company enters into a contract with any of its major suppliers, the contents should include terms stipulating mutual compliance with corporate social responsibility policy, and that the contract may be terminated or rescinded any time if the supplier has

violated such policy and has caused significant negative impact on the environment and society of the community of the supply source.

Article 27 The Company shall evaluate the impact of its business operations on the community, and adequately employ personnel from the location of the business operations, to enhance community acceptance.

The Company is advised to, through equity investment, commercial activities, endowments, volunteering service or other charitable professional services etc., dedicate resources to organizations that commercially resolve social or environmental issues, participate in events held by citizen organizations, charities and local government agencies relating to community development and community education to promote community development.

Chapter 5. Enhance disclosure of corporate sustainable development information

Article 28 The Company shall disclose information according to relevant laws, regulations and the Corporate Governance Best Practice Principles and shall fully disclose relevant and reliable information relating to its sustainable development initiatives to improve information transparency.

Relevant information relating to sustainable development which the Company shall disclose includes:

1. The policy, systems or relevant management guidelines, and concrete promotion plans for sustainable development initiatives, as resolved by the Board of Directors.
2. The risks and the impact on the corporate operations and financial condition arising from exercising corporate governance, fostering a sustainable environment and preserving social public welfare.
3. Goals and measures for promoting the sustainable development initiatives established by the Company, and performance in implementation.
4. Major stakeholders and their concerns.
5. Disclosure of information on major suppliers' management and performance with respect to major environmental and social issues.
6. Other information relating to sustainable development initiatives.

Article 29 The Company shall adopt internationally widely recognized standards or guidelines when producing sustainability reports, to disclose the status of its implementation of the sustainable development policy. It also is advisable to obtain a third-party assurance or verification for reports to enhance the reliability of the information in the reports. The reports are advised to include:

1. The policy, system, or relevant management guidelines and concrete promotion plans for implementing sustainable development initiatives.
2. Major stakeholders and their concerns.
3. Results and a review of the exercising of corporate governance, fostering of a sustainable environment, preservation of public welfare and promotion of economic development.

4. Future improvements and goals.

Article 30 The Company shall at all times monitor the development of domestic and foreign sustainable development standards and the change of business environment so as to examine and improve the sustainable development system established by it and to obtain better results from the promotion of the sustainable development policy.

Articles of Incorporation of Yuen Chang Stainless Steel Co., Ltd. (Before amendments)

Chapter 1. General Provisions

Article 1: The Company was organized in accordance with the Company Act, and named as 運鋁鋼鐵股份有限公司 (Yuen Chang Stainless Steel Co., Ltd.).

Article 2: The Company's business activities comprise the following:

1. CA01050 Aluminum Rolling, Drawing, and Extruding.
2. CB01010 Mechanical Equipment Manufacturing.
3. F106010 Wholesale of Hardware.
4. F111090 Wholesale of Building Materials.
5. F113010 Wholesale of Machinery.
6. F115010 Wholesale of Jewelry and Precious Metals.
7. F206010 Retail Sale of Hardware.
8. F211010 Retail Sale of Building Materials.
9. F213080 Retail Sale of Machinery and Tools.
10. F215010 Retail of Jewelry and Precious Metals.
11. F401010 International Trade.
12. CZ02990 Other Metal Products Manufacturing.
13. ZZ99999 All business activities that are not prohibited or restricted by law, except those that are subject to special approval.

Article 3: The Company may, based on its business needs, provide guarantees externally in accordance with the Company's Procedure for Making of Endorsements/Guarantees.

Article 3-1: The total amount of the Company's re-investments may exceed the limit prescribed in Article 13 of the Company Act.

Article 4: The Company's headquarters shall be located in Kaohsiung City, and branches or branch offices may be established domestically or abroad subject to resolutions by the Board of Directors, if necessary.

Article 5: The Company shall make announcements, if any, in the manner referred to in Article 28 of the Company Act.

Chapter 2. Shares

Article 6: The total capital of the Company shall be NT\$2.2 billion, divided into 220 million shares at NT\$10 per share, all common shares, and issued in tranches by the Board of Directors with authorization.

Article 7: (Deleted)

Article 8: The share certificates of the Company shall bear the signatures or seals of three directors or more and may only be issued subject to certification by the competent authority or any of its approved institutes.

The Company may issue shares exempted from the requirements about printing of stock certificates after the public offering, and shall register the shares with a centralized securities depository institution.

Article 9: Any changes in the roster of shareholders shall be handled in accordance with Article 165 of the Company Act.

Chapter 3. Shareholders' Meeting

Article 10: The shareholders' meeting is classified into two types, the annual general meeting and the special shareholders' meeting. The annual general meeting shall be convened once per year within six months after the end of each fiscal year. The special shareholders' meeting shall be convened according to laws whenever necessary.

The convention and public announcement of a shareholders' meeting shall be handled in accordance with Article 170 of the Company Act.

Article 10-1: A shareholders' meeting shall be chaired by the Chairman, if it is convened by the Board of Directors. Where the Chairman takes leave or cannot perform his/her duties with causes, the deputy shall be designated in the manner referred to in Article 208 of the Company Act. For shareholders' meetings that are convened by any convener other than the Board of Directors, the convener shall chair the meeting. If there are two or more eligible conveners at the same time, one shall be appointed among themselves to chair the meeting.

Article 11: Any shareholder who is unable to attend a shareholders' meeting in person may appoint another shareholder to attend the meeting to exercise the voting right on behalf of him/her by personally presenting a power of attorney indicating the scope of power as printed by the Company.

Upon the Company's public offering, the shareholders' attendance by proxy and application of the power of attorney shall follow the related requirements under the Company Act, and also the "Regulations Governing the Use of Proxies for Attendance at Shareholder Meetings of Public Companies."

Article 12: Each of the Company's shareholders shall be entitled to one vote for each share held, except when the shares are restricted shares or are deemed non-voting shares under Paragraph 2, Article 179 of the Company Act.

Upon the Company's listing on TWSE/TPEX, the Company shall identify the electronic form as one of the methods by which shareholders may exercise their voting right.

Article 13: Resolutions at a shareholders' meeting shall, unless otherwise provided for in related laws, be adopted by a majority of voting rights of the shareholders present, who represent a majority of the total outstanding shares. Resolutions adopted by a shareholders' meeting shall be recorded in the meeting minutes, and shall be governed by Article 183 of the

Company Act.

Article 13-1: The Company's application for public offering and revocation of the public offering, if any, shall be governed by Article 156 of the Company Act.

Chapter 4. Directors and Audit Committee

Article 14: The Company shall have 7~9 directors with a term of office of three years, who shall be elected by the shareholders' meeting from among persons with disposing capacity, and they shall be eligible for re-elections. The election of directors adopts a candidates nomination system and directors shall be elected from among the nominees listed in the roster of director candidates at a shareholders' meeting.

Among the directors referred to in the preceding paragraph, the Company may appoint at least 3 independent directors, who shall be no less than one-fifth of the whole directors. The professional qualification, shareholdings, restrictions on concurrent positions, nomination and election of independent directors, and other requirements to be met, shall comply with the related laws and regulations.

The Company may take out the liability insurance for the directors with respect to liabilities resulting from exercising their duties during their terms of office.

Article 14-1: The uni-nominal cumulative voting method shall be used for election of the directors of the Company. The number of votes exercisable in respect of one share shall be the same as the number of directors to be elected, and the total number of votes per share may be consolidated for election of one candidate or may be split for election of two or more candidates. A candidate to whom the ballots cast represent a prevailing number of votes shall be deemed a director elected.

Where it is necessary to amend said election method, the Company shall comply with Article 172 of the Company Act and also identify the comparative list for the amendments in the causes or subjects to be described.

Article 14-2: The Company establishes the Audit Committee to replace supervisors. The Audit Committee shall consist of the whole independent directors. The authority of the Audit Committee members, parliamentary rules and other requirements to be met shall be governed by the Company Act, Securities and Exchange Act & other related laws and regulations, and the Audit Committee's Articles of Association.

Article 14-3: The Company's Board of Directors may, based on the business operations, establish the Remuneration Committee or other functional committees.

Article 15: The Board of Directors shall consist of the Company's directors. The Chairman shall be elected among and from the directors by a majority of the directors attending a meeting of the Board of Directors at which at least two-third of directors are present. The Chairman shall represent the Company externally.

Article 16: A Board of Directors meeting shall be chaired by the Chairman of Board. Where the Chairman takes leave or cannot perform his/her duties with causes, the deputy shall be designated in the manner referred to in Article 208 of the Company Act.

Directors should attend meetings of the Board of Directors in person. If a director cannot attend for some reason, he or she may appoint another director to attend the meeting on behalf of him/her by, in each time, issuing a written proxy and state therein the scope of authority with reference to the subjects to be discussed at the meeting. However, each director may accept the appointment to act as the proxy of another director only.

Resolutions at a Board of Directors meeting shall, unless otherwise provided for in related laws, be adopted by a majority of the directors present at the meeting attended by a majority of the whole directors.

The Board of Directors meeting shall be convened for once per quarter. A notice of the reasons for convening the meeting shall be given to each director within 7 days before the meeting is convened, provided that in the case of emergency, the Board of Directors meeting may be convened at any time. The notice of the Board of Directors meeting may be sent to each director in writing or via e-mail or fax.

An independent director may only appoint another independent director to attend a meeting on behalf of him/her, if necessary. None of the general directors is allowed to attend the meeting on behalf of an independent director.

Article 17: The Board of Directors is authorized to resolve the remuneration to all directors based on their participation in the Company's operation and contribution value and the typical pay levels adopted by peer companies, irrelevant with profit or loss retained by the Company.

Chapter 5. Managers

Article 18: The Company shall appoint several managers. The appointment and dismissal thereof and remuneration to them shall be governed by Article 29 of the Company Act.

Article 6. Accounting

Article 19: At the end of each fiscal year of the Company, the Board of Directors shall prepare the following documents and submit them to the Audit Committee for audit within 30 days before the date of the annual general meeting and then for ratification by the annual general meeting.

- (1) Business Report
- (2) Financial statements
- (3) Earnings appropriation or loss compensation plan

Article 20: Subject to the profit sought for the current year, the Company shall allocate 2% of the profit as the remuneration to employees. The Board of Directors may resolve to distribute the remuneration in the form of stock or in cash, and the receivers of such stock dividend or cash dividend shall include employees of associates that meet certain conditions. The Board of Directors may also resolve to no more than 2% of said profit as the remuneration to directors. The remuneration to directors may be allocated in cash only.

The circumstances referred to in the preceding paragraph shall resolved subject to

approval of a majority of the directors attending a meeting of the Board of Directors at which at least two-third of directors are present, and reported to a shareholders' meeting. However, the profit must first be taken to offset against the Company's cumulative losses, if any, and then the remuneration to employees and directors may be allocated subject to the proportions referred to in the preceding paragraph.

Article 20-1: If there is a surplus after account settlement of the fiscal year, the Company shall pay applicable taxes and cover losses carried forward pursuant to laws, followed by the allocation of 10% of the remainder as legal reserve, unless said legal reserve amounts to the Company's total paid-in capital, and then the special reserve or special surplus reserve is appropriated from the balance, if any. After that, if there is still a balance, it will be deemed as the distributable earnings generated in the current year, and be pooled with the undistributed earnings carried forward from previous years for distribution as shareholder dividend under a proposal prepared by the Board of Directors subject to the resolution made by a shareholders' meeting.

The Company's dividend policy is set forth in response to the current and future development plan and by taking into consideration the investment environment, funding needs and domestic/foreign competition, as well as shareholders' equity. The Company may distribute no less than 20% of the distributable earnings generated in the current year as the shareholder dividend and bonus in that year. The shareholder dividend and bonus may be allocated in cash or in the form of stock, provided that the cash dividend allocable shall be no less than 20% of the total dividends.

Chapter 7. Supplementary Provisions

Article 21: Any matters not covered herein shall be governed by the Company Act.

Article 22: The Articles were established on July 13, 1987.

1st amendments hereto were made on February 25, 1988.

2nd amendments hereto were made on February 15, 1990.

3rd amendments hereto were made on September 5, 1990.

4th amendments hereto were made on July 26, 1991.

5th amendments hereto were made on August 12, 1992.

6th amendments hereto were made on August 22, 1993.

7th amendments hereto were made on November 14, 1994.

8th amendments hereto were made on August 8, 1996.

9th amendments hereto were made on October 1, 1997.

10th amendments hereto were made on December 31, 1998.

11th amendments hereto were made on July 13, 1999.

12th amendments hereto were made on May 7, 2000.

13th amendments hereto were made on August 31, 2002.

14th amendments hereto were made on September 25, 2002.

15th amendments hereto were made on May 26, 2004.

16th amendments hereto were made on June 7, 2004.

17th amendments hereto were made on August 15, 2005.

18th amendments hereto were made on March 24, 2007.
19th amendments hereto were made on February 12, 2008.
20th amendments hereto were made on August 22, 2008.
21st amendments hereto were made on April 20, 2010.
22nd amendments hereto were made on September 16, 2011.
23rd amendments hereto were made on September 27, 2011.
24th amendments hereto were made on August 7, 2013.
25th amendments hereto were made on September 30, 2014.
26th amendments hereto were made on January 9, 2015.
27th amendments hereto were made on June 30, 2015.
28th amendments hereto were made on June 28, 2016.
29th amendments hereto were made on June 28, 2017.

Yuen Chang Stainless Steel Co., Ltd.

Chairman: Yen Te-Ho

Yuen Chang Stainless Steel Co., Ltd.

Regulations for Election of Directors

Established at the annual general meeting on June 21, 2014

1st amendments made at the special shareholders' meeting on January 9, 2015

2nd amendments made at the annual general meeting on June 30, 2015

- I. The election of the directors of the Company shall be conducted in accordance with the "Regulations for Election of Directors."
- II. The cumulative voting method shall be used for election of the directors of the Company. The number of votes exercisable in respect of one share shall be the same as the number of directors to be elected, and the total number of votes per share may be consolidated for election of one candidate or may be split for election of two or more candidates.
- The overall composition of the Board of Directors shall be taken into consideration in the election of the Company's directors. The composition of the Board of Directors shall be determined by taking diversity into consideration. An appropriate policy on diversity based on the Company's business operations, operating dynamics, and development needs be formulated and include, without being limited to, the following two general standards:
1. Basic Requirements and Values: Gender, age, nationality, and culture.
 2. Professional knowledge and skills: A professional background (e.g., law, accounting, industry, finance, marketing, or technology), professional skills, and industry experience.
- All members of the Board shall have the knowledge, skills, and experience necessary to perform their duties. The Board of Directors shall possess the following abilities:
1. Ability to make operational judgments.
 2. Ability to perform accounting and financial analysis.
 3. Operational ability.
 4. Crisis management ability.
 5. Knowledge of the industry.
 6. An international market perspective.
 7. Leadership.
 8. Ability to make policy decisions.
- More than half of the directors shall be persons who have neither a spousal relationship nor a relationship within the second degree of kinship with any other director.
- The Company's Board of Directors will consider adjusting the composition of the Board members based on the performance appraisal results.
- III. The Board of Directors shall prepare ballots for directors in numbers corresponding to the directors to be elected. The number of voting rights associated with each ballot shall be specified on the ballots, which shall then be distributed to the attending shareholders at the shareholders' meeting. The names of the voters can be replaced by the attendance certificate number printed

on the ballot. For those who exercise the voting right by electronic means, no ballot will be prepared separately.

- IV. The qualifications of the Company's independent directors shall comply with Article 2, Article 3 and Article 4 of the "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies."

The election of the Company's independent directors shall comply with Article 5, Article 6, Article 7, Article 8 and Article 9 of the "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies" and apply Article 24 of the "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies."

- V. Before the election begins, the chairperson shall appoint a number of persons with shareholder status to perform the respective duties of vote monitoring and counting personnel. The ballot boxes shall be prepared by the Board of Directors and publicly checked by the vote monitoring personnel before voting commences.

- VI. If the candidate is a shareholder, the voter must fill in the name in the "Candidate" column of the ballot with the candidate's shareholder account name and number noted. If the candidate is not a shareholder, the name and the ID card number or passport number of the candidate should be filled in the said column of the ballot. However, when the government or juristic person shareholder is a candidate, the title of the government or juristic person should be filled in the "Candidate" column of the ballot with the name of its representative stated. If there is more than one representative appointed, they shall be specified separately.

- VII. The election of directors of the Company shall be conducted under the nomination system prescribed in Article 192-1 of the Company Act. In order to review the qualifications, academic background, working experience, and the existence of any other matters set forth in Article 30 of the Company Act with respect to nominee directors, the Company may not arbitrarily add requirements for documentation of other qualifications. It shall further provide the review results to shareholders for their reference so that qualified directors will be elected.

When the number of directors falls below five due to the discharge of a director for any reason, the Company shall hold a by-election for director at the following shareholders' meeting. When the number of directors falls short by one-third of the total number prescribed by the Articles of Incorporation, the Company shall convene a special shareholders' meeting within 60 days of the occurrence of that fact for a by-election for director(s).

When the number of independent directors is lower than the requirement under Paragraph 1 of Article 14-2 of the Securities and Exchange Act or the subparagraph 8 of the "Standards for Determining Unsuitability for TPEX Listing under Article 10, Paragraph 1 of the Taipei Exchange Rules Governing the Review of Securities for Trading on the TPEX," an independent director by-election shall be held at the next shareholders' meeting. When all independent directors have been dismissed, the Company shall convene a special shareholders meeting to hold a by-election within 60 days from the date on which the fact occurred.

- VIII. An election ballot is invalid under any of the following circumstances:

(1) The ballot is not prepared by the Board of Directors.

- (2) A blank ballot is placed in the ballot box.
- (3) The writing is unclear and indecipherable or has been altered.
- (4) The candidate whose name is entered in the ballot is a shareholder and his/her account name and shareholder account number does not conform to the shareholder registry, or the candidate whose name is entered in the ballot is not a shareholder and does not conform to the name and ID card No. provided.
- (5) Other words are entered in addition to the candidate's account name (name) and shareholder account number (ID No.) and the number of voting rights allotted.
- (6) The candidate's name entered in the ballot is identical with another shareholder's name, but no shareholder account number or ID No. is provided in the ballot to identify such individual.
- (7) Fill in two or more candidates on the same ballot.
- (8) The total number of voting rights allotted exceeds the voting rights held by the voters.

IX. The Company's directors shall be elected from the persons with legal capacity at a shareholders' meeting. The number of directors will be as specified in this Company's Articles of Incorporation, with voting rights separately calculated for independent and non-independent director positions. Those receiving ballots representing the highest numbers of voting rights will be elected sequentially according to their respective numbers of votes. When two or more persons receive the same number of votes, thus exceeding the specified number of positions, they shall draw lots to determine the winner, with the chair drawing lots on behalf of any person not in attendance. Where an elected director is checked and found to have inconsistent personal data or the election is found invalid pursuant to related laws and regulations, a candidate winning the second highest votes in the same election process shall be announced to fill the vacancy at the given shareholders' meeting.

X. The voting rights shall be calculated on site immediately after the end of the poll, and the results of the calculation, including the list of persons elected as directors and the numbers of votes with which they are elected, shall be announced by the chairperson on the site. The ballots for the election items mentioned in the preceding paragraph shall be sealed and signed by the monitoring personnel and then properly kept for at least one year. If, however, a shareholder files a lawsuit pursuant to Article 189 of the Company Act, the ballots shall be retained until the conclusion of the litigation.

XI. The Board of Directors of the Company shall issue notifications to the persons elected as directors.

XII. Any matters not covered herein shall be governed by the Company Act, the Articles of Incorporation and related laws and regulations.

XIII. The Regulations were enacted on January 23, 2014, which shall take effect after having been submitted to and approved by a shareholders' meeting. Subsequent amendments thereto shall be effected in the same manner.

Yuen Chang Stainless Steel Co., Ltd.

Shareholding by all directors

Until the book closure period for the current annual general meeting (April 11, 2023), the shareholdings by individual director and all directors recorded in the roster of shareholders are stated as following:

Job Title	Name	Date of election	Term of office (years)	Shares held as referred to in the roster of shareholders during the book closure period	
				Shares	Shareholding
Chairman	Yen Te-Ho	June 23, 2020	3	7,215,568	4.34%
Director	Yen The-Wei	June 23, 2020	3	2,300,482	1.38%
Director	Yuji Investment Co., Ltd.	June 23, 2020	3	37,731,750	22.68%
Director	Huang Hung-Chieh	June 23, 2020	3	73,612	0.04%
Independent director	Tseng Chi-Kuo	June 23, 2020	3	0	0%
Independent director	Chen Mu-Tan	June 23, 2020	3	0	0%
Independent director	Pan Yung-Shan	June 23, 2020	3	0	0%
Total				47,321,412	28.44%

Note:

1. The Company's paid-in capital is NT\$1,663,868,360, with 166,386,836 shares issued.
2. According to Article 26 of the Securities and Exchange Act, the number of shares held by the all directors is 9,983,210 shares.
The minimum number of shares held by the all directors is 47,321,412 shares. The number of shares held by all directors already satisfies the statutory standards.
3. The Company has established the Audit Committee. Therefore, no requirements about minimum shareholdings by supervisors shall apply.
4. According to Article 2 of the "Rules and Review Procedures for Director and Supervisor Share Ownership Ratio at Public Companies," if more than two independent directors are elected, the shareholding ratio of all directors that is calculated proportionally will be reduced to 80%.



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