

Ticker: 6449



## **2021 Regular Shareholders' Meeting**

# **Agenda Handbook**

(Translation)

**June 24, 2021**

*Notice to Readers:*

*For the convenience of readers, the Meeting Handbook has been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-version shall prevail.*

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# **Procedures for 2021 Regular Shareholders' Meeting**

**I. Call Meeting to Order**

**II. Chairman's Remarks**

**III. Matters Reported on**

**IV. Proposals**

**V. Discussions**

**VI. Extraordinary Motions**

**VII. Adjournment**

## **Agenda for 2021 Regular Shareholders' Meeting**

Time: 9:00 a.m., Thursday, June 24, 2021

Location: 202 Vocational Training Room, 2nd Floor, Administrative Service Center, Zhunan Science Park, Hsinchu Science Park Bureau, Ministry of Science and Technology (No. 36-2, Keyan Rd., Zhunan Township, Miaoli County 350)

### **I. Call the Meeting to Order: MC Reports Number of Shares on Attendance.**

### **II. Chairman's Remarks**

### **III. Contents of Meeting**

#### **(I) Matters Reported on**

1. 2020 Business Report.
2. Audit Committee's Audit Report on the 2020 Business Report and Financial Statements.
3. Report on material transactions of the Company's investments, financing endorsements, and derivatives overseas and in China in 2020.
4. Report on the distribution status of the remuneration to employees, directors and supervisors.
5. Amendments to the Company's Code of Ethical Conduct Report.
6. Amendments to the Company's Procedures for Ethical Management and Guidelines for Conduct Report.

#### **(II) Proposals**

1. 2020 Business Report and Financial Statements.
2. 2020 Earnings Distribution Plan.

#### **(III) Discussions**

1. Discussion on the amendments to the Company's Rules and Procedure for Shareholders' Meetings.
2. Discussion on the lifting of the non-competition restrictions on directors.

#### **(IV) Extraordinary Motions**

### **IV. Adjournment**

## **(I) Matters Reported On**

### **I 2020 Business Reports and Financial Statements.**

Description: Please refer to Attachment I (page 9) of the Agenda Handbook for the Company's 2020 Annual Business Report.

### **II Audit Committee's Audit Report on the 2020 Business Report and Financial Statements.**

Description: Please refer to Attachment II (page 10~11) of the Agenda Handbook for the Audit Committee's Audit Report.

### **III Report on material transactions of the Company's investments, financing endorsements, and derivatives overseas and in China in 2020.**

Description: Please refer to Attachment III (page 12~15) of the Agenda Handbook for the material transactions of the Company's investments, financing endorsements, and derivatives overseas and in China in 2020.

### **IV Report on distribution of remuneration paid to employees, directors and supervisors.**

Description: 1. In accordance with the Articles of Incorporation, if the Company has gained profits within a fiscal year, 8% or more of the profits shall be reserved as the employees' compensation, which shall be distributed by a resolution adopted by the board meeting in the form of shares or in cash. Employees eligible for such compensation include subsidiary employees meeting certain specific requirements. The Company shall allocate not more than 3% of the proceeding profits as remuneration to directors and supervisors by a resolution adopted by the board meeting. The distribution plan of the remuneration to employees, directors and supervisors shall be reported at the shareholders' meeting.

2. The Company's profit for 2020 was NT\$335,621,694. It is proposed to allocate NT\$28,527,840 to employees as remuneration and NT\$8,390,542 to directors and supervisors. A total of NT\$36,918,382 will be paid in cash.

### **V Amendment to the Company's "Code of Ethical Conduct"**

Description: In response to the establishment of the Audit Committee to replace the supervisors, and the revision of the Act, certain provisions of the Company's Code of Ethical Conduct were amended. Please refer to Attachment IV (page 16~19) of the Agenda Handbook.

### **VI Amendments to the Company's Procedures for Ethical Management and Guidelines for Conduct Report.**

Description: In response to the establishment of the Audit Committee to replace the

supervisors, and the revision of the Act, certain provisions of the Company's Procedures for Ethical Management and Guidelines for Conduct Report were amended. Please refer to Attachment V (page 20~21) of the Agenda Handbook.

## (II) Proposals

### Proposal I (Proposed by the Board)

Subject: The 2020 Business Report and Financial Statements submitted for adoption.

Description: The Consolidated Financial Reports and Parent Company Only Financial Reports for the year 2020 have been adopted by resolution by the board of directors on February 25, 2021, audited by the CPAs Wan-Yuan Yu and Chien-Hui Lu of KPMG Taiwan entrusted by the board of directors. Please refer to Attachments I, VI and VII (page 9 and page 22~37) of the Agenda Handbook for the Business Report, Consolidated Financial Reports and Parent Company Only Financial Reports.

Resolution:

### Proposal II (Proposed by the Board of Directors)

Subject: The 2020 Earnings Distribution Plan is submitted for adoption.

Description: 1. According to Article 27-1 of the Company's Articles of Incorporation, the earnings for the year 2020 will be distributed as follows:

**APAQ Technology Co., Ltd.**  
**2020 Earnings Distribution Table**



(Unit: NT\$)

Item	Amount	Remarks
Retained Earnings at the Beginning of Period	334,697,583	
Add: Net Income for 2020	261,614,828	
Add: Reversal of Special Reserve	36,462,065	
Less: Legal Reserve Appropriated for 2020	26,161,483	
Distributable Earnings	606,612,993	
Distributable Items:		
Shareholder Dividends (Cash)	169,011,677	NT\$1.9 per share
Retained Earnings at the End of Period	437,601,316	

Note: The number of outstanding shares is 88,953,514.

Chairman:

Manager:

Accounting Manager:

2. As for the above mentioned distributable items of shareholders' cash dividend, if the number of shares outstanding of the Company is affected by the change of the capital stock, and the dividend ratio of the shareholders is changed and need to be revised, it is proposed that the Chairman shall be

authorized to made the corresponding adjustment.

3. The cash dividends shall be calculated according to the distribution ratio to the nearest NT\$1 (round off). If the total fractional amount is insufficient to be less than NT\$1, it shall be incorporated into other income.
4. As for the dividend distribution, the Chairman shall be authorized to set other ex-dividend record date, distribution date and other relevant matters.

Resolution:



### (III) Discussions

#### Proposal I (Proposed by the Board)

Subject: The amendments to the Company's Rules and Procedure for Shareholders' Meetings submitted for discussion.

Description: In response to the amendment of the Act, it is proposed to amend certain provisions of the Company's Rules and Procedure for Shareholders' Meetings, and the comparison table for the amendment is as follows:

APAQ Technology Co., Ltd.

Comparison Table for Amendments to Rules and Procedure for Shareholders' Meetings

Article	Articles after Amendment	Articles before Amendment	Reasons for Amendment
Article 4	If a shareholders' meeting is convened by the board of directors, the meeting shall be chaired by the chairman of the board. When the chairman of the board is on leave or for any reason unable to exercise the powers of the chairman, the vice chairperson shall act in place of the chairman; if there is no vice chairperson or the vice chairperson also is on leave or for any reason unable to exercise the powers of the vice chairperson, the chairman shall appoint one of the managing directors to act as chair, or, if there are no managing directors, one of the directors shall be appointed to act as chair. Where the chairman does not make such a designation, the managing directors or the directors shall select from among themselves one person to serve as chair. If a shareholders' meeting is convened by a party with power to convene but other than the board of directors, the convening party shall chair the meeting.	If a shareholders' meeting is convened by the chairman, the meeting shall be chaired by the chairman of the board. When the chairman of the board is on leave or for any reason unable to exercise the powers of the chairman, the vice chairperson shall act in place of the chairman; if there is no vice chairperson or the vice chairperson also is on leave or for any reason unable to exercise the powers of the vice chairperson, the chairman shall appoint one of the managing directors to act as chair, or, if there are no managing directors, one of the directors shall be appointed to act as chair. Where the chairman does not make such a designation, the managing directors or the directors shall select from among themselves one person to serve as chair. If a shareholders' meeting is convened by a party with power to convene but other than the chairman, the convening party shall chair the meeting.	Convening shareholders' meetings is regarded as a function of the board of directors. To strengthen the Rules of Procedure for Shareholders' Meeting, the wording is amended as appropriate
Article 16	The establishment of these Rules were adopted by the shareholders' meeting on June 25, 2013 before implementation. The same procedure shall be followed when the Rules have been amended. The first amendment to these Rules was made on the shareholders' meeting on June 12, 2014. <u>The second amendment to these Rules was made on the shareholders' meeting on June 24, 2021.</u>	The establishment of these Rules were adopted by the shareholders' meeting on June 25, 2013. The same procedure shall be followed when the Rules have been amended. The first amendment to these Rules was made on the shareholders' meeting on June 12, 2014.	Add articles for amendments

Resolution:

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

Subject: The proposal of lifting of the non-competition restrictions on directors submitted for discussion.

Description: Pursuant to Article 209 of the Company Act: A director of the Company 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 content of such actions to the shareholders' meeting and obtain its consent. It was proposed by Ching-Feng Lin, director and the representative of the corporate director of AiPAQ Technology CO., LTD, that the board of directors shall agree that, without prejudice to the interests of the Company, shall not be subject to Article 209 of the Company Act.

Resolution:

**(IV) Extraordinary Motions****(V) Adjournment**

## APAQ Technology Co., Ltd. 2020 Business Report

### I. Business Policy, Implementation Overview and Profitability and Development Analysis

APAQ aims at innovating technological products, and providing a comfortable and convenient living environment with conductive polymer material as the core technology. APAQ has successfully developed a series of solid capacitor products, and master the advantages of R&D, marketing and manufacturing management, been treated as an important strategic partner by big manufacturer customers around the world.

The outbreak of the pandemic in 2020 had driven the trend of work from home and distance learning, which stimulated the demand for MB/NB/VGA/Server/game console, etc., and increased the shipment of various products of APAQ. In addition, the establishment of a cost-competitive production line of coiled solid state capacitor in Hubei Province also increased the Company's revenue and operating efficiency. APAQ's operating performance in 2020 reached a record high.

In order to further expand market share and meet customer demand, APAQ will continue to expand production lines of coiled and stacked solid state capacitor in 2021 to enhance market competitiveness.

### II. Implementation Results of Business Plan

Unit: NT\$ thousands

Item	2020	2019	Growth Rate
Net operating revenue	2,384,625	2,002,841	19.06%
Gross profit	683,272	462,123	47.86%
Operating profit	386,898	208,051	85.96%
Net income after tax (NIAT)	261,615	139,071	88.12%

### III. Research Development Status and General Condition of Implementation

In response to the market development towards advanced market of 5G/IOT/AI/Power/Automotive/Industrial, APAQ will be continuously developing coiled and stacked conductive polymer solid state capacitors with the characteristics of low impedance, high ripple, miniaturization, long life, high temperature resistance, and high voltage for the high-end market in 2021.

### IV. Vision of Continuous Growth

Thanks to the full support from our shareholders, the team has been able to obtain enough resources in the past year to continue to complete the productivity construction and the development of new products, which has laid a solid foundation for the Company's sustainable development. At present, the Company has entered the stage of rapid growth, we sincerely request all shareholders continuously to give support and recognition.

Chairman:



Manager:



Accounting Manager:



**APAQ Technology Co., Ltd.  
Audit Committee's Report**

The board of directors shall prepare and submit the Company's 2020 Annual Business Report, Consolidated Financial Reports, Parent Company Only Financial Reports and the Proposal of the Earnings Distribution Statement, in which the Consolidated Financial Reports and Parent Company Only Financial Reports have been audited by the CPAs Wan-Yuan Yu and Chien-Hui Lu of KPMG Taiwan, with the written audit report issued. The aforementioned Business Report, Consolidated Financial Reports, Parent Company Only Financial Reports and the Proposal of the Earnings Distribution Statement have been audited by the Audit Committee and deemed as appropriate, and reported as above in accordance with Article 14-4 of Securities and Exchange Law and Article 219 of the Company Act for approval.

Sincerely,

2021 Regular Shareholders' Meeting of APAQ TECHNOLOGY CO., LTD.

Convener of the Audit Committee:



May 7, 2021

**APAQ Technology Co., Ltd.**  
**Audit Committee's Report**

The Board of Directors hereby prepares and submits the Company's 2020 Proposal of the Earnings Distribution Statement, which has been reviewed by the Audit Committee and deemed as appropriate, and reported in accordance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act for approval.

Sincerely,

2021 Regular Shareholders' Meeting of APAQ TECHNOLOGY CO., LTD.

Convener of the Audit Committee:



May 7, 2021

## APAQ Technology Co., Ltd.

### Material Transactions of the Company's investments, financing endorsements, and derivatives overseas and in China in 2020.

#### (I) Information on significant transactions

In accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, the merged company shall disclose the following information concerning material transactions:

#### 1. Financing provided to others:

Number	Lending company	Loan to object	Subject	Whether A Related Party	Maximum outstanding balance in current period	Balance at the end of the period	Amount Actually Drawn	Interest rate range	Nature of Loan to	Business transaction amount	Reason for short-term financing	Provision for Loss Allowance	Collateral		Capital Loan and Ceiling for Individual Object	Total Capital Loan and Ceiling
													Name	Value		
0	The Company	APAQ Wuxi	Other accounts receivable - related parties	Yes	453,750	170,880	-	2.896%	Business transaction	1,555,794	-	-	-	-	871,735	871,735
0	The Company	APAQ Hubei	Other accounts receivable - related parties	Yes	176,940	170,880	-	2.896%	Short-term Financing	-	Business Needs of Subsidiary	-	-	-	871,735	871,735

Note 1. For firms or companies having business relationship with the Company, the financing amount to an individual party is limited to the transaction amount between both parties.

Note 2. Total amount of financing to external parties shall be limited to 40% of the equity attributable to the owners of the parent company in the balance sheet of the Company's parent company only financial report as audited (reviewed) by CPAs in the most recent period.

#### 2. Providing endorsements or guarantees for others:

Number	Name of Endorsement/Guarantee Provider	Subject of endorsements/guarantees		The Amount of Endorsements /Guarantees for a Single Enterprise	Maximum Balance of Endorsements /Guarantees in Current Period	Endorsement and guarantee closing balance	Amount Actually Drawn	Amount of Endorsements /Guarantees by Property	Ratio of Accumulated Endorsements /Guarantees to the Net Worth of the Most Recent Financial Statement	Maximum endorsement/ guarantee amount allowable	Parent Company's Endorsements /Guarantees to Subsidiary	Subsidiary's Endorsements /Guarantees to Parent Company	Guarantee provided to subsidiaries in Mainland China
		Name	Relation										
0	The Company	APAQ Wuxi	Subsidiary	2,179,338	453,750	199,360	-	-	9.75%	2,179,338	Y	N	Y
0	The Company	APAQ Hubei	Subsidiary	2,179,338	206,430	199,630	-	-	9.75%	2,179,338	Y	N	Y

Note 1. The amount of the endorsements/guarantees to a single enterprise shall be limited to the amount of equity attributable to the owners of the parent company in the balance sheet of the Company's parent company only financial report as audited (reviewed) by CPAs in the most recent period.

Note 2. The total amount of endorsements/guarantees to external parties shall be limited to the amount of equity attributable to the owners of the parent company in the balance sheet of the Company's parent company only financial report as audited (reviewed) by CPAs in the most recent period.

#### 3. Holding of securities at the end of the period (excluding the portion held due to investment in a subsidiary or an associate, and the portion held due to an interest in a joint venture):

Name of Held Company	Type and Name of Securities	Relationship with the issuer of the securities	Financial statement item	End of the Period				Remarks
				Shares	Carrying Amount	Shareholding ratio	Fair Value	
The Company	Walton Chaintech Corporation	None	Financial Assets Measured at Fair Value through Other Comprehensive Income - Current-	4,710	138,474	4.64%	138,474	
The Company	Foxfortune Technology Ventures Limited	None	Financial Assets Measured at Fair Value through Other Comprehensive Income - Non-current-	1,000	52,996	5.80%	52,996	
The Company	Inpaq Korea	None	Financial Assets Measured at Fair Value through Other Comprehensive Income - Non-current-	18	1,418	10.73%	1,418	
The Company	Chia-Lin Venture Capital Co., Ltd.	None	Financial Assets Measured at Fair Value through Other Comprehensive Income - Non-current-	1,800	16,259	3.64%	16,259	
The Company	Kuan Kun Electronic Enterprise Co., Ltd.	None	Financial Assets Measured at Fair Value through Other Comprehensive Income - Non-current-	3,770	57,725	5.39%	57,725	
The Company	Ching Chiao Technology Co., Ltd.	None	Financial Assets Measured at Fair Value through Other Comprehensive Income - Non-current-	240	1,582	3.20%	1,582	
The Company	Yuanxin Semiconductor Co., Limited	None	Financial Assets Measured at Fair Value through Other Comprehensive Income - Non-current-	800	6,964	11.43%	6,964	

4. Individual securities acquired or disposed of with accumulated amount of at least NT\$300 million or 20 percent of the paid-in capital: None.
5. Acquisition of real estate reaching NT\$300 million or 20 percent of paid-in capital or more: None.
6. Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital: None
7. Related party transactions with purchase or sales amount of at least NT\$100 million or 20 percent of the paid-in capital: None.

Company Name	Name of the Counterparty	Relation	Transaction Details				Situation and reason of why transaction conditions are different from general transactions		Notes/Accounts Receivable or Payable		Remarks
			Purchase (Sale) Goods	Amount	Ratio of total purchase (sales)	Credit Granting Period	Unit Price	Credit Granting Period	Balance	Ratio to Total Notes/Accounts Receivable or Payable	
The Company	APAQ Wuxi	Subsidiary	Purchase	1,555,794	98%	Monthly statement for 60 days	-	Note	415,060	96.00%	

Note 1. The payment period of general suppliers ranges from 30 days to 90 days on the monthly statement, and the payment period for ApaQ Wuxi is 60 days.

Note 2. Related transactions and closing balances have been eliminated from the consolidated financial statements.

8. Receivables from related parties of at least NT\$100 million or 20 percent of the paid-in capital: None.
9. Derivative trading: The redemption rights of embedded derivatives of unsecured convertible corporate bonds were recognized by the Company as financial assets at fair value through profit or loss - current both amounted for NT\$0 on December 31, 2020 and 2019.
10. The business relationship between the parent and the subsidiaries and between each

subsidiary, and the circumstances of any significant transactions between them:

Number	Name of Trader	Counterparty	Relation with the Transacting Party	Transactions Situation			
				Subject	Amount	Terms of Transaction	As a Proportion of Total Consolidated Operating Revenue or Total Assets
0	The Company	APAQ Wuxi	Parent company's transaction with subsidiary	Purchase	1,555,794	Monthly statement for 60 days	65%
0	The Company	APAQ Wuxi	Parent company's transaction with subsidiary	Turnover	93,419	Monthly statement for 60 days	4%
0	The Company	APAQ Wuxi	Parent company's transaction with subsidiary	Accounts receivable	30,684		1%
0	The Company	APAQ Wuxi	Parent company's transaction with subsidiary	Accounts payable	415,060		10%

## (II) Information on reinvestment:

The information on investees is as follows (excluding the investee companies in the Mainland China) :

Name of investees	Location	Primary Business	Major Business Items	Original Investment Amount		Ownership at end of period			Highest ownership during the period	Current Gains/Losses of Investee	Investment Profit or Loss Recognized in the Current Period	Remarks
				End of the Period	End of Last Year	Shares	Ratio	Carrying Amount				
The Company	APAQ Samoa	Samoa	Holding company	1,377,960	1,288,569	44,504	100.00%	1,848,176	100.00%	105,887	87,508	Note 1

Note 1. Share of profit/loss includes adjustments for upstream transactions between affiliates.

Note 2. Related transactions and closing balances have been eliminated from the consolidated financial statements.

## (III) Information on investments in Mainland China:

### 1. Information on reinvestments in Mainland China

Name of Investee	Major Business Items	Paid-in Capital (Note 4)	Method of Investment	Beginning Balance of Accumulated Outflow of Investment from Taiwan	Remittance or Recovery of Investment the Current Period		Ending Balance of Accumulated Outflow of Investment from Taiwan	Current Gains/Losses of Investee	The Company's Percentage of Direct or Indirect Ownership	Highest ownership during the period	Investment Profit or Loss Recognized in the Current Period	Ending Book Value of Investment	Repatriated Investment Income As of the End of Current Period	Remarks
					Outward Remittance (Note 4)	Recovery								
APAQ Wuxi	Production and sales of electronic components, etc.	1,187,616 (USD 41,700 thousand)	Note 1	1,203,723 (USD 38,700 thousand)	89,390 (USD 3,000 thousand)	-	1,293,113 (USD 41,700 thousand)	107,913	100.00%	100.00%	107,913 Note 3	1,823,989	-	
Shenzhen Gather Electronics Science Co., Ltd.	Production and sales of electronic components, etc.	43,648 (RMB 10,000 thousand)	Note 1	44,898 (RMB 9,800 thousand)	-	-	44,898 (RMB 9,800 thousand)	3,747	35.00%	35.00%	1,528 Note 3	45,737	-	
APAQ Hubei	Production and sales of electronic components, etc.	113,920 (USD 4,000 thousand)	Note 2	15,590 (USD 500 thousand)	104,960 (USD 3,500 thousand)	-	120,550 (USD 4,000 thousand)	25,362	100.00%	100.00%	25,362 Note 3	151,914	-	



## 2. Limits on reinvestments in Mainland China

Accumulated Outward Remittance of Investment to Mainland China from Taiwan at the End of the Current Period (Note 4)	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA) (Note 4)	Upper limit on investment authorized by MOEAIC
1,458,561 (USD 45,700 thousand and RMB 9,800 thousand)	1,515,521 (USD 47,700 thousand and RMB 9,800 thousand)	(Note 5)

Note 1: Investment in Mainland China indirectly through a third area.

Note 2: Direct investment in Mainland China.

Note 3. It was recognized based on financial statements of the same period audited by CPAs.

Note 4. The paid-in capital is converted into NT dollars at the exchange rate on the balance sheet date. The amount of investment remitted in the current period is converted into NT dollars at previous exchange rates. The investment amount approved by Investment Commission, MOEA of USD 47,700 thousand and RMB 9,800 thousand is converted into NT dollars at previous exchange rates. In addition, as of December 31, 2020, there was still an approved investment amount of USD 2,000 thousand, which had not yet been remitted.

Note 5. The Company has obtained the certificate letter of enterprise headquarters operation scope issued by the Industrial Development Bureau, MOEA. The upper limits for investments in Mainland China set by the Investment Commission, MOEA no longer apply.

**APAQ Technology Co., Ltd.**

**Comparison Table for Amendments to Code of Ethical Conduct**

Article	Articles after Amendment	Articles before Amendment	Reasons for Amendment
Article 1	<p>Purpose of Establishment</p> <p>In recognition of the necessity to assist the Company in the establishment of the Code of Ethical Conduct, the guidelines are adopted for the purpose of encouraging directors and managerial officers of the Company (including general managers or their equivalents, assistant general managers or their equivalents, deputy assistant general managers or their equivalents, heads of finance and accounting departments, and other persons authorized to manage affairs and sign documents on behalf of a company) to act in line with ethical standards, and to help interested parties better understand the ethical standards of the Company.</p>	<p>Purpose of Establishment</p> <p>In recognition of the necessity to assist the Company in the establishment of the Code of Ethical Conduct, the guidelines are adopted for the purpose of encouraging directors, supervisors and managerial officers of the Company (including general managers or their equivalents, assistant general managers or their equivalents, deputy assistant general managers or their equivalents, chief financial and chief accounting officers, and other persons authorized to manage affairs and sign documents on behalf of a company) to act in line with ethical standards, and to help interested parties better understand the ethical standards of the Company.</p>	In line with the establishment of the Audit Committee
Article 3	<p>Content of the code</p> <p>The Company's Code of Ethical Conduct shall include at least the following eight items in consideration of the Company's situation and needs: When any of the following events occur, the relevant units shall submit the following to the chairman of the board for approval by signature, and in the case of a major event, submit it to the board of directors for resolution.</p> <p>(I) Prevent from any conflicts of interest: Conflicts of interest occur when personal interest intervenes or is likely to intervene in the overall interests of the Company, where a director or manager of the Company is unable to perform their duties in an objective and efficient manner, or when a person in such a position takes advantage of his/her position in the Company to obtain improper benefits for either themselves or their spouse, or relatives within the second degree of kinship. The Company shall pay special attention to loans of funds, provisions of guarantees, and major asset transactions, or the purchase (or sale) of goods involving the affiliated enterprises at which a director or manager works. The Company shall adopt policies for preventing conflicts of interest and also offer appropriate means for directors and managerial officers to voluntarily explain</p>	<p>Content of the code</p> <p>The Company's Code of Ethical Conduct shall include at least the following eight items in consideration of the Company's situation and needs: When any of the following events occur, the relevant units shall submit the following to the chairman of the board for approval by signature, and in the case of a major event, submit it to the board of directors for resolution.</p> <p>(I) Prevent from any conflicts of interest: Conflicts of interest occur when personal interest intervenes or is likely to intervene in the overall interest of the company, as for example when a director, supervisor, or managerial officer of the company is unable to perform their duties in an objective and efficient manner, or when a person in such a position takes advantage of their position in the company to obtain improper benefits for either themselves or their spouse, parents, children, or relatives within the third degree of kinship. The Company shall pay special attention to loans of funds, provisions of guarantees, and major asset transactions, or the purchase (or sale) of goods involving the affiliated enterprises at which a director or manager works. The Company shall establish a policy aimed at preventing conflicts of interest, and shall offer appropriate means for Directors,</p>	To cooperate with the establishment of the Audit Committee and to comply with Paragraph 3, Article 26-3 of the Securities and Exchange Act and Subparagraph 3, Paragraph 1, Article 17 of Supplementary Provisions to the Taiwan Stock Exchange Corporation Rules for Review of Securities Listings regarding the criteria for determining independence among directors, among supervisors or between

Article	Articles after Amendment	Articles before Amendment	Reasons for Amendment
	<p>whether their interests would potentially conflict with those of the Company.</p> <p>(II) Prevent inappropriate profits derived from their positions: The Company shall prevent its directors or managerial officers from engaging in any of the following activities:</p> <p>(1) Seeking an opportunity to pursue personal gain by using company property or information or taking advantage of their positions.</p> <p>(2) Obtaining personal gain by using company property or information or taking advantage of their positions.</p> <p>(3) Competing with the Company. Where the Company has an opportunity for profit, it is the responsibility of the directors and managers to maximize the reasonable and proper benefits that can be obtained by the Company.</p> <p>(III) Responsible for Confidentiality: The directors or managerial officers of the Company shall be bound by the obligation to maintain the confidentiality of any information regarding the Company itself or its suppliers and customers, except when authorized or required by law to disclose such information. Confidential information includes any undisclosed information that, if exploited by a competitor or disclosed, could result in damage to the Company or customers.</p> <p>(IV) Fair trade: Directors and managerial officers shall treat all suppliers and customers, competitors, and employees fairly, and shall not obtain improper benefits through manipulation, nondisclosure, or misuse of the information learned by virtue of their positions, or through misrepresentation of important matters, or through other unfair trading practices.</p> <p>(V) Safeguard and proper use of company properties; Directors and managers have the responsibility to safeguard company assets and ensure that they can be effectively and lawfully used for official business purposes. Any theft, negligence in care, or waste of company assets will</p>	<p>Supervisors, and managerial officers to voluntarily explain whether there is any potential conflict between them and the Company.</p> <p>(II) Prevent inappropriate profits derived from their positions: The Company shall prevent its directors, supervisors, or managerial officers from engaging in any of the following activities:</p> <p>(1) Seeking an opportunity to pursue personal gain by using company property or information or taking advantage of their positions.</p> <p>(2) Obtaining personal gain by using company property or information or taking advantage of their positions.</p> <p>(3) Competing with the Company. When the Company has an opportunity to profit, the Directors, Supervisors or managers shall be responsible for increasing the legitimate profits and interests of the Company therein.</p> <p>(III) Responsible for Confidentiality: The directors, supervisors or managerial officers of the Company shall be bound by the obligation to maintain the confidentiality of any information regarding the Company itself or its suppliers and customers, except when authorized or required by law to disclose such information. Confidential information includes any undisclosed information that, if exploited by a competitor or disclosed, could result in damage to the Company or customers.</p> <p>(IV) Fair trade: Directors, supervisors and managerial officers shall treat all suppliers and customers, competitors, and employees fairly, and shall not obtain improper benefits through manipulation, nondisclosure, or misuse of the information learned by virtue of their positions, or through misrepresentation of important matters, or through other unfair trading practices.</p> <p>(V) Safeguard and proper use of company properties; Directors and managers have the responsibility to safeguard company assets and ensure that they can be effectively and lawfully used for official business purposes. Any theft, negligence in care, or waste of company assets will</p>	<p>supervisors and directors</p>

Article	Articles after Amendment	Articles before Amendment	Reasons for Amendment
	<p>directly impact the Company's profitability.</p> <p>(VI) Compliance with laws and regulations: The Company shall strengthen its compliance with the Securities and Exchange Act and other applicable laws, regulations, and bylaws.</p> <p>(VII) Encouraging reporting on illegal or unethical activities: The Company shall raise awareness of ethics internally and encourage employees to report to the Audit Committee, managerial officer, chief internal auditor, or other appropriate individual upon suspicion or discovery of any activity in violation of a law or regulation or the Code of Ethical Conduct. To encourage employees to report illegal conduct, the Company shall establish a whistle-blowing system and assure the employees that the Company will make the best efforts to guard the safety of the whistle-blowers and protect them from reprisals.</p> <p>(VIII) Disciplinary measures: When a director or managerial officer violates the Code of Ethical Conduct, the Company shall handle the matter in accordance with the disciplinary measures prescribed in the Code, and shall disclose in time on the Market Observation Post System (MOPS) the title, name and date of the violation by the violator, reasons for the violation, the provisions of the code violated, and the disciplinary actions taken. The Company shall also establish a complaint system to provide the violators means for remedies.</p>	<p>directly impact the Company's profitability.</p> <p>(VI) Compliance with laws and regulations: The Company shall strengthen its compliance with the Securities and Exchange Act and other applicable laws, regulations, and bylaws.</p> <p>(VII) Encouraging reporting on illegal or unethical activities: The Company shall strengthen the ethical concepts of and encourage employees to report any suspicions or discoveries of violations of law or the Code of Ethical Conduct, and report same to the supervisors, managers, internal audit supervisor, or other appropriate personnel. To encourage employees to report illegal conduct, the Company shall establish a whistle-blowing system and assure the employees that the Company will make the best efforts to guard the safety of the whistle-blowers and protect them from reprisals.</p> <p>(VIII) Disciplinary measures: When a director, supervisor, or managerial officer violates the Code of Ethical Conduct, the Company shall handle the matter in accordance with the disciplinary measures prescribed in the Code, and shall disclose in time on the Market Observation Post System (MOPS) the title, name and date of the violation by the violator, reasons for the violation, the provisions of the code violated, and the disciplinary actions taken. The Company shall also establish a complaint system to provide the violators means for remedies.</p>	
Article 4	<p>Exemption procedure</p> <p>The Code of Ethical Conduct adopted by the Company must require that any exemption for directors, the Audit Committee or managerial officers from compliance with the Code be adopted by a resolution of the board of directors, and that information on the title, name, date on which the board of directors adopted the resolution for exemption, the period of, reasons for, and principles behind the application of the exemption be disclosed without delay on the MOPS, in order that the shareholders may evaluate the appropriateness of the board resolution to forestall any arbitrary or dubious exemption from the Code, and to</p>	<p>Exemption procedure</p> <p>The Code of Ethical Conduct adopted by the Company must require that any exemption for directors, supervisors or managerial officers from compliance with the Code be adopted by a resolution of the board of directors, and that information on the title, name, date on which the board of directors adopted the resolution for exemption, the period of, reasons for, and principles behind the application of the exemption be disclosed without delay on the MOPS, in order that the shareholders may evaluate the appropriateness of the board resolution to forestall any arbitrary or dubious exemption from the Code, and to safeguard the interests of the Company</p>	In line with the establishment of the Audit Committee

Article	Articles after Amendment	Articles before Amendment	Reasons for Amendment
	safeguard the interests of the Company by ensuring appropriate mechanisms for controlling any circumstance under which such an exemption occurs.	by ensuring appropriate mechanisms for controlling any circumstance under which such an exemption occurs.	
Article 5	<p>Disclosure Method</p> <p>The Company shall disclose the Code of Ethical Conduct it has adopted and any amendments thereto on its company website, in its annual reports and prospectuses, and on the MOPS.</p>	<p>Disclosure Method</p> <p>The Company shall disclose the Code of Ethical Conduct it has adopted, and any amendments thereto in its annual reports and prospectuses, and on the MOPS.</p>	Amended in accordance with Taiwan Stock Exchange Corporation Rules Governing Information Filing by Companies with TWSE Listed Securities and Offshore Fund Institutions with TWSE Listed Offshore Exchange-Traded Funds
Article 6	<p>Implementation and Amendment</p> <p>The Code was formulated on January 29, 2014.</p> <p>The Code and any amendments thereto shall enter into force after it has been adopted by the board of directors, and submitted to a shareholders' meeting.</p> <p>The first amendment was approved by the board of directors on March 25, 2014, and was submitted to the shareholders' meeting on June 12, 2014.</p> <p><u>The second amendment was approved by the board of directors on February 25, 2021, and was submitted to the shareholders' meeting on June 24, 2021.</u></p> <p>Matters not covered by the Code shall be handled in accordance with other applicable laws and regulations.</p>	<p>Implementation and Amendment</p> <p>The Code was formulated on January 29, 2014.</p> <p>The Code and any amendments thereto shall be submitted to the supervisors after it has been adopted by the board of directors, and submitted to a shareholders' meeting.</p> <p>The first amendment was approved by the board of directors on March 25, 2014, and was submitted to the shareholders' meeting on June 12, 2014.</p> <p>Matters not covered by the Code shall be handled in accordance with other applicable laws and regulations.</p>	Establishment of Audit Committee and additional articles for amendments

**APAQ Technology Co., Ltd.**

**Table of Comparison for Amendments of the Procedures for Ethical Management and Guidelines for Conduct**

Article	Articles after Amendment	Articles before Amendment	Reasons for Amendment
Article 1	<p>Purpose of adoption and scope of application</p> <p>These Principles are adopted to foster a corporate culture of ethical management and sound development, and offer a reference framework for establishing good commercial practices of the Company.</p> <p>The scope of these Principles are applicable to the Company's subsidiaries, any foundation to which the Company's direct or indirect contribution of funds exceeds 50% of the total fund received, and other institutions or juridical persons which are substantially controlled by the Company (hereinafter referred to as the "Business Group").</p> <p>These Principles applies to directors, managers, employees and personnel (hereinafter referred to as the "Company Personnel") with substantive control over the Company and the Business Group and organizations.</p>	<p>Purpose of adoption and scope of application</p> <p>These Principles are adopted to foster a corporate culture of ethical management and sound development, and offer a reference framework for establishing good commercial practices of the Company.</p> <p>The scope of these Principles are applicable to the Company's subsidiaries, any foundation to which the Company's direct or indirect contribution of funds exceeds 50% of the total fund received, and other institutions or juridical persons which are substantially controlled by the Company (hereinafter referred to as the "Business Group").</p> <p>These Principles are applicable to directors, supervisors, managers, employees and personnel (hereinafter referred to as the "Company Personnel") with substantive control over the Company and the Business Group and organizations.</p>	In line with the establishment of the Audit Committee
Article 7	<p>Schemes and operational procedures to prevent unethical conducts (Omitted)</p> <p>VIII. Conflict of Interest Policy for Directors and Managers</p> <p>The directors of the Company shall uphold a high degree of self-discipline. In the event of an agenda item proposed by the board of directors representing a conflict of interest that may be harmful to the Company's interests for a director or for the entity he or she represents, he or she shall disclose the conflict at the current meeting and refrain from discussion or vote on the matter. He or she shall be recused during discussion or vote on the matter and shall not exercise the right to vote on behalf of any other directors of the Board. The Directors shall exercise discipline among themselves, and shall not support each other in an inappropriate manner.</p> <p>The Company's directors and managers shall not take advantage of their positions in the Company to obtain improper benefits for themselves, their spouses, their relatives by consanguinity, companies with which they have a controlling relationship of subordination to the Director, or any</p>	<p>Schemes and operational procedures to prevent unethical conducts (Omitted)</p> <p>VIII. Conflict of Interest Policy for Directors, Supervisors and Managers</p> <p>The directors of the Company shall uphold a high degree of self-discipline. In the event of an agenda item proposed by the board of directors representing a conflict of interest that may be harmful to the Company's interests for a director or for the entity he or she represents, he or she shall disclose the conflict at the current meeting and refrain from discussion or vote on the matter. He or she shall be recused during discussion or vote on the matter and shall not exercise the right to vote on behalf of any other directors of the Board. The Directors shall exercise discipline among themselves, and shall not support each other in an inappropriate manner.</p> <p>The Company's directors, supervisors and managers shall not take advantage of their positions in the Company to obtain improper benefits for themselves, their spouses, parents, children, or any other person.</p>	The amendment is to coordinate with the establishment of the Audit Committee, and in accordance with Paragraph 3, Article 206 of the Company Act

Article	Articles after Amendment	Articles before Amendment	Reasons for Amendment
	other person.		
Article 15	<p>Review and Amendment of the Ethical Corporate Management Principles</p> <p>The Company shall at all times monitor the development of relevant local and international regulations concerning ethical corporate management and encourage their directors, managerial officers, and employees to make suggestions to review and improve the adopted ethical corporate management policies and to achieve better implementation of ethical management.</p>	<p>Review and Amendment of the Ethical Corporate Management Principles</p> <p>The Company shall at all times monitor the development of relevant local and international regulations concerning ethical corporate management and encourage their Directors, Supervisors, managers, and employees to make suggestions, based on which, the adopted ethical corporate management policies will be reviewed and improved with a view to achieving better implementation of ethical management.</p>	In line with the establishment of the Audit Committee
Article 16	<p>Implementation</p> <p>These Principles and any amendments thereto shall enter into force after it has been adopted by the board of directors, and submitted to a shareholders' meeting.</p>	<p>Implementation</p> <p>These Principles shall be implemented after the Board of Directors grants the approval, and shall be sent to the supervisors and reported at a shareholders' meeting. The same procedure shall be followed when these Principles have been amended.</p>	In line with the establishment of the Audit Committee
Article 17	<p>Supplementary Provisions</p> <p>These Principles were formulated at the board meeting on January 29, 2014 and at the shareholders' meeting on June 12, 2014.</p> <p><u>The first amendment was approved by the board of directors on February 25, 2021, and was submitted to the shareholders' meeting on June 24, 2021.</u></p>	<p>Supplementary Provisions</p> <p>These Principles were formulated at the board meeting on January 29, 2014 and at the shareholders' meeting on June 12, 2014.</p>	Add articles for amendments

## **Independent Auditors' Report**

To the Board of Directors of APAQ Technology Co., Ltd.

### **Opinion**

We have audited the accompanying consolidated balance sheets of APAQ TECHNOLOGY CO., LTD. and its subsidiaries (the "consolidated company") as at December 31, 2020 and 2019, and the related consolidated statements of comprehensive income, changes in equity, and cash flows for the years then ended, and notes to consolidated financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the audit reports of other independent accountants, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the consolidated company as at December 31, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) as endorsed by the Financial Supervisory Commission (FSC).

### **Basis for Opinion**

We conducted our audit in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and generally accepted auditing standards. Our responsibilities under those standards are further described in the section titled "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements." We are independent of the consolidated company in accordance with the Code of Professional Ethics for Certified Public Accountants, and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2020. These matters were addressed in our audit of the consolidated financial statements as a whole and, in forming our opinion thereon, we do not express a separate opinion on these matters. Key audit matters for the consolidated company's consolidated financial statements of the current period are stated as follows:

#### **Inventory assessment**

For accounting policies related to inventory assessment, please refer to Note IV(VIII) Inventory of the consolidated financial statements. For accounting estimates and assumption uncertainty for



inventory assessment, please refer to Note V of the consolidated financial statements. Relevant details can be found in Note VI(IV) net inventory

#### Description

Since inventory is measured by the lower of cost and net realizable value, companies need to employ judgments and estimates to determine the net realizable value of inventory on the reporting date. Due to the rapid evolution in technology, the net realizable value fluctuates and potentially leads to significant changes. Therefore, the assessment for the allowance for price decline in inventories is one of the important evaluation items for the accountant when auditing the consolidated company's consolidated financial report.

How our audit addressed the matter:

Our main audit procedure for the above-mentioned key matters includes obtaining the inventory aging report and checking the general ledger, selecting appropriate samples from the inventory aging report to compare with the transaction documents to verify that the inventory has been placed in the appropriate interval of the inventory aging report, understanding the management's strategy for calculating the net realizable value and checking relevant documents, evaluating the reasonableness of the inventory price decline and the policy for taking stock of obsolete and slow-moving inventories, assessing whether the inventory evaluation has been implemented in accordance with the established accounting policies, and evaluating whether the management's disclosure for allowance for price decline in inventories is reasonable.

#### Other Matters

We have audited and expressed an unqualified opinion with other matter section on the parent company only financial statements of APAQ TECHNOLOGY CO., LTD. as at and for the years ended December 31, 2020 and 2019.

#### Responsibilities of Management and Governing Bodies for the Consolidated Financial Statements

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

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

Those charged with governance, including the Audit Committee, are responsible for overseeing the consolidated company's financial reporting process.

## **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 GAAS will always detect a material misstatement when it exists. Misstatement may arise from fraud or error. Misstatements 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 GAAS, we exercise professional judgment and maintain 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 consolidated company's internal control.
- III. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- IV. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the consolidated company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's 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 auditor's report. However, future events or conditions may cause the consolidated company to cease to continue as a going concern.
- V. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- VI. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the consolidated company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the consolidated company audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of 2020 and are therefore the key audit matters. We describe these matters in our auditor's 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.

KPMG

Certified public accountant : Wan-Yuan You  
Qian-Hui Lu

Securities Competent Authority : (88) Taiwan-Finance-Securities-VI-18311  
Approval Document No. Jin-Guan-Zheng-Shen-Zi No. 1040007866  
February 25, 2021

*Notice to Reader*

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

APAQ Technology Co., Ltd. and Subsidiaries  
Consolidated Balance Sheets  
Years ended on December 31, 2020 and 2019

Unit: NT\$ thousand

		2020.12.31		2019.12.31				2020.12.31		2019.12.31	
Assets		Amount	%	Amount	%	Liabilities and Equity		Amount	%	Amount	%
Current assets:						Current liabilities:					
1100	Cash and cash equivalents [Note VI(I)]	\$ 683,514	17	700,953	19	2100	Short-term loans [Note VI(XI)]	\$ 865,000	21	924,840	25
1120	Financial assets at fair value through other comprehensive income - current [Note VI(II)]	138,474	4	143,891	4	2170	Accounts payable	430,730	11	307,178	9
1150	Notes receivable [Note VI(III)]	51,034	1	87,461	2	2180	Accounts payable - related parties [Note VII]	2,319	-	4,968	-
1170	Accounts receivable [Note VI(III)]	984,323	24	780,770	22	2201	Payroll and bonus payable	114,188	3	79,378	2
1180	Accounts receivable - related parties [Notes VI(III) & VII]	25,406	1	22,724	-	2213	Payable on equipment	24,001	1	14,419	-
1310	Inventories, net [Note VI(IV)]	544,367	13	390,840	11	2280	Lease liabilities - current [Note VI(XIII)]	9,001	-	6,113	-
1476	Other financial assets - current [Note VI(VIII)]	-	-	37	-	2320	Long-term liabilities due within one year [Note VI(XII)]	248,676	6	2,095	-
1479	Other current assets [Note VI (IX)]	<u>55,156</u>	<u>1</u>	<u>30,746</u>	<u>1</u>	2399	Other current liabilities	<u>145,562</u>	<u>4</u>	<u>92,973</u>	<u>3</u>
		<u>2,482,274</u>	<u>61</u>	<u>2,157,422</u>	<u>59</u>			<u>1,839,477</u>	<u>46</u>	<u>1,431,964</u>	<u>39</u>
Non-current assets:						Non-current liabilities:					
1517	Financial assets at fair value through other comprehensive income - non-current [Note VI(II)]	136,944	3	117,349	3	2530	Bonds payable [Note VI(XII)]	-	-	243,423	7
1550	Investments accounted for under the equity method [Note VI(V)]	45,737	1	45,174	1	2580	Lease liabilities - non-current [Note VI(XIII)]	<u>17,782</u>	<u>-</u>	<u>13,739</u>	<u>-</u>
1600	Property, plant and equipment [Note VI(VI)]	1,183,327	30	1,176,196	32		Total Liabilities	<u>17,782</u>	<u>-</u>	<u>257,162</u>	<u>7</u>
1755	Right-of-use assets [Note VI(VII)]	37,627	1	30,967	2		Equity [Note VI(XII) & (XVI)]:	<u>1,857,259</u>	<u>46</u>	<u>1,689,126</u>	<u>46</u>
1780	Intangible assets [Note VI(X)]	36,796	1	37,259	1	3100	Share capital	845,248	21	845,011	23
1840	Deferred income tax assets [Note VI(XV)]	45,859	1	54,726	1	3200	Capital surplus	561,362	14	560,800	15
1984	Other financial assets - non-current [Notes VI(VIII) & VIII]	26,351	1	25,458	1	3300	Retained earnings	858,029	21	680,939	19
1990	Other non-current assets [Note VI(IX)]	<u>41,682</u>	<u>1</u>	<u>9,562</u>	<u>-</u>	3400	Other equity	<u>(85,301)</u>	<u>(2)</u>	<u>(121,763)</u>	<u>(3)</u>
		<u>1,554,323</u>	<u>39</u>	<u>1,496,691</u>	<u>41</u>		Total equity	<u>2,179,338</u>	<u>54</u>	<u>1,964,987</u>	<u>54</u>
Total assets		<u>\$ 4,036,597</u>	<u>100</u>	<u>3,654,113</u>	<u>100</u>		Total liabilities and equity	<u>\$ 4,036,597</u>	<u>100</u>	<u>3,654,113</u>	<u>100</u>

(See the attached notes to consolidated financial statements)

Chairman: Dr. DJ Zheng

Manager: Shi-Dong Lin

Accounting Manager: Pei-Ling Li

APAQ Technology Co., Ltd. and Subsidiaries  
Consolidated Statements of Comprehensive Income  
Years ended on December 31, 2020 and 2019

Unit: NT\$ thousands

		2020		2019	
		Amount	%	Amount	%
4110	Net sales revenue [Notes VI(XVIII) & VII]	\$ 2,384,625	100	2,002,841	100
5110	Cost of goods sold [Notes VI(IV), (XIII), (XIV), (XIX) & VII]	1,701,353	71	1,540,718	77
5950	Gross profit	683,272	29	462,123	23
6000	Operating expenses [Notes VI(XIII), (XIV), (XIX) & VII]:				
6100	Selling expenses	82,398	3	79,652	4
6200	Administrative expenses	143,270	6	120,164	6
6300	Research and development expenses	70,706	3	54,256	3
	Total operating expenses	296,374	12	254,072	13
6900	Operating income	386,898	17	208,051	10
7000	Non-operating income and expenses:				
7020	Other gains and losses [Notes VI(XII) & (XX)]	39,314	2	11,521	1
7050	Finance costs [Notes VI(XII), (XIII) & (XX)]	(16,331)	(1)	(25,956)	(1)
7100	Interest income [Notes VI(XX)]	2,153	-	5,795	-
7230	Foreign exchange gain (loss) [Note VI(XXI)]	(68,138)	(3)	(8,436)	-
7370	Share of profit or loss of associates accounted for under the equity method [Note VI(V)]	1,528	-	1,227	-
	Non-operating income and expenses, net	(41,474)	(2)	(15,849)	-
7900	Income before income tax	345,424	15	192,202	10
7950	Less: Income tax expense [Note VI(XV)]	83,809	4	53,131	3
	Net income	261,615	11	139,071	7
8300	Other comprehensive income:				
8310	Items that may not be reclassified subsequently to profit or loss				
8316	Unrealized valuation gains (losses) from investments in equity instruments at fair value through other comprehensive income	8,178	-	(13,048)	(1)
	Total of items that may not be reclassified subsequently to profit or loss	8,178	-	(13,048)	(1)
8360	Items that may be reclassified subsequently to profit or loss				
8361	Exchange differences on translation of foreign operations	35,355	1	(68,304)	(3)
8399	Less: Income tax related to items that may be reclassified [Note VI(XV)]	(7,071)	-	13,661	1
	Total of items that may be reclassified subsequently to profit or loss	28,284	1	(54,643)	(2)
8300	Other comprehensive income, net of tax	36,462	1	(67,691)	(3)
	Total comprehensive income	298,077	12	71,380	4
	Earnings per share (Unit: NT\$) [Note VI(XVII)]				
9750	Basic earnings per share	\$ 3.10		1.66	
9850	Diluted earnings per share	\$ 2.96		1.61	

(See the attached notes to consolidated financial statements)

Chairman: Dr. DJ Zheng

Manager: Shi-Dong Lin

Accounting Manager: Pei-Ling Li

APAQ Technology Co., Ltd. and Subsidiaries  
Consolidated Statements of Changes in Equity  
Years ended on December 31, 2020 and 2019

Unit: NT\$ thousand

	Share capital			Retained earnings					Other equity items				
	Share capital - common stocks	Capital collected in advance	Total	Capital surplus	Legal reserve	Special reserve	Unappropriated earnings	Total	Exchange differences on translation of foreign operations	Gain (loss) on equity instruments at fair value through other comprehensive income	Total	Treasury stocks	Total equity
Balance as of January 1, 2019	\$ 844,419	-	844,419	559,411	107,525	44,089	470,565	622,179	(60,112)	8,913	(51,199)	(27,897)	1,946,913
Net income	-	-	-	-	-	-	139,071	139,071	-	-	-	-	139,071
Other comprehensive income	-	-	-	-	-	-	-	-	(54,643)	(13,048)	(67,691)	-	(67,691)
Total comprehensive income	-	-	-	-	-	-	139,071	139,071	(54,643)	(13,048)	(67,691)	-	71,380
Earnings appropriation and distribution:													
Appropriation of legal reserve	-	-	-	-	18,235	-	(18,235)	-	-	-	-	-	-
Appropriation of special reserve	-	-	-	-	-	7,110	(7,110)	-	-	-	-	-	-
Cash dividends of common stocks	-	-	-	-	-	-	(83,184)	(83,184)	-	-	-	-	(83,184)
Transfer of treasury stocks to employees	-	-	-	-	-	-	-	-	-	-	-	38,055	38,055
Conversion of convertible bonds	-	592	592	1,389	-	-	-	-	-	-	-	-	1,981
Buyback of treasury stocks	-	-	-	-	-	-	-	-	-	-	-	(10,158)	(10,158)
Disposal of equity instruments at fair value through other comprehensive income	-	-	-	-	-	-	2,873	2,873	-	(2,873)	(2,873)	-	-
Balance as of December 31, 2019	844,419	592	845,011	560,800	125,760	51,199	503,980	680,939	(114,755)	(7,008)	(121,763)	-	1,964,987
Net income	-	-	-	-	-	-	261,615	261,615	-	-	-	-	261,615
Other comprehensive income	-	-	-	-	-	-	-	-	28,284	8,178	36,462	-	36,462
Total comprehensive income	-	-	-	-	-	-	261,615	261,615	28,284	8,178	36,462	-	298,077
Earnings appropriation and distribution:													
Appropriation of legal reserve	-	-	-	-	14,195	-	(14,195)	-	-	-	-	-	-
Appropriation of special reserve	-	-	-	-	-	70,564	(70,564)	-	-	-	-	-	-
Cash dividends of common stocks	-	-	-	-	-	-	(84,525)	(84,525)	-	-	-	-	(84,525)
Conversion of convertible bonds	829	(592)	237	562	-	-	-	-	-	-	-	-	799
Balance as of December 31, 2020	\$ 845,248	-	845,248	561,362	139,955	121,763	596,311	858,029	(86,471)	1,170	(85,301)	-	2,179,338

(See the attached notes to consolidated financial statements)

Chairman: Dr. DJ Zheng

Manager: Shi-Dong Lin

Accounting Manager: Pei-Ling Li

APAQ Technology Co., Ltd. and Subsidiaries  
Consolidated Statements of Cash Flows  
Years ended on December 31, 2020 and 2019

Unit: NT\$ thousands

	2020	2019
Cash flows from operating activities:		
Income before income tax for the period	\$ 345,424	192,202
Adjustments:		
Income and expense items:		
Depreciation	204,253	184,418
Amortization	4,536	4,359
Net loss on financial assets and liabilities at fair value through profit or loss	-	52
Interest expense	16,331	25,956
Interest income	(2,153)	(5,795)
Dividend income	(3,012)	(8,873)
Loss on market value decline and obsolete and slow-moving inventories	-	1,500
Share of corporate profit recognized under the equity method	(1,528)	(1,227)
Loss on disposal of property, plant and equipment	249	1,410
Other non-cash expense (gain) items, net	758	132
Total income and expense items	<u>219,434</u>	<u>201,932</u>
Changes in operating assets and liabilities:		
Notes and accounts receivable (including related parties)	(156,802)	(313,833)
Inventories	(145,314)	209,250
Other operating assets	(23,691)	68,144
Accounts payable (including related parties)	115,144	124,464
Other operating liabilities	29,030	27,469
Total adjustments	<u>37,801</u>	<u>317,426</u>
Cash generated from operations	383,225	509,628
Interest received	2,153	5,795
Cash Dividends received	3,012	8,873
Interest paid	(11,952)	(22,723)
Income tax paid	(25,375)	(108,274)
Net cash generated by operating activities	<u>351,063</u>	<u>393,299</u>
Cash flows from investing activities:		
Financial assets at fair value through other comprehensive income - return of capital due to capital reduction	2,000	-
Disposal of financial assets at fair value through other comprehensive income - current-	-	82,862
Financial assets at fair value through other comprehensive gains and losses - non-current-	(8,000)	-
Disposal of financial assets measured at fair value through other comprehensive income - non-current-	-	7,500
Acquisition of property, plant and equipment	(169,543)	(152,036)
Disposal of property, plant and equipment	-	3
Acquisition of intangible assets	(4,062)	-
Decrease (Increase) in other financial assets	(556)	697
Increase in other non-current assets	(8,813)	(515)
Increase in prepayments for business facilities	(30,984)	-
Net cash used in investing activities	<u>(219,958)</u>	<u>(61,489)</u>
Cash flows from financing activities:		
Increase in short-term loans	380,000	362,580
Repayment of short-term loans	(439,236)	(537,040)
Repayment for bonds due	(1,300)	-
Repayment of lease principal	(9,043)	(5,727)
Cash dividends paid	(84,525)	(83,184)
Costs for buyback of treasury stocks	-	(13,520)
Transfer of treasury stocks to employees	-	38,055
Net cash used in financing activities	<u>(154,104)</u>	<u>(238,836)</u>
Effect of exchange rate changes	<u>5,560</u>	<u>(27,730)</u>
Increase (decrease) in cash and cash equivalents	(17,439)	65,244
Cash and cash equivalents at beginning of period	700,953	635,709
Cash and cash equivalents at end of period	<u>\$ 683,514</u>	<u>700,953</u>

(See the attached notes to consolidated financial statements)

Chairman: Dr. DJ Zheng

Manager: Shi-Dong Lin

Accounting Manager: Pei-Ling Li

## **Independent Auditors' Report**

To the Board of Directors of APAQ Technology Co., Ltd.

### **Opinion**

We have audited the accompanying balance sheets of APAQ TECHNOLOGY CO., LTD. as at December 31, 2020 and 2019, and the related statements of comprehensive income, changes in equity, and cash flows for the years then ended, and notes to parent company only financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the audit reports of other independent accountants, the accompanying parent company only financial statements present fairly, in all material respects, the financial position of the parent company as at December 31, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers."

### **Basis for Opinion**

We conducted our audit in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and generally accepted auditing standards. Our responsibilities under those standards are further described in the section titled "Auditor's Responsibilities for the Audit of the Parent Company Only Financial Statements." We are independent of the Company in accordance with the Code of Professional Ethics for Certified Public Accountants, and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the parent company only financial statements for the year ended December 31, 2020. These matters were addressed in our audit of the parent company only financial statements as a whole and, in forming our opinion thereon, we do not express a separate opinion on these matters. Key audit matters for the Company's financial statements of the current period are stated as follows:

#### **Inventory assessment**

For accounting policies related to inventory assessment, please refer to Note IV (VII) Inventory of the financial report. For accounting estimates and assumption uncertainty for inventory assessment, please refer to Note V of the parent company only financial statements. Relevant details can be found in Note VI(IV) net inventory.

#### **Description:**

Since inventory is measured by the lower of cost and net realizable value, companies need to employ judgments and estimates to determine the net realizable value of inventory on the reporting date. Due to the rapid evolution in technology, the net realizable value fluctuates and potentially leads to significant changes. Therefore, the assessment for the allowance for price decline in inventories is



one of the important evaluation items for the accountant when auditing the Company's parent company only financial report.

**How our audit addressed the matter:**

Our main audit procedure for the above-mentioned key matters includes obtaining the inventory aging report and checking the general ledger, selecting appropriate samples from the inventory aging report to compare with the transaction documents to verify that the inventory has been placed in the appropriate interval of the inventory aging report, understanding the management's strategy for calculating the net realizable value and checking relevant documents, evaluating the reasonableness of the inventory price decline and the policy for taking stock of obsolete and slow-moving inventories, assessing whether the inventory evaluation has been implemented in accordance with the established accounting policies, and evaluating whether the management's disclosure for allowance for price decline in inventories is reasonable.

**Responsibilities of Management and Governing Bodies for the parent company only financial Statements**

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

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

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

**Auditor's Responsibilities for the Audit of the Parent Company Only Financial Statements**

Our objectives are to obtain reasonable assurance about whether the parent company only financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 GAAS will always detect a material misstatement when it exists. Misstatement may arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these parent company only financial statements.

As part of an audit in accordance with GAAS, we exercise professional judgment and maintain 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 Company's internal control.
- III. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- IV. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's 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 auditor's 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 content of the parent company only financial statements, including the disclosures, and whether the parent company only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- VI. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Investee companies accounted for using the equity method to express an opinion on the parent company only financial statements. We are responsible for the direction, supervision and performance of the Company audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the parent company only financial statements of 2020 and are therefore the key audit matters. We describe these matters in our auditor's 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.

KPMG

Certified public accountant : Wan-Yuan You  
Qian-Hui Lu

Securities Competent Authority : (88) Taiwan-Finance-Securities-VI-18311  
Approval Document No. Jin-Guan-Zheng-Shen-Zi No. 1040007866  
February 25, 2021

*Notice to Reader*

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

**APAQ Technology Co., Ltd.**  
**Balance Sheets**  
**Years ended on December 31, 2020 and 2019**

**Unit: NT\$ thousand**

<b>Assets</b>		<b>2020.12.31</b>		<b>2019.12.31</b>				<b>2020.12.31</b>		<b>2019.12.31</b>	
		<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>			<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
<b>Current assets:</b>							<b>Current liabilities:</b>				
1100	Cash and cash equivalents [Note VI(I)]	\$ 406,447	10	453,063	13	2100	Short-term loans [Note VI(X)]	\$ 865,000	22	834,900	24
1120	Financial assets at fair value through other comprehensive income - current [Note VI(II)]	138,474	4	143,891	4	2170	Accounts payable	16,120	-	9,018	-
1170	Accounts receivable [Note VI(III)]	796,098	20	652,640	18	2180	Accounts payable - related parties [Note VII]	415,060	11	368,526	11
1180	Accounts receivable - related parties [Notes VI(III) & VII]	30,684	1	32,283	1	2201	Payroll and bonus payable	82,181	2	52,054	1
1210	Other accounts receivables - related parties [Note VII]	5,665	-	122,888	4	2213	Payable on equipment	3,354	-	2,955	-
1310	Inventories, net [Note VI(IV)]	189,147	5	131,024	4	2280	Lease liabilities - current [Note VI(XII)]	9,001	-	6,113	-
1479	Other current assets [Note VI(VIII)]	7,498	-	7,646	-	2320	Long-term liabilities due within one year [Note VI(XI)]	248,676	7	2,095	-
		<u>1,574,013</u>	<u>40</u>	<u>1,543,435</u>	<u>44</u>	2399	Other current liabilities	<u>70,229</u>	<u>2</u>	<u>40,893</u>	<u>1</u>
								<u>1,709,621</u>	<u>44</u>	<u>1,316,554</u>	<u>37</u>
<b>Non-current assets:</b>							<b>Non-current liabilities:</b>				
1517	Financial assets at fair value through other comprehensive income - non-current [Note VI(II)]	136,944	4	117,349	3	2530	Bonds payable [Note VI(XI)]	-	-	243,423	7
1550	Investments accounted for under the equity method [Note VI(V) and VII]	1,985,178	51	1,643,854	46	2580	Lease liabilities - non-current [Note VI(XII)]	<u>17,782</u>	<u>-</u>	<u>13,739</u>	<u>-</u>
								<u>17,782</u>	<u>-</u>	<u>257,162</u>	<u>7</u>
1600	Property, plant and equipment [Note VI(VI)]	93,632	2	117,116	3		<b>Total Liabilities</b>	<u>1,727,403</u>	<u>44</u>	<u>1,573,716</u>	<u>44</u>
1755	Right-of-use assets [Note VI(VII)]	26,527	1	19,754	1		<b>Equity [Note VI(XI) &amp; (XV)]:</b>				
1780	Intangible assets [Note VI(IX)]	36,384	1	36,986	1	3100	Share capital	845,248	22	845,011	24
1840	Deferred income tax assets [Note VI(XIV)]	45,859	1	54,726	2	3200	Capital surplus	561,362	14	560,800	16
1984	Other financial assets - non-current [Notes VIII]	4,527	-	3,971	-	3300	Retained earnings	858,029	22	680,939	19
1990	Other non-current assets [Note VI(VIII)]	<u>3,677</u>	<u>-</u>	<u>1,512</u>	<u>-</u>	3400	Other equity	<u>(85,301)</u>	<u>(2)</u>	<u>(121,763)</u>	<u>(3)</u>
		<u>2,332,728</u>	<u>60</u>	<u>1,995,268</u>	<u>56</u>		<b>Total equity</b>	<u>2,179,338</u>	<u>56</u>	<u>1,964,987</u>	<u>56</u>
<b>Total assets</b>		<u><u>\$ 3,906,741</u></u>	<u><u>100</u></u>	<u><u>3,538,703</u></u>	<u><u>100</u></u>		<b>Total liabilities and equity</b>	<u><u>\$ 3,906,741</u></u>	<u><u>100</u></u>	<u><u>3,538,703</u></u>	<u><u>100</u></u>

(See the attached notes to parent company only financial statements)

Chairman: Dr. DJ Zheng

Manager: Shi-Dong Lin

Accounting Manager: Pei-Ling Li

**APAQ Technology Co., Ltd.**  
**Statements of Comprehensive Income**  
**Years ended on December 31, 2020 and 2019**

**Unit: NT\$ thousands**

		<b>2020</b>		<b>2019</b>	
		<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
4110	<b>Net sales revenue</b> [Notes VI(XVII) & VII]	\$ 2,012,954	100	1,770,683	100
5110	<b>Cost of goods sold</b> [Notes VI(IV), (XIII), (XVIII) & VII]	1,583,203	79	1,535,272	87
5950	<b>Gross profit</b>	429,751	21	235,411	13
5910	Add: Unrealized sales profit and loss [Note VII]	(4,700)	-	3,260	-
5900	<b>Realized gross profit</b>	425,051	21	238,671	13
6000	<b>Operating expenses</b> [Notes VI(XIII), (XVIII) & VII]:				
6100	Selling expenses	50,198	2	51,148	3
6200	Administrative expenses	91,546	5	68,252	4
6300	Research and development expenses	70,706	3	54,256	3
	<b>Total operating expenses</b>	212,450	10	173,656	10
6900	<b>Operating income</b>	212,601	11	65,015	3
7000	<b>Non-operating income and expenses:</b>				
7020	Other gains and losses [Notes VI(XI) & (XIX)]	11,791	1	13,230	1
7050	Finance costs [Notes VI(XI), (XII) & (XIX)]	(15,144)	(1)	(17,105)	(1)
7100	Interest income [Notes VII]	2,594	-	9,004	1
7230	Foreign exchange gain (loss) [Note VI(XX)]	(26,009)	(1)	(17,921)	(1)
7370	Share of profit or loss of associates accounted for under the equity method [Note VI(V)]	112,870	5	119,793	7
	<b>Non-operating income and expenses, net</b>	86,102	4	2018,001	7
7900	<b>Income before income tax</b>	298,703	15	172,016	10
7950	<b>Less: Income tax expense</b> [Note VI(XIV)]	37,088	2	32,945	2
	<b>Net income</b>	261,615	13	139,071	8
8300	<b>Other comprehensive income:</b>				
8310	<b>Items that may not be reclassified subsequently to profit or loss</b>				
8316	Unrealized valuation gains (losses) from investments in equity instruments at fair value through other comprehensive income	8,178	-	(13,048)	(1)
	<b>Total of items that may not be reclassified subsequently to profit or loss</b>	8,178	-	(13,048)	(1)
8360	<b>Items that may be reclassified subsequently to profit or loss</b>				
8361	Exchange differences on translation of foreign operations	35,355	2	(68,304)	(4)
8399	Less: Income tax related to items that may be reclassified [Note VI(XIV)]	(7,071)	-	13,661	1
	<b>Total of items that may be reclassified subsequently to profit or loss</b>	28,284	2	(54,643)	(3)
8300	<b>Other comprehensive income, net of tax</b>	36,462	2	(67,691)	(4)
	<b>Total comprehensive income</b>	\$ 298,077	15	71,380	4
	<b>Earnings per share (Unit: NT\$)</b> [Note VI(XVI)]				
9750	Basic earnings per share	\$ 3.10		1.66	
9850	Diluted earnings per share	\$ 2.96		1.61	

(See the attached notes to parent company only financial statements)

Chairman: Dr. DJ Zheng

Manager: Shi-Dong Lin

Accounting Manager: Pei-Ling Li

**APAQ Technology Co., Ltd.**  
**Statements of Change in Equity**  
**Years ended on December 31, 2020 and 2019**

**Unit: NT\$ thousand**

	Share capital		Retained earnings						Other equity items				
	Share capital - common stocks	Capital collected in advance	Total	Capital surplus	Legal reserve	Special reserve	Unappropriate d earnings	Total	Exchange differences on translation of foreign operations	Gain (loss) on equity instruments at fair value through other comprehensive income	Total	Treasury stocks	Total equity
<b>Balance as of January 1, 2019</b>	<u>\$ 844,419</u>	<u>-</u>	<u>844,419</u>	<u>559,411</u>	<u>2018,525</u>	<u>44,089</u>	<u>470,565</u>	<u>622,179</u>	<u>(60,112)</u>	<u>8,913</u>	<u>(51,199)</u>	<u>(27,897)</u>	<u>1,946,913</u>
Net income	-	-	-	-	-	-	139,071	139,071	-	-	-	-	139,071
Other comprehensive income	-	-	-	-	-	-	-	-	(54,643)	(13,048)	(67,691)	-	(67,691)
Total comprehensive income	-	-	-	-	-	-	139,071	139,071	(54,643)	(13,048)	(67,691)	-	71,380
Earnings appropriation and distribution:													
Appropriation of legal reserve	-	-	-	-	18,235	-	(18,235)	-	-	-	-	-	-
Appropriation of special reserve	-	-	-	-	-	7,110	(7,110)	-	-	-	-	-	-
Cash dividends of common stocks	-	-	-	-	-	-	(83,184)	(83,184)	-	-	-	-	(83,184)
Transfer of treasury stocks to employees	-	-	-	-	-	-	-	-	-	-	-	38,055	38,055
Conversion of convertible bonds	-	592	592	1,389	-	-	-	-	-	-	-	-	1,981
Buyback of treasury stocks	-	-	-	-	-	-	-	-	-	-	-	(10,158)	(10,158)
Disposal of equity instruments at fair value through other comprehensive income	-	-	-	-	-	-	2,873	2,873	-	(2,873)	(2,873)	-	-
<b>Balance as of December 31, 2019</b>	<u>844,419</u>	<u>592</u>	<u>845,011</u>	<u>560,800</u>	<u>125,760</u>	<u>51,199</u>	<u>503,980</u>	<u>680,939</u>	<u>(114,755)</u>	<u>(7,008)</u>	<u>(121,763)</u>	<u>-</u>	<u>1,964,987</u>
Net income	-	-	-	-	-	-	261,615	261,615	-	-	-	-	261,615
Other comprehensive income	-	-	-	-	-	-	-	-	28,284	8,178	36,462	-	36,462
Total comprehensive income	-	-	-	-	-	-	261,615	261,615	28,284	8,178	36,462	-	298,077
Earnings appropriation and distribution:													
Appropriation of legal reserve	-	-	-	-	14,195	-	(14,195)	-	-	-	-	-	-
Appropriation of special reserve	-	-	-	-	-	70,564	(70,564)	-	-	-	-	-	-
Cash dividends of common stocks	-	-	-	-	-	-	(84,525)	(84,525)	-	-	-	-	(84,525)
Conversion of convertible bonds	829	(592)	237	562	-	-	-	-	-	-	-	-	799
<b>Balance as of December 31, 2020</b>	<u>\$ 845,248</u>	<u>-</u>	<u>845,248</u>	<u>561,362</u>	<u>139,955</u>	<u>121,763</u>	<u>596,311</u>	<u>858,029</u>	<u>(86,471)</u>	<u>1,170</u>	<u>(85,301)</u>	<u>-</u>	<u>2,179,338</u>

(See the attached notes to parent company only financial statements)

Chairman: Dr. DJ Zheng

Manager: Shi-Dong Lin

Accounting Manager: Pei-Ling Li

**APAQ Technology Co., Ltd.**  
**Statements of Cash Flows**  
**Years ended on December 31, 2020 and 2019**

**Unit: NT\$ thousands**

	2020	2019
<b>Cash flows from operating activities:</b>		
Income before income tax for the period	\$ 298,703	172,016
<b>Adjustments:</b>		
Income and expense items:		
Depreciation	38,398	30,962
Amortization	4,445	4,274
Net loss on financial assets and liabilities at fair value through profit or loss	-	52
Interest expense	15,144	17,105
Interest income	(2,594)	(9,004)
Dividend income	(3,012)	(8,873)
Loss on market value decline and obsolete and slow-moving inventories	-	1,500
Share of corporate profit recognized under the equity method	(112,870)	(119,793)
Gain on disposal of property, plant and equipment	(3,450)	(3,976)
Unrealized sale profits (losses) between associates	4,700	(3,260)
Total income and expense items	(59,239)	(91,013)
Changes in operating assets and liabilities:		
Accounts receivable	(143,458)	(237,872)
Accounts receivable - related parties	1,599	35,053
Other accounts receivable - related parties	(6,874)	45,746
Inventories	(58,123)	64,744
Other operating assets	147	3,182
Accounts payable	7,102	1,867
Accounts payable - related parties	46,534	(39,328)
Other operating liabilities	34,319	3,488
Total adjustments	(177,993)	(214,133)
Net cash inflows from operating activities	120,710	(42,117)
Interest received	5,039	10,404
Cash dividends received	3,012	8,873
Interest paid	(10,240)	(12,094)
Income tax paid	(9,794)	(64,052)
<b>Net cash outflows from operating activities</b>	<b>108,727</b>	<b>(98,986)</b>
<b>Cash flows from investing activities:</b>		
Disposal of financial assets at fair value through other comprehensive income - current-	-	82,862
Financial assets at fair value through other comprehensive income - return of capital due to capital reduction	2,000	-
Financial assets at fair value through other comprehensive gains and losses - non- current-	(8,000)	-
Disposal of financial assets measured at fair value through other comprehensive income - non-current-	-	7,500
Acquisition of investments accounted for under equity method	(194,350)	(187,853)
Acquisition of property, plant and equipment	(4,959)	(12,890)
Disposal of property, plant and equipment	-	3
Decrease in other receivables - related parties-	122,230	64,370
Acquisition of intangible assets	(3,843)	-
Increase in other financial assets	(556)	(193)
Decrease (increase) in other non-current assets	(408)	103
Increase in prepayments for business facilities	(2,113)	-
<b>Net cash used in investing activities</b>	<b>(89,999)</b>	<b>(46,098)</b>
<b>Cash flows from financing activities:</b>		
Increase in short-term loans	380,000	270,000
Repayment of short-term loans	(353,215)	(105,000)
Repayment for bonds due	(1,300)	-
Repayment of lease principal	(9,043)	(5,727)
Cash dividends paid	(84,525)	(83,184)
Costs for buyback of treasury stocks	-	(13,520)
Transfer of treasury stocks to employees	-	38,055
<b>Net cash flows from financing activities</b>	<b>(68,083)</b>	<b>100,624</b>
Effect of exchange rate changes	2,739	(3,675)
Decrease in cash and cash equivalents	(46,616)	(48,135)
Cash and cash equivalents at beginning of period	453,063	501,198
Cash and cash equivalents at end of period	<b>\$ 406,447</b>	<b>453,063</b>

(See the attached notes to consolidated financial statements)

Chairman: Dr. DJ Zheng

Manager: Shi-Dong Lin

Accounting Manager: Pei-Ling Li

**APAQ Technology Co., Ltd.**

**Rules and Procedure for Shareholders' Meetings (Before Amendment)**

Shareholders' Meetings on June 12, 2014

- I. Unless otherwise provided in the statute, the shareholders' meeting of the Company shall be governed by the Procedures.
- II. The Company shall furnish the attending shareholders with an attendance book to sign, or attending shareholders may hand in a sign-in card in lieu of signing in. The number of shares in attendance shall be calculated according to the shares indicated by the attendance book and sign-in cards handed in. Attendance and voting at a shareholders' meeting shall be calculated based the number of shares.
- III. The venue for a shareholders' meeting shall be the premises of this Corporation, or a place easily accessible to shareholders and suitable for a shareholders' meeting. The meeting shall not begin earlier than 9 a.m. or later than 3 p.m.
- IV. If a shareholders' meeting is convened by the chairman, the meeting shall be chaired by the chairman of the board. When the chairman of the board is on leave or for any reason unable to exercise the powers of the chairman, the vice chairperson shall act in place of the chairman; if there is no vice chairperson or the vice chairperson also is on leave or for any reason unable to exercise the powers of the vice chairperson, the chairman shall appoint one of the managing directors to act as chair, or, if there are no managing directors, one of the directors shall be appointed to act as chair. Where the chairman does not make such a designation, the managing directors or the directors shall select from among themselves one person to serve as chair. If a shareholders' meeting is convened by a party with power to convene but other than the chairman, the convening party shall chair the meeting.
- V. The Company may appoint its attorneys, certified public accountants, or related persons retained by it to attend a shareholders' meeting in a non-voting capacity. Staff handling administrative affairs of a shareholders' meeting shall wear identification cards or arm bands.
- VI. The Company shall record the proceedings of a board meeting in their entirety in audio or video, and retain the recorded materials for at least 1 year.
- VII. The chair shall call the meeting to order at the appointed meeting time. However, when the attending shareholders do not represent a majority of the total number of issued shares, the chair may announce a postponement, provided that no more than two such postponements, for a combined total of no more than 1 hour, may be made. If the quorum is not met after two postponements, but the attending shareholders represent one third or more of the total number of issued shares, a tentative resolution may be adopted pursuant to Article 175, paragraph 1 of the Company Act "When, prior to conclusion of the meeting, the attending shareholders represent a majority of the total number of issued shares, the chairman may resubmit the tentative resolution for a vote by the shareholders' meeting pursuant to Article 174 of the Company Act.
- VIII. If a shareholders' meeting is convened by the board of directors, the meeting agenda shall be set by the board of directors. The meeting shall proceed in the order set by the agenda, which may not be changed without a resolution of the shareholders' meeting. The provisions of the preceding paragraph apply mutatis mutandis to a shareholders' meeting convened by a party with the power to convene that is not the board of directors. The chairman shall not declare the meeting adjourned prior to completion of deliberation on the meeting agenda of the preceding two paragraphs (including extraordinary motions), except by a resolution of the shareholders' meeting. After the meeting is adjourned, the shareholder shall not request the chairman to resume the meeting at the same or another place; If the chairman declares the meeting adjourned in violation of the rules of procedure, a new chair shall be elected by agreement of a majority of the votes represented by the attending shareholders, and then continue the meeting.
- IX. Before speaking, an attending shareholder must specify on a speaker's slip the subject of the speech, his/her shareholder account number (or attendance card number), and account name. The order in which shareholders speak will be set by the chairman. A shareholder in attendance who has submitted a speaker's slip but does not actually speak shall be deemed to have not spoken. When the content of



the speech does not correspond to the subject given on the speaker's slip, the spoken content shall prevail. When an attending shareholder is speaking, other shareholders shall not speak or interrupt unless they have sought and obtained the consent of the chairman and the shareholder that has the floor; the chairman shall stop any violation.

- X. Except with the consent of the chairman, a shareholder shall not speak more than twice on the same proposal, and a single speech may not exceed 5 minutes. If the shareholder's speech violates the rules or exceeds the scope of the agenda item, the chairman may terminate the speech. After an attending shareholder has spoken, the chair may respond in person or direct relevant personnel to respond. When a meeting is in progress, the chair may announce a break based on time considerations.
- XI. When a juristic person is appointed to attend as proxy, it may designate only one person to represent it in the meeting. When a juristic person shareholder appoints two or more representatives to attend a shareholders' meeting, only one of the representatives so appointed may speak on the same proposal.
- XII. When the chairman is of the opinion that a proposal has been discussed sufficiently to put it to a vote, the chairman may announce the discussion closed and call for a vote.
- XIII. Vote monitoring and counting personnel for the voting on a proposal shall be appointed by the chair, provided that all monitoring personnel shall be shareholders of the Company. The results of the voting shall be announced on-site at the meeting, and a record made of the vote.  
Except as otherwise provided in the Company Act and in the Articles of Incorporation of the Company, the passage of a proposal shall require an affirmative vote of a majority of the voting rights represented by the attending shareholders. At the time of a vote, it shall be deemed to have been adopted after the chairman has asked the opinions of all shareholders present that there is no objection, and it shall have the same effect as a vote.
- XIV. When there is an amendment or an alternative to a proposal, the chair shall present the amended or alternative proposal together with the original proposal and decide the order in which they will be put to a vote. When any one among them is passed, the other proposals will then be deemed rejected, and no further voting shall be required.
- XV. The chairman may direct the proctors or security personnel to help maintain order at the meeting place. When proctors or security personnel help maintain order at the meeting place, they shall wear an identification card or armband bearing the word "Proctor". When a shareholder violates the rules of procedure and defies the chair's correction, obstructing the proceedings and refusing to heed calls to stop, the chair may direct the proctors or security personnel to escort the shareholder from the meeting.
- XVI. The establishment of these Rules were adopted by the shareholders' meeting on June 25, 2013. The same procedure shall be followed when the Rules have been amended.  
The first amendment to these Rules was made on the shareholders' meeting on June 12, 2014.

## APAQ Technology Co., Ltd.

### Articles of Incorporation

Shareholders' Meetings on June 19, 2020

- Article 1      Article 1 The Company is organized in accordance with the provisions of the Company Act for limited liability companies, and is named as "鈺邦科技股份有限公司" (English name is "APAQ TECHNOLOGY CO., LTD. ").
- Article 2      The Company's business scope is as follows:  
 CC01080 Electronic Parts and Components Manufacturing  
 CC01110 Computers and Peripheral Equipment Manufacturing  
 E603050 Automatic Control Equipment Engineering  
 F401010 International Trade  
 I501010 Product Designing  
 Research, development, manufacturing, and sales for the following products:  
 Aluminum Solid Capacitor, Aluminum Liquid Electrolytic Capacitor and General Electronic Components
- Article 3      The Company set up its head office in the Hsinchu Science Park, and may establish branches at home and abroad upon the resolution of the board of directors and approval the competent authority if necessary.
- Article 4      The Company's investments shall be made according to the resolution of the board of directors of the Company. The total amount of the Company's investments in other companies may exceed forty percent of the amount of its own paid-in capital.

#### Chapter 2. Shares

- Article 5      The total capital of the Company is set as NT\$2 billion, divided as 200 million shares with a par value of NT\$10 per share. All the shares are registered ordinary shares and issued in installments. The unissued shares shall be issued by the resolution of the board of directors according to actual needs. Of which, NT\$60 million is reserved, divided as 6 million shares with a par value of NT\$10 per share, which are used for the issuance of employee stock warrants.  
 The Company shall, with the consent of at least two-thirds of the voting rights present at the shareholders' meeting attended by shareholders representing a majority of total issued shares, transfer shares to employees at less than the average actual share repurchase price, or issue employee stock warrants at a discount to the closing price of the Company's common shares on the issue date.
- Article 6      The shares of the Company are all registered shares, shall be numbered, signed or sealed by or affixed with the seals of the directors on behalf of the Company, and shall be issued upon the approval of the certified bank pursuant to the law. The Company may be exempted from printing any share certificate for the shares issued, and shall register the issued shares with a centralized securities depositary enterprise.
- Article 6-1    Deleted.
- Article 7      Article 7 Shareholders shall provide on file their specimen chop to the Company for recordation and use the same specimen chop to claim dividends and bonuses, or exercise the rights. The transfer, gift, establishment and termination of pledge right, loss, damage or other matters of shares shall be handled in accordance with the relevant laws and regulations.
- Article 8      The Company shall not handle any requests for transfers of shares within 60 days prior to a

regular shareholders' meeting, 30 days prior to a special shareholders' meeting, or 5 days prior to the record date for the distribution of dividends, bonuses or other interests.

### **Chapter 3. Shareholders' Meeting**

- Article 9 Shareholders' meetings of the Company are of two kinds:  
I. Regular shareholders' meetings, which shall be convened by at least once a year by the Board of Directors within six months after close of each fiscal year.  
II. Special shareholders' meeting, which shall be convened when necessary according to law.
- Article 10 Article 10 The shareholders' meeting shall be chaired by the chairperson of the board. In case the Chairman is on leave or absent or cannot exercise his power and authority for any cause, the Chairman shall designate one of the directors to act on his behalf. In the absence of such a designation, the directors shall elect from among themselves an acting Chairman of the board of directors. If a shareholders' meeting is convened by a party with power to convene but other than the board of directors, the convening party shall chair the meeting. When there are two or more such convening parties, they shall mutually select a chair from among themselves.
- Article 11 A notice to convene a regular meeting of shareholders shall be given to each shareholder no later than 30 days prior to the scheduled meeting date, and a notice of the date, place and reasons to convene a special meeting of shareholders shall be given to each shareholder no later than 15 days prior to the scheduled meeting date. With the consent of addressees, the meeting notice on convening a shareholders' meeting may be given in electronic form.
- Article 12 Deleted.
- Article 13 Article 13 In case a shareholder is unable to attend a meeting of the board of directors, he or she may appoint a proxy to attend a shareholders' meeting in his/her/its behalf by executing a power of attorney printed by the Company stating therein the scope of power authorized to the proxy. With the exception of a trust enterprise or a shareholder services agent approved by the competent securities authority, when one person is concurrently appointed as proxy by two or more shareholders, if the voting rights represented by that proxy exceed three percent of the voting rights represented by the total number of issued shares, the voting rights in excess of that percentage shall not be included in the calculation. The proxy form referred to in the preceding paragraph shall be delivered to the Company five days prior to the shareholders' meeting. When duplicate proxy forms are delivered, the one received earliest shall prevail; provided that this restriction shall not apply to those who declare to revoke the power of attorney.
- Article 14 Except in the circumstances otherwise provided for in relevant laws and regulations, a shareholder of the Company shall have one voting right in respect of each share in his/her/its possession.
- Article 15 Unless otherwise provided for in the Company Act, the resolution at the meeting of shareholders shall be adopted by a majority of the shareholders present who represent majority of the total number of its outstanding shares. Matters relating to the resolutions of a shareholders' meeting shall be recorded in the meeting minutes, specifying the date and place of the meeting, the number of shareholders present, the number of shares represented, the number of voting rights, the name of the chairman, the items of the resolutions and the method of the resolutions. The meeting minutes shall be signed or sealed by the chair of the meeting, and shall be retained on the board of directors of the Company together with the attendance book and sign-in cards of the attending shareholders and proxy form for attendance, with a retention period governed by Article 183 of the Company Act. The meeting minutes shall be distributed to the shareholders within 20 days after the meeting in accordance with relevant regulations.

### **Chapter IV Directors of Board, Audit Committee and Managerial Officers**

- Article 16 The Company has 5 to 9 directors, and adopts the candidate nomination system set out in Article 192-1 of the Company Act. Shareholders shall elect directors from among those listed in the slate of director candidates for a term of three years and may be eligible for re-election.
- The Company may obtain Directors liability insurance with respect to liabilities resulting from exercising their duties during their terms of directorship. The board of directors is fully authorized to handle all matters relating to the liability insurance.
- In accordance with Article 14-4 of Securities and Exchange Act, the Company has established an Audit Committee to exercise the powers instead of the supervisors. 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 convener. Exercise by the Audit Committee of the powers and matters related thereto, shall be conducted in accordance with the provisions of the relevant laws and regulations, and shall be prescribed by the board of directors.
- Article 16-1 The number of independent directors in preceding article shall not be less than three and no less than one fifth of the total number of directors. The professional qualifications, shareholding, concurrent posts restrictions, nomination and election methods of independent directors and other matters that should be complied with, shall be handled in accordance with the relevant laws and regulations of the securities competent authority.
- In the process of electing directors, 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 elect. The independent and non-independent directors shall be elected at the same time, but in separately calculated numbers.
- Article 16-2 Deleted.
- Article 17 A board meeting shall be held quarterly by directors, with powers and duties as follows:
- I. Formulation of operating policy and review and implementation supervision of business plan.
  - II. Appointment and dismissal of the chief executive officer, general manager and deputy general manager of the Company.
  - III. Establishment and amendment of important rules, regulations and organization of the Company.
  - IV. Establishment and abolition of branches.
  - V. Convening of shareholders' meeting.
  - VI. Resolution of major domestic and foreign investment proposals.
  - VII. Review of the Company's internal regulations and contracts for a period of more than one year.
  - VIII. Election of chairman.
  - IX. Examination of budgets and final settlements.
  - X. Making decision on loans matters.
  - XI. Proposals to shareholders' meetings for the amendments to the Articles of Incorporation, change of capital, dissolution or merger of the Company.
  - XII. Proposals to shareholders' meetings for earnings distribution or covering of losses.
  - XIII. Selection and delegation of CPAs.
  - XIV. Other powers and duties stipulated in the Company Act and delegated by the shareholders' meeting.
- Article 18 The board of directors of the Company shall, in accordance with the law, elect a chairman of the board directors from among the directors. The chairman of the board directors shall be the chairman of the board meeting and shall externally represent the Company.
- Article 19 Unless otherwise provided for in the Company Act, the board of directors meeting shall be convened by the chairman. In case the Chairman of the Board of Directors is on leave or

absent or can not exercise his power and authority for any cause, the designation of his/her proxy shall be in accordance with the Company Act. A director who appoints another director to attend a board meeting shall issue a proxy form stating the scope of authorization with respect to the reasons for convening the meeting. The proxy referred to in the preceding paragraph may be the appointed proxy of only one person. Directors taking part in the board meeting via visual communication network shall be deemed to have attended the meeting in person.

Article 19-1 The reasons for calling a board of Directors meeting shall be notified to each director at least seven days in advance. In emergency circumstances, however, a meeting may be called on shorter notice.  
The notice set forth in the preceding paragraph may be served in writing, or by email or fax.

Article 20 Deleted.

Article 21 Unless otherwise provided for in the Company Act, resolutions of the Board of Directors shall be adopted by a majority of the directors at a meeting attended by a majority of the directors. However, the following matters shall be subject to the approval of two-thirds of the directors present at the meeting that shall be attended by a majority of all directors:

- I. Resolution of major domestic and foreign investment proposals.
- II. Contracts for a period of more than one year.
- III. Examination of budgets and final settlements.

Article 22 Exercise by the audit committee of the powers and matters related thereto, shall be conducted in accordance with the provisions of the relevant laws and regulations, and shall be prescribed by the board of directors.

Article 23 Deleted.

Article 24 The remuneration of directors shall be determined by a meeting of shareholders.

Article 25 The Company shall have one general manager, several deputy general managers. The board of directors may, based on the needs of the organizational function of the Company, appoint a chief executive officer by adoption, who shall, in accordance with the adoptions of the board of directors, lead the managers referred to in the preceding paragraph to carry out the material decisions of the Company and all its related enterprises. The appointment and dismissal of the chief executive officer and general manager shall be subject to the approval by a majority of the directors at a meeting attended by a majority of the directors. The appointment and dismissal of the deputy general manager shall be submitted by the general manager, and subject to the approval by a majority of the directors at a meeting attended by a majority of the directors. The board of directors shall be authorized to determine the remuneration paid to managers according to their participation in the operation of the Company and the value of their contribution. The manager referred to in paragraph 1 and paragraph 2 shall be held concurrently by a director.

## **Chapter 5. Accounting**

Article 26 The fiscal year of the Company begins on January 1 and ends on December 31 of each year. At the end of a fiscal year, the board of directors shall prepare the following reports and statements to be submitted to the shareholders' meeting for recognition in accordance with the law:

- I. Business Report
- II. Financial Statements
- III. Proposal for earnings distribution or covering of losses

Article 27 If the Company has gained profits within a fiscal year, 8% or more of the profits shall be reserved as the employees' compensation, which shall be distributed by a resolution adopted by the board meeting in the form of shares or in cash. Qualification requirements of employees, including the employees of subsidiaries of the Company meeting certain specific requirements. The Company shall allocate not more than 3% of the proceeding profits as the remuneration of directors by a resolution adopted by the board meeting. The distribution plan of the remuneration to employees and directors shall be reported at the shareholders' meeting.  
However, in case of the accumulated losses, certain profits shall first be reserved to cover them, and then reserve remuneration to employees and directors in accordance with the proportion mentioned in the preceding paragraph.

Article 27-1 In case of any earnings in the Company's annual financial statements, it shall first pay all taxes and dues and cover its previous losses in accordance with the law, then 10% of the earnings shall be reserved as the legal reserve; provided that this restriction shall not apply to the circumstances that the legal reserve has reached the paid-in capital of the Company. Provision or reversal of special reserve shall be made from the remaining earnings in accordance with the law. If there is still a balance, the board of directors shall prepare a motion for the earnings distribution for the balance and accumulated retained earnings, and submit it to the annual shareholders' meeting for a resolution on dividend distribution.  
The Company is running in a changing industry with intensive capital and technology, in which the corporate life cycle is in the stage of stable operation growth, the Company must reserve the surplus to meet the operating growth and investment needs of the fund, thus a surplus dividend policy is adopted in present stage. The distribution of shareholder dividends, in cash or stock forms, shall not be lower than 10% of the distributable surplus of the year. The cash dividends shall be no lower than 10% of the total.

Article 28 Deleted.

Article 29 In addition to the remuneration for the directors prescribed in Article 27 of the Articles, the board of directors shall be authorized to determine the attendance fees for the directors of the Company referring to the standards of the same industry.

Article 30 Deleted.

#### **Chapter 6. Supplementary Provisions**

Article 31 The Company may undertake external guarantee business in accordance with government regulations.

Article 32 Any matters not covered herein shall be handled in accordance with the requirements of the Company Act and other applicable laws and regulations.

Article 33 These Articles of Incorporation were formulated by the sponsors' meeting with the consent of all the sponsors on December 23, 2005, and came into force on the date of approval and registration by the competent authority.  
The first amendment was made on July 7, 2006 and taken into effect by the resolution of the shareholders' meeting.  
The second amendment was made on June 26, 2009 and taken into effect by the resolution of the shareholders' meeting.  
The third amendment was made on June 25, 2010 and taken into effect by the resolution of the shareholders' meeting.  
The fourth amendment was made on June 22, 2011 and taken into effect by the resolution of the shareholders' meeting.  
The fifth amendment was made on June 22, 2012 and taken into effect by the resolution of the shareholders' meeting.  
The sixth amendment was made on June 25, 2013 and taken into effect by the resolution of the shareholders' meeting.

The seventh amendment was made on June 12, 2014 and taken into effect by the resolution of the shareholders' meeting.

The eighth amendment was made on June 23, 2015 and taken into effect by the resolution of the shareholders' meeting.

The ninth amendment was made on June 23, 2016 and taken into effect by the resolution of the shareholders' meeting.

The tenth amendment was made on June 20, 2017 and taken into effect by the resolution of the shareholders' meeting.

The eleventh amendment was made on June 26, 2018 and taken into effect by the resolution of the shareholders' meeting.

The twelfth amendment was made on June 19, 2019 and taken into effect by the resolution of the shareholders' meeting.

The thirteenth amendment was made on June 17, 2020 and taken into effect by the resolution of the shareholders' meeting.

**APAQ Technology Co., Ltd.****Code of Ethical Conduct (After Amendment)****Article 1 Purpose of Establishment**

In recognition of the necessity to assist the Company in the establishment of the Code of Ethical Conduct, the guidelines are adopted for the purpose of encouraging directors and managerial officers of the Company (including general managers or their equivalents, assistant general managers or their equivalents, deputy assistant general managers or their equivalents, heads of finance and accounting departments, and other persons authorized to manage affairs and sign documents on behalf of a company) to act in line with ethical standards, and to help interested parties better understand the ethical standards of the Company.

**Article 2 Basis**

According to the relevant provisions stipulated in Letter Cheng-Chi-Yi-Tzu No. 0930005101 dated October 28, 2004 issued by the Securities and Futures Bureau, the Company shall establish a code of ethical conduct and may also formulate codes of ethical conduct for different managers.

**Article 3 Content of the code**

The Company's Code of Ethical Conduct shall include at least the following eight items in consideration of the Company's situation and needs: When any of the following events occur, the relevant units shall submit the following to the chairman of the board for approval by signature, and in the case of a major event, submit it to the board of directors for resolution.

**(I) Prevent from any conflicts of interest:**

Conflicts of interest occur when personal interest intervenes or is likely to intervene in the overall interests of the Company, where a director or manager of the Company is unable to perform their duties in an objective and efficient manner, or when a person in such a position takes advantage of his/her position in the Company to obtain improper benefits for either themselves or their spouse, or relatives within the second degree of kinship. The Company shall pay special attention to loans of funds, provisions of guarantees, and major asset transactions, or the purchase (or sale) of goods involving the affiliated enterprises at which a director or manager works. The Company shall adopt policies for preventing conflicts of interest and also offer appropriate means for directors and managerial officers to voluntarily explain whether their interests would potentially conflict with those of the Company.

**(II) Prevent inappropriate profits derived from their positions:**

The Company shall prevent its directors or managerial officers from engaging in any of the following activities:

- (1) Seeking an opportunity to pursue personal gain by using company property or information or taking advantage of their positions.
- (2) Obtaining personal gain by using company property or information or taking advantage of their positions.
- (3) Competing with the Company. Where the Company has an opportunity for profit, it is the responsibility of the directors and managers to maximize the reasonable and proper benefits that can be obtained by the Company.

**(III) Responsible for Confidentiality:**

The directors or managerial officers of the Company shall be bound by the obligation to maintain the confidentiality of any information regarding the Company itself or its suppliers and customers, except when authorized or required by law to disclose such information. Confidential information includes any undisclosed information that, if exploited by a competitor or disclosed, could result in damage to the Company or customers.

**(IV) Fair trade:**

Directors and managerial officers shall treat all suppliers and customers, competitors, and



employees fairly, and shall not obtain improper benefits through manipulation, nondisclosure, or misuse of the information learned by virtue of their positions, or through misrepresentation of important matters, or through other unfair trading practices.

(V) Safeguard and proper use of company properties;

All directors, supervisors, and managerial officers have the responsibility to safeguard company assets and to ensure that they can be effectively and lawfully used for official business purposes; any theft, negligence in care, or waste of the assets will all directly impact the company's profitability.

(VI) Compliance with laws and regulations:

The Company shall strengthen its compliance with the Securities and Exchange Act and other applicable laws, regulations, and bylaws.

(VII) Encouraging reporting on illegal or unethical activities:

The Company shall raise awareness of ethics internally and encourage employees to report to the Audit Committee, managerial officer, chief internal auditor, or other appropriate individual upon suspicion or discovery of any activity in violation of a law or regulation or the Code of Ethical Conduct. To encourage employees to report illegal conduct, the Company shall establish a whistle-blowing system and assure the employees that the Company will make the best efforts to guard the safety of the whistle-blowers and protect them from reprisals.

(VIII) Disciplinary measures:

When a director or managerial officer violates the Code of Ethical Conduct, the Company shall handle the matter in accordance with the disciplinary measures prescribed in the Code, and shall disclose in time on the Market Observation Post System (MOPS) the title, name and date of the violation by the violator, reasons for the violation, the provisions of the code violated, and the disciplinary actions taken. The Company shall also establish a complaint system to provide the violators means for remedies.

Article 4 Exemption procedure

The Code of Ethical Conduct adopted by the Company must require that any exemption for directors, the Audit Committee or managerial officers from compliance with the Code be adopted by a resolution of the board of directors, and that information on the title, name, date on which the board of directors adopted the resolution for exemption, the period of, reasons for, and principles behind the application of the exemption be disclosed without delay on the MOPS, in order that the shareholders may evaluate the appropriateness of the board resolution to forestall any arbitrary or dubious exemption from the Code, and to safeguard the interests of the Company by ensuring appropriate mechanisms for controlling any circumstance under which such an exemption occurs.

Article 5 Disclosure Method

The Company shall disclose the Code of Ethical Conduct it has adopted and any amendments thereto on its company website, in its annual reports and prospectuses, and on the MOPS.

Article 6 Implementation and Amendment

The Code was formulated on January 29, 2014.

The Code and any amendments thereto shall be submitted to the supervisors after it has been adopted by the board of directors, and submitted to a shareholders' meeting.

The first amendment was approved by the board of directors on March 25, 2014, and was submitted to the shareholders' meeting on June 12, 2014.

The second amendment was approved by the board of directors on February 25, 2021, and was submitted to the shareholders' meeting on June 24, 2021.

Matters not covered by the Code shall be handled in accordance with other applicable laws and regulations.

## APAQ Technology Co., Ltd.

### Procedures for Ethical Management and Guidelines for Conduct (After Amendment)

- Article 1**      Purpose of adoption and scope of application
- These Principles are adopted to foster a corporate culture of ethical management and sound development, and offer a reference framework for establishing good commercial practices of the Company.
- The scope of these Principles are applicable to the Company's subsidiaries, any foundation to which the Company's direct or indirect contribution of funds exceeds 50% of the total fund received, and other institutions or juridical persons which are substantially controlled by the Company (hereinafter referred to as the "Business Group").
- These Principles applies to directors, managers, employees and personnel (hereinafter referred to as the "Company Personnel") with substantive control over the Company and the Business Group and organizations.
- Article 2**      Prohibition of unethical conducts
- When engaging in commercial activities, the Company Personnel shall not directly or indirectly offer, promise to offer, request, or accept any improper benefits, or commit unethical acts including breach of ethics, illegal acts, or breach of fiduciary duty (the "unethical conduct") for purposes of acquiring or maintaining benefits.
- Parties referred to in the preceding paragraph include civil servants, political candidates, political parties or members of political parties, state-run or private-owned businesses or institutions, and its directors, supervisors, managers, employees or substantial controllers or other stakeholders.
- Article 3**      Types of Benefits
- "Benefits" in the Principles means any valuable things, including money, endowments, commissions, positions, services, preferential treatment or rebates of any type or in any name. Benefits received or given occasionally in accordance with accepted social customs and that do not adversely affect specific rights and obligations shall be excluded.
- Article 4**      Legal compliance
- The Company shall comply with the Company Act, the Securities and Exchange Act, the Business Entity Accounting Act, Political Donations Act, Anti-Corruption Act, Government Procurement Act, Act on Recusal of Public Servants Due to Conflicts of Interest and relevant regulations in relation to the TWSE/TPEX listed companies and other related business law and regulations, as foundation for ethical corporate management.
- Article 5**      Policies
- The Company shall abide by the operational ethos of honesty, transparency and responsibility, base policies on the principle of good faith, and establish good corporate governance and risk control and management mechanism so as to create an operational environment for sustainable development.
- Article 6**      Guidelines to prevent unethical conducts
- The Company's personnel are strictly prohibited from the following behaviors. Once verified, the Company will discuss such matters in accordance with the relevant human resources regulations and may pursue the civil or criminal liability of the personnel in accordance with the law in order to protect the Company's reputation and rights.

- I. Prohibition of bribery and taking bribes  
When conducting business, the Company Personnel shall not directly or indirectly offer, promise to offer, request, or accept any improper benefits, including kickbacks, commissions, and facilitation fees, or otherwise offer or accept improper benefits to or through clients, agents, contractors, suppliers, public servants, or other stakeholders. The preceding provision does not apply if the laws and regulations of the country where the Company is doing business have been complied with.
- II. Prohibition of illegal political donations  
Contributions made directly or indirectly by the Company Personnel to political parties or organizations or individuals involved in political activities shall be in accordance with the Political Contribution Law and shall not be used for commercial gain or trading advantage.
- III. Prohibition of improper charitable donations or sponsorship  
For charitable donations or sponsorships, Company Personnel shall comply with relevant laws and regulations and shall not commit bribery in disguise.
- IV. Prohibition of offering or acceptance of unreasonable presents or hospitality, or other improper benefits  
The Company Personnel shall not directly or indirectly offer or accept any unreasonable presents, hospitality or other improper benefits to establish business relationship or influence commercial transactions.
- V. Prohibition of disclosure of confidential information  
The Company Personnel shall strictly abide by the relevant operating regulations of the Company's commercial secrets and must not disclose the Company's commercial secrets that they know to others and must not inquire or collect Company commercial secrets that are not related to their duties.
- VI. Prohibition of Insider Trading  
All Company Personnel shall adhere to the provisions of the Securities and Exchange Act, and shall not take advantage of undisclosed information of which they have learned to engage in insider trading. Such personnel is also prohibited from divulging undisclosed information to any other party, in order to prevent other parties from using such information to engage in insider trading.

Article 7 Schemes and operational procedures to prevent unethical conducts

I. Not a case of improper interest

In the event that any of the following circumstances are not a case of improper interest, the Company Personnel shall comply with the provisions of the Principles and follow the relevant procedures:

- (I) The conduct that complies with the rules and regulations in the location of business operations.
- (II) Based on business needs, local courtesies, customs, and habits shall be followed during domestic/foreign visits, guest-hosting, and promoting business and communication.
- (III) Based on normal social etiquette, business goals, or when participating in or inviting others to participate in normal social activities to promote relationships.
- (IV) Inviting guests or being invited to participate in specific business activities because of business needs, such as factory tours. Fees and payment method for such activities such as the number of participants, level of accommodation, and duration shall be clearly stated before the event.
- (V) Participating in publicly organized folk festival activities where normal citizens also participate.
- (VI) Rewards, emergency assistance, condolence payments, or honorariums of the management.
- (VII) Money, property, or other benefits offered to or accepted from a person other than relatives or friends that is within the scope of general social norms or normal etiquette.

(VIII) Property with a market value that is within the scope of general social norms or normal etiquette, received due to engagement, marriage, maternity, relocation, assumption of a position, promotion or transfer, retirement, resignation, or severance, or the injury, illness, or death of the recipient or the recipient's spouse or lineal relative.

(IX) Other items that conform to the Company's regulations.

## II. Procedures for handling improper benefits

Except under any of the circumstances set forth in the preceding article, when any Company Personnel is provided with or are promised, either directly or indirectly, any money, gift, service, preferential treatment, entertainment, dining, or any other item of value in whatever form or name by a third party, the matter shall be handled in accordance with the following procedures:

- (I) If there is no relationship of interest between the party providing or offering the benefit and the official duties of this Company Personnel, the personnel shall report to their immediate supervisor within three days from the acceptance of the benefit, and the concurrently human resources unit shall be notified if necessary.
- (II) The provided or promised person and stakeholders with duties shall return or refuse the interest, report the event to their direct supervisor, and notify the Company's concurrently human resources unit. If the interest cannot be returned, the items shall be given to the Company's concurrently human resources unit for handling within three days of receiving the items.

The aforementioned job stake refers to any one of the following:

- (I) When the two parties have commercial dealings, a relationship of direction and supervision, or subsidies (or rewards) for expenses.
- (II) When a contracting, trading, or other contractual relationship is being sought, is in progress, or has been established.
- (III) Other circumstances in which a decision regarding this Company's business, or the execution or non-execution of business, will result in a beneficial or adverse impact.

Depending on the nature and value of the item of property, the human resources unit of the Company shall propose the return, accept upon payment, confiscation, donation to charity or some other suitable advice, and submit them to the President for approval before implementing the advice.

## III. Prohibition of facilitating payments and handling procedure

The Company shall not offer or promise to offer any bribery.

The Company Personnel who provide or promise facilitating payments because of threats or intimidation shall record the process and report to their direct supervisor as well as notify the Company's human resources unit.

The Company's human resources unit shall handle the matter immediately upon notification of such issue, and shall discuss the event to lower the risk of reoccurrence. In a case involving alleged illegality, the dedicated unit shall also immediately report to the relevant judicial agency.

## IV. Procedures for handling political donations

Political contributions by the Company shall be made in accordance with the following provisions, reported to the chairman for approval. If the amount is more than NT\$200,000, it shall be made only after being reported to and approved by the board of directors:

- (I) It shall be ascertained that the political contribution is in compliance with the laws and regulations governing political contributions in the country in which the

recipient is located, including the maximum amount and the form in which a contribution may be made.

- (II) A written record of the decision-making process shall be kept.
- (III) Political contributions shall be credited according to the law and relevant accounting procedures.
- (IV) In making political contributions, commercial dealings, applications for permits, or carrying out other matters involving the interests of this Company with the related government agencies shall be avoided.

#### V. Procedures for handling charitable donations or sponsorships

Charitable donations or sponsorships by the Company shall be made in accordance with the following provisions, reported to the chairman for approval. If the amount is more than NT\$200,000, it shall be made only after being reported to and approved by the board of directors:

- (I) It shall be ascertained that the donation or sponsorship is in compliance with the laws and regulations of the country where the Company is doing business.
- (II) A written record of the decision-making process shall be kept.
- (III) A charitable donation shall be given to a valid charitable institution and may not be a disguised form of bribery.
- (IV) The returns received as a result of any sponsorship shall be specific and reasonable, and the subject of the sponsorship may not be a counterparty of the Company's commercial dealings or a party with which any Company Personnel has a relationship of interest.
- (V) After the donation or sponsorship has been granted, it must be confirmed that the funds are used in accordance with the intended purpose.

#### VI. Special unit in charge of confidentiality regime and its responsibilities

The Company has set up President's office as a dedicated unit in charge of handling business secrets as well as formulating and implementing procedures for the management, retention, and confidentiality of the secrets; meanwhile, it shall review the implementation results regularly to ensure the continued effectiveness of the operating procedures.

#### VII. Avoiding business dealings with unethical operators

The Company shall engage in commercial activities in a fair and transparent manner.

Prior to any commercial transactions, the Company shall consider the legality of its agents, suppliers, clients, or other trading counterparts and whether any of them are involved in unethical conduct. Once found to be dishonest in business dealings or cooperation, the Company shall immediately terminate business transactions with them, and avoid any dealings with persons so involved.

When entering into contracts with others, the Company shall include in such contracts terms requiring compliance with ethical corporate management policy and that in the event the trading counterparts are involved in unethical conduct, the Company may terminate or rescind the contracts at any time upon verification.

#### VIII. Conflict of Interest Policy for Directors, Supervisors and Managers

The directors of the Company shall uphold a high degree of self-discipline. In the event of an agenda item proposed by the board of directors representing a conflict of interest that may be harmful to the Company's interests for a director or for the entity he or she represents, he or she shall disclose the conflict at the current meeting and refrain from discussion or vote on the matter. He or she shall be recused during discussion or vote on the matter and shall not exercise the right to vote on behalf of any other directors of

the Board. The Directors shall exercise discipline among themselves, and shall not support each other in an inappropriate manner.

The Company's directors and managers shall not take advantage of their positions in the Company to obtain improper benefits for themselves, their spouses, their relatives by consanguinity, companies with which they have a controlling relationship of subordination to the Director, or any other person.

Article 8      Commitments and Implementation

The Company shall clearly specify in rules and external documents the ethical corporate management policies, and the board of directors and the management shall commit to actively carrying out the policies in internal management and in external commercial activities.

Article 9      Organization and responsibilities

The directors of the Company shall exercise the due care of good administrators to urge the Company to prevent unethical conduct, always review the results of the preventive measures and continually make adjustments, so as to ensure thorough implementation of its ethical corporate management policies.

The Company is responsible for the management of sound integrity management. The President office is responsible for the formulation and supervision of the ethical corporate management policy and prevention plan, and reports to the Board of Directors on a regular basis.

Article 10     Compliance

The Corporation's personnel shall comply with laws and regulations and the prevention programs when conducting business.

Article 11     Accounting and internal control

The Company shall establish an effective accounting system and internal control system for business activities with a higher risk of dishonesty (such as derivative financial instruments operations, funds lending, and endorsement and guarantee operations). No private ledgers or off-the-book accounts may be retained, and this should be monitored at all times, to ensure that the design of the systems and implementation are sound.

The internal auditor of the Company shall periodically examine the Company's compliance with the foregoing systems and prepare audit reports and submit the same to the Board of Directors.

Article 12     Education training and assessment

The Company shall hold education training or promotion for the Company Personnel regularly, and invite those who are engaged in business activities with the Company to participate, so that they can fully understand the Company's determination, policies, prevention programs and consequences of unethical conduct.

The Company shall integrate its ethical corporate management policy with employee performance appraisal and human resources policies and establish a clear and effective reward and punishment system.

- Article 13      Whistle-blowing and disciplinary action
- The Company shall provide proper reporting channels, and shall keep confidential the identity of whistle-blowers and the content of reported cases.
- For any Company Personnel who violates the Principles, the Company shall take disciplinary action in accordance with the relevant human resources regulations, and the personnel may file a complaint in accordance with the complaint system established by the Company.
- Article 14      Information Disclosure
- The Company shall disclose the implementation of ethical corporate management on its company website, in its annual reports and prospectuses.
- Article 15      Review and Amendment of the Ethical Corporate Management Principles
- The Company shall at all times monitor the development of relevant local and international regulations concerning ethical corporate management and encourage their directors, managerial officers, and employees to make suggestions to review and improve the adopted ethical corporate management policies and to achieve better implementation of ethical management.
- Article 16      Implementation
- These Principles and any amendments thereto shall enter into force after it has been adopted by the board of directors, and submitted to a shareholders' meeting.
- Article 17      Supplementary Provisions
- These Principles were formulated at the board meeting on January 29, 2014 and at the shareholders' meeting on June 12, 2014.
- The first amendment was approved by the board of directors on February 25, 2021, and was submitted to the shareholders' meeting on June 24, 2021.

**APAQ Technology Co., Ltd.****Share Ownership of Directors**

- I. As of the book closure date of the regular shareholders' meeting (April 26, 2021), the total number of shares issued by the Company: 88,953,514 shares.
- II. The minimum numbers of shares required to be held by all directors: 7,116,281 shares.
- III. As of the book closure date of the regular shareholders' meeting (April 26, 2021), the number of shares held by individual and all directors in the shareholders register is as follows:

Title	Name	The Number of Shares Held in the Shareholders Register as of the Book Closure Date (April 26, 2021)	Shareholding Ratio (%)
Chairman	Tun-Jen Cheng	2,799,358	3.15
Directors	Ching-Feng Lin	1,002,000	1.13
Directors	Huacheng Venture Capital Co., Ltd. Representative: Hsien-Yueh Hsu	10,668,012	11.99
Directors	INPAQ Technology Co., Ltd Representative: Ming-Tsan Tseng	4,776,329	5.37
Independent Director	Shu-Chien Liang	0	0
Independent Director	Chung-Ming Liu	0	0
Independent Director	Chia-Ning Chang	0	0
Total	Seven directors	19,245,699	21.64



**APAQ Technology Co., Ltd.**

**Other Explanatory Materials**

- I. The impact of share dividend on business performance, EPS, and shareholders' return rate:  
There is no proposed bonus share issuance at this regular shareholders' regular meeting of the Company, thus it is not applicable.
- II. Acceptance of Shareholders Proposal:
  - (I) In accordance with Article 172-1 of the Company Act, shareholders holding one percent (1%) or more of the total number of outstanding shares may propose to the Company a proposal for discussion at a regular shareholders' meeting in writing within 300 words, provided that only one matter shall be allowed in each single proposal.
  - (II) The period in which the Company accepts shareholder proposals is from April 16, 2021 to April 26, 2021, which is published on the Market Observation Post System in accordance with the regulations.
  - (III) The Company has not received any shareholder's proposals.