

[Stock Code: 4572]



Drewloong Precision, Inc.

2023 Regular Shareholders' Meeting Meeting Handbook

Date: June 27, 2023 (Tuesday)

Venue: No. 801, Chongde Road, Zuoying District, Kaohsiung City (Conference Room
R102, Garden Villa Hotel)

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Drewloong Precision, Inc.
Procedure for 2023 Regular Shareholders' Meeting

- I. Call the meeting to order
- II. Chairman's opening remarks
- III. Report Items
- IV. Ratifications
- V. Discussions
- VI. Extempore Motions
- VII. Adjournment

Drewloong Precision, Inc.

Agenda for 2023 Regular Shareholders' Meeting

Time: Tuesday, June 27, 2023, at 9:00 a.m.

Venue: No. 801, Chongde Road, Zuoying District, Kaohsiung City (Conference Room R102, Garden Villa Hotel)

Format: Face-to-face Shareholders' Meeting

- I. Call the meeting to order (report the total number of shares present)
- II. Chairman's opening remarks
- III. Report Items
 1. 2022 Business Report.
 2. Audit Committee's Review Report for 2022.
 3. Distribution of profit-sharing remuneration for employees and profit-sharing remuneration for directors for 2022.
 4. Report on the amendments some provisions of the Company's "Sustainable Development Best Practice Principles".
 5. Explanation of the reasons why certain shareholder proposals were not included in the agenda.
- IV. Ratifications
 1. 2022 business report and financial statements.
 2. 2022 earnings distribution proposal.
- V. Discussions
 1. Distribution of cash from capital surplus.
 2. Capital increase from capital surplus with issuance of new shares.
 3. Amendments to certain provisions of the "Procedures for Acquisition or Disposal of Assets" of the Company.
 4. Amendment to certain provisions of the "Rules of Procedure for Shareholders' Meetings" of the Company.
- VI. Extempore Motions
- VII. Adjournment

Report Items

I. The Company's 2022 Business Report is hereby submitted for your review.

Description: Please refer to pages 7–9 of this Handbook (Attachment 1) for the Company's 2022 Business Report.

II. Audit Committee's Review Report for 2022 is hereby submitted for your review.

Description: Please refer to page 10 (Attachment 2) of this Handbook for the Audit Committee's Review Report.

III. Distribution of profit-sharing remuneration for employees and profit-sharing remuneration for directors for 2022 is hereby submitted for your review.

Description: 1. The Company made a profit of NT\$235,176,611 for 2022. In accordance with Article 25 of the Company's Articles of Incorporation, the proposed distribution of profit-sharing remuneration for employees and profit-sharing remuneration for directors is as follows:

- (1) Profit-sharing remuneration for employees is appropriated at (approximately) 4.08%, which is NT\$9,600,000.
- (2) Profit-sharing remuneration for directors is appropriated at (approximately) 2.69%, which is NT\$6,330,000.

2. The above profit-sharing remuneration for employees and profit-sharing remuneration for directors shall be paid in cash.

IV. The amendments some provisions of the Company's "Sustainable Development Best Practice Principles" are hereby submitted for your review.

Description : In accordance with the announcement of Taiwan Stock Exchange Tai-Zheng-Zhi-Li-Zi No. 1110024366 dated December 23, 2022, certain provisions of the Company's "Sustainable Development Best Practice Principles" are amended. Please refer to [Attachment 3] , page 11 for the Comparison of the Current and Amended Provisions.

V. Explanation of the reasons why certain shareholder proposals were not included in the agenda is hereby submitted for your review.

Description: The Company had not received any shareholder proposal as of the proposal deadline, please refer to [Attachment 4], page 12.

Ratifications

No. 1 (Proposed by the Board of Directors)

Subject: 2022 Business Report and financial statements are hereby submitted for your ratification.

Description: 1. The Company's 2022 business report and financial statements have been prepared and the parent company only and consolidated financial statements have been audited by CPAs Chun-Kai Wang and A-Shen Liao from PwC Taiwan, and reviewed by the Company's Audit Committee, and a review report has been issued on record.

2. Please refer to pages 7–9 (Attachment 1) and page 13–34 (Attachments 5 and 6) of this Handbook for the 2022 Business Report, financial statements and Independent Auditors' Report.

Resolution:

No. 2 (Proposed by the Board of Directors)

Subject: The Company's earnings distribution proposal for 2022 is hereby submitted for your ratification.

Description: 1. The Company's net profit after tax for 2022 was NT\$183,569,801. In accordance with the Company's Articles of Incorporation, the Company has prepared an earnings distribution table. Please refer to [Attachment 7], page 35.

2. The Company intends to distribute cash dividends to shareholders in the amount of NT\$26,800,200, with NT\$0.74860894 per share, and have the Chairperson to be authorized to set the base date for dividend distribution after the proposal is approved by the regular shareholders' meeting.

3. The current cash dividend is calculated according to the distribution ratio and rounded up to a dollar. The total amount of the odd share less than NT\$1 is adjusted, from the higher to lower decimal point and from top down of the account number sequentially, till it is equal to the total cash dividend distributed.

4. In the event that the number of outstanding shares is affected by subsequent changes in the Company's share capital and the dividend distribution rate is revised as a result, Chairperson will be authorized to exercise his full authority after the proposal is adopted by the regular shareholders' meeting.

Resolution:

Discussions

No. 1 (Proposed by the Board of Directors)

Subject: Distribution of cash from capital reserve is hereby submitted for your discussion.

Description: 1. The Company intends to appropriate NT\$48,599,800 from the capital surplus from the issuance of shares in excess of par value to distribute cash of NT\$1.35753631 per share based on the number of shares held by shareholders as recorded in the shareholders' roster on the base date of distribution. After the resolution of the shareholders' meeting, the Chairperson is authorized to set the base date for the distribution and other related matters.

2. The distribution of cash from capital surplus is calculated according to the distribution ratio and rounded up to a dollar. The total amount of the odd share less than NT\$1 is adjusted, from the higher to lower decimal point and from top down of the account number sequentially, till it is equal to the total amount of cash distribution from capital surplus.
3. In the event that the number of outstanding shares is affected by subsequent changes in the Company's share capital and the cash distribution rate is revised as a result, Chairperson will be authorized to exercise his full authority after the proposal is resolved by the regular shareholders' meeting.

Resolution:

No. 2 (Proposed by the Board of Directors)

Subject: Capital increase from capital surplus with issuance of new shares is hereby submitted for your discussion.

Description: 1. The Company intends to appropriate NT\$32,000,000 from the capital surplus with the issuance of 3,200,000 new shares in excess of the par value of NT\$10 per share.

2. The new shares for the capital increase from capital surplus shall be allocated to the shareholders as stated in the shareholders' roster on the base date of the capital increase according to their shareholding therein, calculated on the basis of 35,800,000 shares currently outstanding, with 89.385475 shares as stock dividends per thousand shares. For fractional shares that are less than one share, shareholders should register with the Company's stock affair agency within five days from the base date of capital increase and share distribution for pooling of the fractional shares. The fractional shares that failed to be pooled into one share will be converted into cash at par value up to NT\$1 (to offset central depository book-entry fee or dematerialized book-entry fee), while the Chairperson is authorized to negotiate with specific persons to subscribe the remaining fractional shares at par value.
3. The rights and obligations of the new shares issued for the capital increase are the same as the original issued shares, and the shares are issued in dematerialized form.
4. The Board of Directors shall determine the base date of the capital increase with issuance of new shares, the distribution date and other related matters after the resolution of the regular shareholders' meeting and the approval of the competent authority.
5. In the event that the number of outstanding shares is affected by subsequent changes in the Company's share capital, the Chairperson will be authorized to handle related matters with full authority after the proposal is adopted by the regular shareholders' meeting.

Resolution:

No. 3 (Proposed by the Board of Directors)

Subject: Amendments to certain provisions of the "Procedures for Acquisition or Disposal of Assets" of the Company are hereby submitted for your discussion.

Description: In accordance with the announcement of Taiwan Stock Exchange Tai-Zheng-Zhi-Li-Zi No.

1110024366 dated December 23, 2022 and the actual management needs, certain provisions of the Company's "Procedures for Acquisition or Disposal of Assets" are amended. Please refer to [Attachment 8], pages 36~41 for the Comparison of the Current and Amended Provisions.

Resolution:

No. 4 (Proposed by the Board of Directors)

Subject: Amendments to certain provisions of the Company's Rules of Procedure for Shareholders' Meetings are hereby submitted for discussion.

Description : In accordance with the announcement of Taiwan Stock Exchange Tai-Zheng-Zhi-Li-Zi No. 1110004250 dated March 8, 2022, certain provisions of the Company's "Rules of Procedure for Shareholders' Meetings" are amended. Please refer to [Attachment 9], pages 42~43 for the Comparison of the Current and Amended Provisions.

Resolution:

Extempore Motions

Adjournment

Drewloong Precision, Inc.

2022 Consolidated Business Report

I. 2022 Business Results

(I) Implementation results of business plan

The Company's consolidated revenue for 2022 was NT\$636,810 thousand, up NT\$232,891 thousand from NT\$403,919 thousand for 2021, the period's net profit after tax was NT\$183,570 thousand, earnings per share before tax was NT\$6.32, and earnings per share after tax was NT\$5.13.

Unit: Thousands of NTD

Year		2022	2021	Increase (decrease) %
Analysis item				
Profit or loss analysis	Net operating revenue	636,810	403,919	57.66%
	Operating costs	(350,876)	(263,249)	33.29%
	Operating gross profit	285,934	140,670	103.27%
	Operating expenses	(101,666)	(80,181)	26.79%
	Operating profit	184,268	60,489	204.63%
	Non-operating income and expense, net	41,885	3,877	980.35%
	Net profit before tax	226,153	64,366	251.35%
	income tax expense	(42,583)	(10,627)	300.71%
	Net profit (loss) for this period	183,570	53,739	241.60%
	Total comprehensive income for the period	183,570	53,739	241.60%

(II) Budget implementation status

The Company did not disclose its financial forecast for 2022, so it is not applicable.

(III) Financial receipts and expenditures and profitability analysis

Unit: Thousands of NTD, %

Analysis item		Year	2022	2021
Financial receipts and expenditures	Operating revenue		636,810	403,919
	Operating gross profit		285,934	140,670
	Total comprehensive income for the period		183,570	53,739
Profitability	Return on assets (%)		8.98	2.69
	As a percentage of paid-in capital (%)	Operating profit	51.47	16.89
		Net profit before tax	63.17	17.97
	Net profit margin (%)		28.83	13.30
	Earnings per share after tax (NTD) - before retroactive adjustment (NTD)		5.13	1.50
	Earnings per share after tax (NTD) - after retroactive adjustment (NTD)		5.13	1.50

(IV) R&D status

Project	2022	2021
R&D expenses (A)	29,271	41,638
Net operating revenue (B)	636,810	403,919
(A)/ (B)	4.60%	10.31%

II. Outline of business plan for the year

(I) Business guidelines

The Company upholds the business philosophy of "quality", "time", "price" and "service". We will continue to learn and innovate, pursue technology, and improve quality and manufacturing processes in order to continue to expand our business territory.

Quality: Strictly abide by the rules and regulations to ensure the quality of products and meet customer needs.

Time: Strictly adhere to the customer's order requirements, and deliver the goods on time and in the same quality and quantity.

Price: Introduce intelligent manufacturing, optimize production capacity, share benefits, and maintain competitive price advantage.

Service: Understand and meet customers' needs, service is our top priority.

(II) Estimated sales volume

The Company did not disclose its financial forecast for 2023, so it is not applicable.

(III) Important production and sales policies

1. Production policy: We have full production capacity of aerospace components, from processing, special surface treatment to assembly, providing customers with full production process services, and introducing intelligent manufacturing to continuously refine the production process and adopt the most suitable economic batch production to fully control costs.
2. Sales policy: Based on the existing business performance in the Americas and Asia, we will strengthen the development of the European market in order to accomplish the goal of customer development in the European, American and Asian markets.

III. The Company's future development strategies

We are a full-energy manufacturer of aircraft structures in the international aerospace industry supply chain, with a complete range of special process technologies and certifications from major leading companies such as Boeing and Safran. In the coming year, we will continue to strive for more orders for new products, and at the same time, we will continue to work on process technology improvement and cost control to make the Company more competitive and unique in the market, so that we can maintain our advantages under the strong international competition pressure.

Chairperson: Kun-Sheng Wang

Managerial Officer: Hsuan-I Chen

Chief Accounting Officer: Wen-Yu Li

Drewloong Precision, Inc.
Audit Committee's Review Report

The Board of Directors has prepared the Company's 2022 annual financial statements, business report, and earnings distribution table, etc., which have been reviewed and determined to be accurate by the Audit Committee. In accordance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act. This report is hereby submitted for your review.

To
The 2023 Regular Shareholders' Meeting of Drewloong Precision, Inc.

Convener of the Audit Committee: Shu-Hsien Hu

March 14, 2023

Drewloong Precision, Inc.
**Comparison of the Current and Amended Provisions of the “Sustainable
Development Best Practice Principles”**

Article No.	Provisions before the amendments	Provisions after the amendments	Description
Article 27-1	This Article is newly added.	<u>The Company shall continue to devote resources to cultural and arts activities or cultural and creative industries through donations, sponsorships, investments, acquisitions, strategic partnerships, corporate volunteer technical services, or other modes of support to promote cultural development.</u>	Handled in accordance with the of the Taiwan Stock Exchange’s announcement Tai-Zheng-Zhi-Li-Zi No. 1110024366 dated December 23, 2022.

Explanation of the reasons why certain shareholder proposals were not included in the agenda:

1. In accordance with Article 172-1 of the Company Act, shareholder(s) holding one percent (1%) or more of the total number of outstanding shares of a company may propose to the company a proposal for discussion at a regular shareholders' meeting, provided that only one matter shall be allowed in each single proposal, provided that one proposal is limited to 300 words.
2. The Company has set the period from April 21, 2023 to May 2, 2023 to receive proposals from shareholders for the regular shareholders' meeting and has make such announcement on the Market Observation Post System in accordance with the law.
3. The Company had not received any shareholder's proposal as of the proposal deadline.

INDEPENDENT AUDITORS' REPORT TRANSLATED FROM CHINESE

To the Board of Directors and Shareholders of Drewloong Precision, Inc.

PWCR22000548

Opinion

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

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations that came into effect as endorsed by the Financial Supervisory Commission.

Basis for opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Group's 2022 consolidated financial statements. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

Key audit matters for the Group's 2022 consolidated financial statements are stated as follows:

Assessment of allowance for inventory valuation loss

Description

The inventories of the Group as at December 31, 2022 amounted to NT\$385,174 thousand (net of allowance for inventory valuation loss amounting to NT\$45,792 thousand). Please refer to Note 4(11) for accounting policies on evaluation of inventories, Note 5 for accounting estimates and assumption uncertainty of evaluation of inventories and Note 6(4) for details of inventories.

The Group is primarily engaged in the manufacturing, processing and trading of aerospace parts and special tools. Inventories are stated at the lower of cost and net realisable value. Given that the amount and items of the inventories are significant and numerous and the net realisable value used in the valuation of inventories individually identified as obsolete or destroyed usually involves subjective judgement and contains a high degree of estimates uncertainty, we consider the assessment of allowance for inventory valuation loss a key audit matter.

How our audit addressed the matter

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

1. Assessed the reasonableness of the assessment method of allowance for inventory valuation loss, including the reasonableness of the inventory clearance and the determination of obsolete inventory items as well as the consistency of accounting estimates method, based on our understanding on the industry and product characteristics of the Group.
2. Obtained the aging reports of inventories and reports of obsolete or damaged inventories, sampled the inventory item numbers and verified with the record of inventory transaction to ascertain the classification of age ranges of inventories and obsolete or damaged inventories was correct.
3. Verified the supporting documents of the net realisable value, ascertained the reasonableness of the net realisable value and recalculated and assessed the reasonableness of the provision of allowance for inventory valuation loss.

Other matter – Parent company only financial statements

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

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

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

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

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

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 the Standards on Auditing of the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our 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 Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

WANG, CHUN-KAI

Liao, A-Shen

For and on behalf of PricewaterhouseCoopers, Taiwan

March 14, 2023

The accompanying consolidated financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying consolidated financial statements and independent auditors' report are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

As the financial statements are the responsibility of the management, PricewaterhouseCoopers cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

DREWLOONG PRECISION, INC. AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)

Assets	Notes	December 31, 2022		December 31, 2021		
		AMOUNT	%	AMOUNT	%	
Current assets						
1100	Cash and cash equivalents	6(1)	\$ 452,720	21	\$ 356,436	18
1136	Current financial assets at amortised cost, net	6(2)	326,980	15	572,529	29
1140	Current contract assets	6(13)	22,796	1	29,188	1
1150	Notes receivable, net	6(3)	-	-	22	-
1170	Accounts receivable, net	6(3)	187,796	9	98,667	5
1200	Other receivables		1,816	-	914	-
130X	Inventories	6(4)	385,174	18	285,535	14
1410	Prepayments		16,811	1	70,806	4
11XX	Current Assets		<u>1,394,093</u>	<u>65</u>	<u>1,414,097</u>	<u>71</u>
Non-current assets						
1535	Non-current financial assets at amortised cost, net	6(2) and 8	73,952	3	31,246	2
1600	Property, plant and equipment	6(5)(9)	344,675	16	380,195	19
1755	Right-of-use assets	6(6)	296,366	14	129,043	7
1780	Intangible assets	6(7)(9)	15,464	1	8,740	-
1840	Deferred income tax assets	6(19)	10,262	1	10,396	1
1915	Prepayments for business facilities		5,366	-	238	-
1920	Guarantee deposits paid		4,194	-	3,873	-
1990	Other non-current assets, others		-	-	34	-
15XX	Non-current assets		<u>750,279</u>	<u>35</u>	<u>563,765</u>	<u>29</u>
1XXX	Total assets		<u>\$ 2,144,372</u>	<u>100</u>	<u>\$ 1,977,862</u>	<u>100</u>

(Continued)

DREWLOONG PRECISION, INC. AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)

Liabilities and Equity	Notes	December 31, 2022		December 31, 2021	
		AMOUNT	%	AMOUNT	%
Current liabilities					
2150	Notes payable	\$ 960	-	\$ -	-
2170	Accounts payable	11,754	1	5,389	-
2200	Other payables	6(8) 85,753	4	65,219	3
2230	Current income tax liabilities	43,876	2	10,256	1
2250	Provisions for liabilities - current	167	-	1	-
2280	Current lease liabilities	6(6) 5,959	-	2,858	-
2399	Other current liabilities, others	8,938	1	1,141	-
21XX	Current Liabilities	<u>157,407</u>	<u>8</u>	<u>84,864</u>	<u>4</u>
Non-current liabilities					
2570	Deferred income tax liabilities	6(19) 3,515	-	-	-
2580	Non-current lease liabilities	6(6) 199,554	9	112,932	6
2630	Long-term deferred revenue	6(5)(7)(9) 57,511	3	58,444	3
2640	Accrued pension liabilities	6(18) 2,111	-	1,918	-
2645	Guarantee deposits received	600	-	600	-
25XX	Non-current liabilities	<u>263,291</u>	<u>12</u>	<u>173,894</u>	<u>9</u>
2XXX	Total Liabilities	<u>420,698</u>	<u>20</u>	<u>258,758</u>	<u>13</u>
Equity attributable to owners of parent					
	Share capital	6(10)			
3110	Share capital - common stock	358,000	17	358,000	18
	Capital surplus	6(11)			
3200	Capital surplus	80,600	4	252,440	13
	Retained earnings	6(12)			
3310	Legal reserve	135,864	6	130,490	7
3350	Unappropriated retained earnings	1,149,210	53	978,174	49
3XXX	Total equity	<u>1,723,674</u>	<u>80</u>	<u>1,719,104</u>	<u>87</u>
	Significant contingent liabilities and unrecognized contract commitments	9			
	Significant subsequent events	11			
3X2X	Total liabilities and equity	<u>\$ 2,144,372</u>	<u>100</u>	<u>\$ 1,977,862</u>	<u>100</u>

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

DREWLOONG PRECISION, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2022 AND 2021

(Expressed in thousands of New Taiwan dollars, except earnings per share amount)

	Items	Notes	Year ended December 31			
			2022		2021	
			AMOUNT	%	AMOUNT	%
4000	Sales revenue	6(13)	\$ 636,810	100	\$ 403,919	100
5000	Operating costs	6(4)(17)(18)	(350,876)	(55)	(263,249)	(65)
5900	Gross profit		<u>285,934</u>	<u>45</u>	<u>140,670</u>	<u>35</u>
	Operating expenses	6(17)(18)				
6100	Selling expenses		(13,566)	(2)	(7,830)	(2)
6200	General and administrative expenses		(45,489)	(7)	(31,373)	(8)
6300	Research and development expenses	6(9)	(29,271)	(5)	(41,638)	(10)
6450	Impairment gain and reversal of impairment loss determined in accordance with IFRS 9	12(2)	(13,340)	(2)	660	-
6000	Total operating expenses		(101,666)	(16)	(80,181)	(20)
6900	Operating profit		<u>184,268</u>	<u>29</u>	<u>60,489</u>	<u>15</u>
	Non-operating income and expenses					
7100	Interest income	6(14)	8,638	1	4,673	1
7010	Other income	6(9)	4,179	1	1,866	-
7020	Other gains and losses	6(15)	31,123	5	(1,119)	-
7050	Finance costs	6(6)(16)	(2,055)	-	(1,543)	-
7000	Total non-operating income and expenses		<u>41,885</u>	<u>7</u>	<u>3,877</u>	<u>1</u>
7900	Profit before income tax		<u>226,153</u>	<u>36</u>	<u>64,366</u>	<u>16</u>
7950	Income tax expense	6(19)	(42,583)	(7)	(10,627)	(3)
8200	Profit for the year		<u>\$ 183,570</u>	<u>29</u>	<u>\$ 53,739</u>	<u>13</u>
8500	Total comprehensive income for the year		<u>\$ 183,570</u>	<u>29</u>	<u>\$ 53,739</u>	<u>13</u>
	Profit, attributable to					
8610	Owners of the parent		<u>\$ 183,570</u>	<u>29</u>	<u>\$ 53,739</u>	<u>13</u>
	Comprehensive income attributable to					
8710	Owners of the parent		<u>\$ 183,570</u>	<u>29</u>	<u>\$ 53,739</u>	<u>13</u>
	Basic earnings per share	6(20)				
9750	Basic earnings per share		<u>\$ 5.13</u>		<u>\$ 1.50</u>	
9850	Diluted earnings per share		<u>\$ 5.11</u>		<u>\$ 1.50</u>	

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

DREWLOONG PRECISION, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
YEARS ENDED DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)

	Equity attributable to owners of the parent					
	Notes	Ordinary share	Capital surplus, additional paid- in capital	Legal reserve	Retained Earnings Unappropriated retained earnings	Total equity
<u>2021</u>						
Balance at January 1, 2021		\$ 358,000	\$ 427,860	\$ 127,211	\$ 931,294	\$ 1,844,365
Profit for the year		-	-	-	53,739	53,739
Total comprehensive income		-	-	-	53,739	53,739
Appropriation and distribution of 2020 retained earnings:						
Legal reserve		-	-	3,279	(3,279)	-
Cash dividends	6(12)	-	-	-	(3,580)	(3,580)
Cash dividends from capital surplus	6(11)	-	(175,420)	-	-	(175,420)
Balance at December 31, 2021		<u>\$ 358,000</u>	<u>\$ 252,440</u>	<u>\$ 130,490</u>	<u>\$ 978,174</u>	<u>\$ 1,719,104</u>
<u>2022</u>						
Balance at January 1, 2022		\$ 358,000	\$ 252,440	\$ 130,490	\$ 978,174	\$ 1,719,104
Profit for the year		-	-	-	183,570	183,570
Total comprehensive income		-	-	-	183,570	183,570
Appropriation and distribution of 2021 retained earnings:						
Legal reserve		-	-	5,374	(5,374)	-
Cash dividends	6(12)	-	-	-	(7,160)	(7,160)
Cash dividends from capital surplus	6(11)	-	(171,840)	-	-	(171,840)
Balance at December 31, 2022		<u>\$ 358,000</u>	<u>\$ 80,600</u>	<u>\$ 135,864</u>	<u>\$ 1,149,210</u>	<u>\$ 1,723,674</u>

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

DREWLOONG PRECISION, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)

	Notes	Year ended December 31	
		2022	2021
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Profit before tax		\$ 226,153	\$ 64,366
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation	6(5)(6)(9)(17)	60,491	58,788
Amortization on intangible assets	6(7)(9)(17)	3,556	5,575
Provision (reversal of provision) for bad debt expense	12(2)	13,340	(660)
Amortization on long-term deferred revenue	6(5)(7)(9)	(49,594)	(39,441)
Loss on disposal of property, plant and equipment	6(15)	-	(600)
Property, plant and equipment transferred to expenses		105	-
Interest expense	6(16)	2,055	1,543
Interest income	6(14)	(8,638)	(4,673)
Changes in operating assets and liabilities			
Changes in operating assets			
Current contract assets		6,392	(15,723)
Notes receivable		22	38
Accounts receivable		(102,469)	(30,599)
Other receivable		(902)	143
Inventories		(99,639)	31,400
Prepayments		53,995	(53,973)
Changes in operating liabilities			
Notes payable		960	-
Accounts payable		6,365	2,866
Other payables		24,463	12,006
Provisions for liabilities - current		166	(14)
Other current liabilities, others		7,797	(8,464)
Long-term deferred revenue	6(9)	48,661	37,528
Accrued pension liabilities		193	197
Cash inflow generated from operations		193,472	60,303
Interest received		8,638	4,673
Interest paid		(2,055)	(1,543)
Income taxes paid		(5,314)	(19,113)
Net cash flows from operating activities		<u>194,741</u>	<u>44,320</u>

(Continued)

DREWLOONG PRECISION, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)

	Notes	Year ended December 31	
		2022	2021
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Acquisition of financial assets at amortised cost		(\$ 374,426)	(\$ 558,444)
Proceeds from disposal of financial assets at amortised cost		577,269	667,958
Acquisition of property, plant and equipment	6(21)	(18,193)	(29,852)
Acquisition of intangible assets	6(7)	(10,280)	(370)
Increase in prepayments for business facilities		(5,223)	(95)
Proceeds from disposal of property, plant and equipment		-	600
Increase in guarantee deposits paid		(330)	(3,250)
Decrease in guarantee deposits paid		9	2,017
Decrease (increase) in other non-current assets		34	(34)
Net cash flows from investing activities		<u>168,860</u>	<u>78,530</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Payments of lease liabilities	6(22)	(88,317)	(2,835)
Cash dividends paid	6(11)	(171,840)	(175,420)
Proceeds from issuing shares	6(12)	(7,160)	(3,580)
Net cash flows used in financing activities		<u>(267,317)</u>	<u>(181,835)</u>
Net increase (decrease) in cash and cash equivalents		96,284	(58,985)
Cash and cash equivalents at beginning of year	6(1)	<u>356,436</u>	<u>415,421</u>
Cash and cash equivalents at end of year	6(1)	<u>\$ 452,720</u>	<u>\$ 356,436</u>

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

INDEPENDENT AUDITORS' REPORT TRANSLATED FROM CHINESE

To the Board of Directors and Shareholders of DREWLOONG PRECISION, INC.

PWCR22000547

Opinion

We have audited the accompanying parent company only balance sheets of DREWLOONG PRECISION, INC. (the "Company") as at December 31, 2022 and 2021, and the related parent company only statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the parent company only financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying parent company only financial statements present fairly, in all material respects, the parent company only financial position of the Group as at December 31, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the *Auditors' responsibilities for the audit of the parent company only financial statements* section of our report. We are independent of the Group in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Company's 2022 parent company only financial statements. These matters were addressed in the context of our audit of the parent company only financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

Key audit matters for the Company's 2022 parent company only financial statements are stated as follows:

Assessment of allowance for inventory valuation loss

Description

The inventories of the Company as at December 31, 2022 amounted to NT\$405,837 thousand (net of allowance for inventory valuation loss amounting to NT\$45,792 thousand). Please refer to Note 4(10) for accounting policies on evaluation of inventories, Note 5 for accounting estimates and assumption uncertainty of evaluation of inventories and Note 6(4) for details of inventories.

The Company is primarily engaged in the manufacturing, processing and trading of aerospace parts and special tools. Inventories are stated at the lower of cost and net realisable value. Given that the amount and items of the inventories are significant and numerous and the net realisable value used in the valuation of inventories individually identified as obsolete or destroyed usually involves subjective judgement and contains a high degree of estimates uncertainty, we consider the assessment of allowance for inventory valuation loss a key audit matter.

How our audit addressed the matter

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

1. Assessed the reasonableness of the assessment method of allowance for inventory valuation loss, including the reasonableness of the inventory clearance and the determination of obsolete inventory items as well as the consistency of accounting estimates method, based on our understanding on the industry and product characteristics of the Company.
2. Obtained the aging reports of inventories and reports of obsolete or damaged inventories, sampled the inventory item numbers and verified with the record of inventory transaction to ascertain the classification of age ranges of inventories and obsolete or damaged inventories was correct.
3. Verified the supporting documents of the net realisable value, ascertained the reasonableness of the net realisable value and recalculated and assessed the reasonableness of the provision of allowance for inventory valuation loss.

Responsibilities of management and those charged with governance for the parent company only financial statements

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

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

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

Auditors' responsibilities for the audit of the parent company only financial statements

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

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

1. Identify and assess the risks of material misstatement of the parent company only financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the parent company only financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the parent company only financial statements, including the disclosures, and whether the parent company only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the parent company only financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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

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

WANG, CHUN-KAI

Liao, A-Shen

For and on behalf of PricewaterhouseCoopers, Taiwan

March 14, 2023

The accompanying parent company only financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying parent company only financial statements and independent auditors' report are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

As the financial statements are the responsibility of the management, PricewaterhouseCoopers cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

DREWLOONG PRECISION, INC.
PARENT COMPANY ONLY BALANCE SHEETS
DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)

Assets	Notes	December 31, 2022		December 31, 2021		
		AMOUNT	%	AMOUNT	%	
Current assets						
1100	Cash and cash equivalents	6(1)	\$ 428,051	20	\$ 343,860	18
1136	Current financial assets at amortised cost	6(2)	297,980	14	558,030	29
1140	Current contract assets	6(14)	22,796	1	29,188	1
1150	Notes receivable, net	6(3)	-	-	22	-
1170	Accounts receivable, net	6(3)	187,796	9	98,667	5
1200	Other receivables		1,791	-	905	-
130X	Inventories	6(4)	405,837	19	303,572	15
1410	Prepayments		16,620	1	70,200	4
11XX	Total current assets		<u>1,360,871</u>	<u>64</u>	<u>1,404,444</u>	<u>72</u>
Non-current assets						
1535	Non-current financial assets at amortised cost	6(2) and 8	73,180	3	30,474	2
1550	Investments accounted for using the equity method	6(5)	78,272	4	55,133	3
1600	Property, plant and equipment	6(6)(10)	315,246	15	348,590	18
1755	Right-of-use assets	6(7)	259,657	12	90,788	5
1780	Intangible assets	6(8)(10)	15,464	1	8,740	-
1840	Deferred income tax assets	6(20)	10,175	1	10,290	-
1915	Prepayments for business facilities		4,813	-	238	-
1920	Guarantee deposits paid		3,885	-	3,564	-
1990	Other non-current assets, others		-	-	34	-
15XX	Total non-current assets		<u>760,692</u>	<u>36</u>	<u>547,851</u>	<u>28</u>
1XXX	Total assets		<u>\$ 2,121,563</u>	<u>100</u>	<u>\$ 1,952,295</u>	<u>100</u>

(Continued)

DREWLOONG PRECISION, INC.
PARENT COMPANY ONLY BALANCE SHEETS
DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)

Liabilities and equity		Notes	December 31, 2022		December 31, 2021	
			AMOUNT	%	AMOUNT	%
Current liabilities						
2150	Notes payable		\$ 960	-	\$ -	-
2170	Accounts payable		10,776	1	5,058	-
2200	Other payables	6(9)	79,479	4	60,376	3
2220	Other payables - related parties	7	25,495	1	14,489	1
2230	Current income tax liabilities		36,989	2	9,820	1
2250	Current provisions		167	-	1	-
2280	Current lease liabilities	6(7)	5,695	-	2,598	-
2310	Advance receipts		1,000	-	-	-
2399	Other current liabilities, others		7,840	-	1,057	-
21XX	Current Liabilities		<u>168,401</u>	<u>8</u>	<u>93,399</u>	<u>5</u>
Non-current liabilities						
2570	Deferred income tax liabilities	6(20)	3,515	-	-	-
2580	Non-current lease liabilities	6(7)	165,751	8	78,830	4
2630	Long-term deferred revenue	6(6)(8)(10)	57,511	3	58,444	3
2640	Non-current net defined benefit liability	6(19)	2,111	-	1,918	-
2645	Guarantee deposits received		600	-	600	-
25XX	Total non-current liabilities		<u>229,488</u>	<u>11</u>	<u>139,792</u>	<u>7</u>
2XXX	Total liabilities		<u>397,889</u>	<u>19</u>	<u>233,191</u>	<u>12</u>
Equity						
Share capital		6(11)				
3110	Ordinary share		358,000	17	358,000	18
Capital surplus		6(12)				
3200	Capital surplus		80,600	4	252,440	13
Retained earnings		6(13)				
3310	Legal reserve		135,864	6	130,490	7
3350	Unappropriated retained earnings		1,149,210	54	978,174	50
3XXX	Total equity		<u>1,723,674</u>	<u>81</u>	<u>1,719,104</u>	<u>88</u>
Significant contingent liabilities and unrecognised contract commitments		9				
Significant events after the balance sheet date		11				
3X2X	Total liabilities and equity		<u>\$ 2,121,563</u>	<u>100</u>	<u>\$ 1,952,295</u>	<u>100</u>

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

DREWLOONG PRECISION, INC.
PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars, except for earnings per share amounts)

Items	Notes	Year ended December 31				
		2022		2021		
		AMOUNT	%	AMOUNT	%	
4000	Operating revenue	6(14) and 7	\$ 636,883	100	\$ 403,986	100
5000	Operating costs	6(4)(18)(19) and 7	(386,648)	(61)	(275,782)	(68)
5900	Gross profit from operations		250,235	39	128,204	32
	Operating expenses	6(18)(19)				
6100	Selling expenses		(13,566)	(2)	(7,830)	(2)
6200	Administrative expenses		(41,997)	(6)	(28,846)	(7)
6300	Research and development expenses	6(10)	(29,271)	(5)	(41,638)	(10)
6450	Expeted credit gain	12(2)	(13,340)	(2)	660	-
6000	Total operating expenses		(98,174)	(15)	(77,654)	(19)
6900	Operating profit		152,061	24	50,550	13
	Non-operating income and expenses					
7100	Interest income	6(15)	8,387	1	4,510	1
7010	Other income	6(10) and 7	4,775	1	2,464	-
7020	Other gains and losses	6(16)	31,021	5	(1,124)	-
7050	Finance costs	6(7)(17)	(1,604)	-	(1,088)	-
7070	Share of profit of associates and joint ventures accounted for using equity method	6(5)	24,607	4	8,545	2
7000	Total non-operating income and expenses		67,186	11	13,307	3
7900	Profit before income tax		219,247	35	63,857	16
7950	Income tax expense	6(20)	(35,677)	(6)	(10,118)	(3)
8200	Profit for the year		\$ 183,570	29	\$ 53,739	13
8500	Total comprehensive income for the year		\$ 183,570	29	\$ 53,739	13
	Earnings per share	6(21)				
9750	Basic		\$ 5.13		\$ 1.50	
9850	Diluted		\$ 5.11		\$ 1.50	

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

DREWLOONG PRECISION, INC.
PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY
YEARS ENDED DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)

	Notes	Ordinary share	Additional paid-in capital	Retained Earnings		Total equity
				Legal reserve	Unappropriated retained earnings	
<u>2021</u>						
Balance at January 1, 2021		\$ 358,000	\$ 427,860	\$ 127,211	\$ 931,294	\$ 1,844,365
Profit for the year		-	-	-	53,739	53,739
Total comprehensive income		-	-	-	53,739	53,739
Appropriation and distribution of 2020 retained earnings:						
Legal reserve		-	-	3,279	(3,279)	-
Cash dividends	6(13)	-	-	-	(3,580)	(3,580)
Cash from capital surplus	6(12)	-	(175,420)	-	-	(175,420)
Balance at December 31, 2021		<u>\$ 358,000</u>	<u>\$ 252,440</u>	<u>\$ 130,490</u>	<u>\$ 978,174</u>	<u>\$ 1,719,104</u>
<u>2022</u>						
Balance at January 1, 2022		\$ 358,000	\$ 252,440	\$ 130,490	\$ 978,174	\$ 1,719,104
Profit for the year		-	-	-	183,570	183,570
Total comprehensive income		-	-	-	183,570	183,570
Appropriation and distribution of 2021 retained earnings:						
Legal reserve		-	-	5,374	(5,374)	-
Cash dividends	6(13)	-	-	-	(7,160)	(7,160)
Cash from capital surplus	6(12)	-	(171,840)	-	-	(171,840)
Balance at December 31, 2022		<u>\$ 358,000</u>	<u>\$ 80,600</u>	<u>\$ 135,864</u>	<u>\$ 1,149,210</u>	<u>\$ 1,723,674</u>

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

DREWLOONG PRECISION, INC.
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)

	Notes	Year ended December 31	
		2022	2021
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Profit before tax		\$ 219,247	\$ 63,857
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation expense	6(6)(7)(10)(18)	56,559	54,157
Amortisation expense	6(8)(10)(18)	3,556	5,575
Expected credit loss (gain)	12(2)	13,340	(660)
Amortisation on long-term deferred revenue	6(6)(8)(10)	(49,594)	(39,441)
Gain on disposal of property, plant and equipment	6(16)	-	(600)
Property, plant and equipment transferred to expenses		105	-
Interest expense	6(17)	1,604	1,088
Interest income	6(15)	(8,387)	(4,510)
Share of profit of subsidiaries, associates and joint ventures accounted for using the equity method	6(5)	(24,607)	(8,545)
Changes in operating assets and liabilities			
Changes in operating assets			
Current contract assets		6,392	(15,723)
Notes receivable		22	38
Accounts receivable		(102,469)	(31,799)
Other receivables		(886)	145
Inventories		(102,265)	36,483
Prepayments		53,580	(53,541)
Changes in operating liabilities			
Notes payable		960	-
Accounts payable		5,718	3,130
Other payables		23,032	10,872
Other payables - related parties		11,006	(1,351)
Current provisions		166	(14)
Advance receipts		1,000	(8,519)
Other current liabilities, others		6,783	41
Long-term deferred revenue	6(10)	48,661	37,528
Non-current net defined benefit liability		193	197
Cash inflow generated from operations		<u>163,716</u>	<u>48,408</u>
Interest received		8,387	4,510
Dividends received	6(5)	1,468	11,895
Interest paid		(1,604)	(1,088)
Income tax paid		(4,878)	(16,144)
Net cash flows from operating activities		<u>167,089</u>	<u>47,581</u>

(Continued)

DREWLOONG PRECISION, INC.
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)

	Notes	Year ended December 31	
		2022	2021
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Decrease in financial assets at amortised cost		(\$ 336,726)	(\$ 541,044)
Proceeds from disposal of financial assets at amortised cost		554,070	657,257
Acquisition of property, plant and equipment	6(22)	(17,878)	(29,624)
Acquisition of intangible assets	6(8)	(10,280)	(370)
Increase in prepayments for business facilities		(4,670)	(129)
Proceeds from disposal of property, plant and equipment		-	600
Increase in guarantee deposits paid		(330)	(3,250)
Decrease in guarantee deposits paid		9	1,955
Decrease in other non-current assets, others		34	-
Net cash flows from investing activities		<u>184,229</u>	<u>85,395</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Payments of lease liabilities	6(23)	(88,127)	(2,650)
Cash from capital surplus	6(12)	(171,840)	(175,420)
Cash dividends paid	6(13)	(7,160)	(3,580)
Net cash flows used in financing activities		<u>(267,127)</u>	<u>(181,650)</u>
Net increase (decrease) in cash and cash equivalents		84,191	(48,674)
Cash and cash equivalents at beginning of year	6(1)	<u>343,860</u>	<u>392,534</u>
Cash and cash equivalents at end of year	6(1)	<u>\$ 428,051</u>	<u>\$ 343,860</u>

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

Drewloong Precision, Inc.
Earnings Distribution Table
2022

Unit: NTD

Project	Amount
Balance at the beginning of the period	NT\$ 965,640,381
Add: Net profit after tax for the year	183,569,801
Less: Provision of 10% legal reserve	(18,356,980)
Distributable earnings	1,130,853,202
Distributable items:	
Cash dividends per share (NT\$0.74860894 per share)	(26,800,200)
Undistributed earnings at the end of the period	<u>NT\$ 1,104,053,002</u>

Note: 1. 2022 earnings will be given priority in this earnings distribution.

2. Cash dividends of \$1.35753631 per share from capital surplus, totaling \$48,599,800
 Stock dividends of \$0.89385475 per share from capital surplus, totaling \$32,000,000
 Capital increase with issuance of 3,200,000 new shares

Person in Charge: Kun-Sheng Wang

Managerial Officer: Hsuan-I Chen

Chief Accounting Officer: Wen-Yu

Li

Drewloong Precision, Inc.
Comparison of the Current and Amended Provisions of the “Procedures for Acquisition or Disposal of Assets”

Article No.	Provisions before the amendments	Article No.	Provisions after the amendments	Description
Article 6	<p>Professional appraisers and their officers, certified public accounts, attorneys, and securities underwriters that provide the Company with appraisal reports, certified public accountant's opinions, attorney's opinions, or underwriter's opinions shall meet the following requirements:</p> <p>I. May not have previously received a final and unappealable sentence to imprisonment for 1 year or longer for a violation of the Act, the Company Act, the Banking Act of The Republic of China, the Insurance Act, the Financial Holding Company Act, or the Business Entity Accounting Act, or for fraud, breach of trust, embezzlement, forgery of documents, or occupational crime. However, this provision does not apply if 3 years have already passed since completion of service of the sentence, since expiration of the period of a suspended sentence, or since a pardon was received.</p> <p>(Omitted)</p>	Article 6	<p>Professional appraisers and their officers, certified public accounts, attorneys, and securities underwriters that provide the Company with appraisal reports, certified public accountant's opinions, attorney's opinions, or underwriter's opinions shall meet the following requirements:</p> <p>I. May not have previously received a final and unappealable sentence to imprisonment for 1 year or longer for a violation of the <u>Securities and Exchange</u> Act, the Company Act, the Banking Act of The Republic of China, the Insurance Act, the Financial Holding Company Act, or the Business Entity Accounting Act, or for fraud, breach of trust, embezzlement, forgery of documents, or occupational crime. However, this provision does not apply if 3 years have already passed since completion of service of the sentence, since expiration of the period of a suspended sentence, or since a pardon was received.</p> <p>(Omitted)</p>	Amended in accordance with the actual management needs.
Article 9, 2	For the acquisition and disposal of property or use-of-right assets with the related party, or the acquisition and disposal of assets other than the property or right-of-right assets for an amount exceeding 20% of the Company's paid-in capital, 10% of the total assets, or NT\$300 million, except for the trade of domestic bonds, R/P	Article 9, 2	For the acquisition and disposal of property or use-of-right assets with the related party, or the acquisition and disposal of assets other than the property or right-of-right assets for an amount exceeding 20% of the Company's paid-in capital, 10% of the total assets, or NT\$300 million, except for the trade of domestic bonds, R/P	Amended in accordance with the actual management needs.

Drewloong Precision, Inc.
Comparison of the Current and Amended Provisions of the “Procedures for Acquisition or Disposal of Assets”

Article No.	Provisions before the amendments	Article No.	Provisions after the amendments	Description
	<p>and R/S bonds, subscription, or R/P of monetary fund issued by domestic securities investment trusts industry, the following information should be submitted to the Audit Committee for approval and to the Board of Directors for resolution before having the trade contract signed and payment made.</p> <p>(I) The purpose, necessity, and expected benefits for the acquisition and disposal of assets;</p> <p>(II) The reason for having the related party selected as the counterparty;</p> <p>(III) The relevant information used to assess the reasonableness of the trade conditions related to the acquisition and disposal of property and use-of-right assets with the related party according to the provisions of Paragraph 3 of this Article.</p> <p>(IV) The original acquisition date and price of the related party, the counterparty, and its relationship with the company and the related party;</p> <p>(V) The monthly cash receipts and payments forecast in the coming year starting from the contracting month, and assessing the necessity of the transaction and the rationality of the use of funds;</p> <p>(VI) The appraisal report issued by the professional appraiser or accountant’s opinion obtained in</p>		<p>and R/S bonds, subscription, or R/P of monetary fund issued by domestic securities investment trusts industry, the following information should be submitted to the Audit Committee for approval and to the Board of Directors for resolution before having the trade contract signed and payment made.</p> <p>(I) The appraisal report issued by the professional appraiser or accountant’s opinion obtained in accordance with the provisions stated in the preceding paragraph;</p> <p>(II) The purpose, necessity, and expected benefits for the acquisition and disposal of assets;</p> <p>(III) The reason for having the related party selected as the counterparty;</p> <p>(IV) The relevant information used to assess the reasonableness of the trade conditions related to the acquisition and disposal of property and use-of-right assets with the related party according to the provisions of Paragraph 3 of this Article.</p> <p>(V) The original acquisition date and price of the related party, the counterparty, and its relationship with the company and the related party;</p> <p>(VI) The monthly cash receipts and payments forecast in the coming year starting from the contracting month, and</p>	

Drewloong Precision, Inc.

Comparison of the Current and Amended Provisions of the “Procedures for Acquisition or Disposal of Assets”

Article No.	Provisions before the amendments	Article No.	Provisions after the amendments	Description
	<p>(II) Acquisition of disposal of the property or its use-of-right assets for business operation;</p> <p>In addition, when such transaction is presented to the Board of Directors for discussion in accordance with Paragraph 2, the opinions of each independent director shall be fully considered at the discussion session of the board meeting. The clear consent or opposition and the reasons for an objection of the independent director shall be stated in the meeting minutes.</p> <p><u>If the Company has any transaction under Paragraph 2 with a subsidiary and the transaction amount reaches 10% or more of the Company's total assets, the Company shall submit the information listed in the second paragraph to the shareholders' meeting for approval before signing the transaction contract and making the payment. Except for transactions between the Company and its subsidiaries, or between subsidiaries.</u></p> <p>The calculation of the transaction amount stated in the second paragraph and the <u>preceding</u> paragraph should be handled in accordance with Subparagraph 7, Paragraph 1 of Article 15, and the so-called “within one year” should be retroactively calculated for one year based on the date of occurrence. Transactions that have been submitted and approved by the shareholders’ meeting, the Board of Directors and the Audit Committee in accordance with the provisions of the “Procedures” are exempted from being incorporated into the</p>		<p>(II) Acquisition of disposal of the property or its use-of-right assets for business operation;</p> <p>In addition, when such transaction is presented to the Board of Directors for discussion in accordance with Paragraph 2, the opinions of each independent director shall be fully considered at the discussion session of the board meeting. The clear consent or opposition and the reasons for an objection of the independent director shall be stated in the meeting minutes.</p> <p>The calculation of the transaction amount stated in the second paragraph should be handled in accordance with Subparagraph 7, Paragraph 1 of Article 15, and the so-called “within one year” should be retroactively calculated for one year based on the date of occurrence. Transactions that have been submitted and approved by the shareholders’ meeting, the Board of Directors and the Audit Committee in accordance with the provisions of the “Procedures” are exempted from being incorporated into the retroactive calculation.</p>	

Drewloong Precision, Inc.
Comparison of the Current and Amended Provisions of the “Procedures for Acquisition or Disposal of Assets”

Article No.	Provisions before the amendments	Article No.	Provisions after the amendments	Description
	retroactive calculation.			
Article 9, 3, (5)	<p>Where the Company acquires real property or right-of-use assets thereof from a related party and the results of appraisals conducted in accordance with the Subparagraphs 1 and 2, Paragraph 3 of this Article are uniformly lower than the transaction price, the following steps shall be taken:</p> <p>1. For the difference between the transaction price and assessed cost of the property and its use-of-right assets, a special reserve shall be appropriated by the Company in accordance with Paragraph 1 of Article 41 of the Securities and Exchange Act, and it shall not be distributed or capitalized with stock shares distributed. Where the Company uses the equity method to account for its investment in a public company, then the special reserve called for under Article 41, paragraph of this Act shall be set aside pro rata in a proportion consistent with the share of public company's equity stake in the other company.</p> <p>(Omitted)</p>	Article 9, 3, (5)	<p>Where the Company acquires real property or right-of-use assets thereof from a related party and the results of appraisals conducted in accordance with the Subparagraphs 1 and 2, Paragraph 3 of this Article are uniformly lower than the transaction price, the following steps shall be taken:</p> <p>1. For the difference between the transaction price and assessed cost of the property and its use-of-right assets, a special reserve shall be appropriated by the Company in accordance with Paragraph 1 of Article 41 of the Securities and Exchange Act, and it shall not be distributed or capitalized with stock shares distributed. Where the Company uses the equity method to account for its investment in a public company, then the special reserve called for under Article 41, paragraph of the Securities and Exchange Act shall be set aside pro rata in a proportion consistent with the share of public company's equity stake in the other company.</p> <p>(Omitted)</p>	Amended in accordance with the actual management needs.
	This Article is newly added.	Article 9. 4	In the case of a related party transaction, after the Board of Directors has approved the transaction, the following information under second paragraph shall be submitted to the shareholders' meeting for approval, and the shareholders who have an interest in the transaction shall not vote:	Amended in accordance with the of the Taiwan Stock Exchange’s announcement Tai-Zheng-Zhi-Li-Zi No. 1110024366 dated December 23, 2022.

Drewloong Precision, Inc.
Comparison of the Current and Amended Provisions of the “Procedures for Acquisition or Disposal of Assets”

Article No.	Provisions before the amendments	Article No.	Provisions after the amendments	Description
			<p>(I) <u>The Company or a subsidiary of the Company that is not a domestic public company has any transaction under the first paragraph, and the transaction amount reaches 10% or more of the Company's total assets.</u></p> <p>(II) <u>If the transaction amount or terms have a significant impact on the Company's operations or shareholders' equity in accordance with the Company Act, the Company's Articles of Incorporation or internal operating procedures.</u></p> <p><u>Except for transactions between the Company and its subsidiaries, or between subsidiaries.</u></p>	
	This Article is newly added.	Article 9. 5	<u>The Company shall submit the actual transactions (including the actual transaction amount, transaction terms and information under the second paragraph, etc.) to the next shareholders' meeting after the end of the year if the Company has any transaction under the second paragraph with the related party.</u>	Amended in accordance with the of the Taiwan Stock Exchange’s announcement Tai-Zheng-Zhi-Li-Zi No. 1110024366 dated December 23, 2022.

Drewloong Precision, Inc.
Comparison of the Current and Amended Provisions of the “Rules of Procedure for Shareholders’ Meeting”.

Article No.	Provisions before the amendments	Provisions after the amendments	Description
Article 3:	<p>Convening of shareholders' meetings and meeting notices</p> <p>Unless otherwise provided by law or regulation, the Company's shareholders' meetings shall be convened by the Board of Directors.</p> <p>Thirty days before the Company convenes an annual shareholders' meeting or 15 days before an extraordinary shareholders' meeting, the Company shall prepare electronic files of the meeting notice, proxy form, information on proposals for ratification, matters for discussion, election or dismissal of directors, and other matters on the shareholders' meeting agenda and upload them to the designated information reporting system on the Internet. Meanwhile, 21 days before the Company convenes an annual shareholders' meeting or 15 days before an extraordinary shareholders' meeting, it shall prepare an electronic file of the shareholders' meeting agenda Handbook and the supplementary materials and upload them to the designated information reporting system on the Internet. Fifteen days before the Company convenes a shareholders' meeting, it shall prepare the shareholders' meeting agenda Handbook and supplementary materials and make them available for the shareholders to obtain and review at any time. In addition, the Handbook shall be displayed at the Company and its professional shareholder service agency, and shall be distributed at the shareholders' meeting.</p>	<p>Convening of shareholders' meetings and meeting notices</p> <p>Unless otherwise provided by law or regulation, the Company's shareholders' meetings shall be convened by the Board of Directors.</p> <p><u>Changes to the method of convening the shareholders' meeting shall be subject to a resolution by the Board of Directors and shall be made no later than before the notice of the shareholders' meeting is sent.</u></p> <p>Thirty days before the Company convenes an annual shareholders' meeting or 15 days before an extraordinary shareholders' meeting, the Company shall prepare electronic files of the meeting notice, proxy form, information on proposals for ratification, matters for discussion, election or dismissal of directors, and other matters on the shareholders' meeting agenda and upload them to the designated information reporting system on the Internet, and 21 days before a regular shareholders' meeting or 15 days before a special shareholders' meeting, the electronic versions of the shareholders' meeting handbook and supplementary materials of the meeting shall be prepared and uploaded to the designated information reporting system on the Internet. <u>However, in the case of the Company with the paid-in capital reaching NT\$10 billion or more as of the last day of the most recent fiscal year, or in which the aggregate shareholding percentage of foreign investors and investors in mainland China reached 30% or more as recorded in the shareholders' register at the time of holding of the shareholders' meeting in the most recent fiscal year, it shall upload the electronic file 30 days prior to the day on which the general shareholders' meeting is held.</u> Fifteen days before the Company convenes a shareholders' meeting, it shall prepare the</p>	<p>Amended in accordance with the of the Taiwan Stock Exchange's announcement Tai-Zheng-Zhi-Li-Zi No. 1110004250 dated March 8, 2022.</p>

Drewloong Precision, Inc.
Comparison of the Current and Amended Provisions of the “Rules of Procedure for Shareholders’ Meeting”.

Article No.	Provisions before the amendments	Provisions after the amendments	Description
		shareholders’ meeting agenda Handbook and supplementary materials and make them available for the shareholders to obtain and review at any time. In addition, the Handbook shall be displayed at the Company and its professional shareholder service agency, and shall be distributed at the shareholders' meeting.	
Article 6:	<p>Preparation of a sign-in book and other documents</p> <p>The Company shall specify in the meeting notice the time and place for the sign-in of the shareholders and other related matters.</p> <p>The shareholders’ meeting reporting time referred to in the preceding paragraph shall be 30 minutes prior to the meeting started. There should be clear signs at the reporting place with adequate staff assigned to handle the process.</p> <p><u>Shareholders or their proxies (hereinafter referred to as the shareholders)</u> shall attend the shareholders’ meetings with their attendance cards, sign-in cards, or other certificates of attendance. The Company may not arbitrarily add requirements for other documents beyond those showing eligibility to attendance presented by shareholders. Solicitors soliciting proxy forms shall also bring identification documents for verification.</p> <p>(Omitted)</p>	<p>Preparation of a sign-in book and other documents</p> <p>The Company shall state, in the meeting notice, the sign-in time and place for shareholders, <u>solicitors, and proxies (hereinafter referred to as “shareholders”)</u>, and other matters that shall be noted.</p> <p>The shareholders’ meeting reporting time referred to in the preceding paragraph shall be 30 minutes prior to the meeting started. There should be clear signs at the reporting place with adequate staff assigned to handle the process.</p> <p>Shareholders shall attend the shareholders’ meetings with their attendance cards, sign-in cards, or other certificates of attendance. The Company may not arbitrarily add requirements for other documents beyond those showing eligibility to attendance presented by shareholders. Solicitors soliciting proxy forms shall also bring identification documents for verification.</p> <p>(Omitted)</p>	Amended in accordance with the of the Taiwan Stock Exchange’s announcement Tai-Zheng-Zhi-Li-Zi No. 1110004250 dated March 8, 2022.

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Article 1: Basis for the establishment

To establish an excellent governance system for the Company's shareholders' meeting, improve the supervisory function, and strengthen the management function, these Rules are formulated in accordance with the provisions of Article 5 of the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.

Article 2: Applicable laws

Unless otherwise stipulated by laws or regulations, the rules of procedure for the Company's shareholders' meeting shall be governed by these Rules.

Article 3: Convening of shareholders' meetings and meeting notices

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

Thirty days before the Company convenes an annual shareholders' meeting or 15 days before an extraordinary shareholders' meeting, the Company shall prepare electronic files of the meeting notice, proxy form, information on proposals for ratification, matters for discussion, election or dismissal of directors, and other matters on the shareholders' meeting agenda and upload them to the designated information reporting system on the Internet. Meanwhile, 21 days before the Company convenes an annual shareholders' meeting or 15 days before an extraordinary shareholders' meeting, it shall prepare an electronic file of the shareholders' meeting agenda Handbook and the supplementary materials and upload them to the designated information reporting system on the Internet. Fifteen days before the Company convenes a shareholders' meeting, it shall prepare the shareholders' meeting agenda Handbook and supplementary materials and make them available for the shareholders to obtain and review at any time. In addition, the Handbook shall be displayed at the Company and its professional shareholder service agency, and shall be distributed at the shareholders' meeting.

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

Election or dismissal of directors, amendments to the articles of incorporation, reduction of capital, application for the approval of ceasing its status as a public company, approval of the removal of the non-compete clause for the directors, capitalization of earnings, capitalization of legal reserve, dissolution, merger, or demerger of the Company, or any matter in each subparagraph under Article 185, paragraph 1 of the Company Act; Articles 26-1 and 43-6 of the Securities and Exchange Act, and Articles 56-1 and 60-2 of the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, shall be set out and the essential contents explained in the notice of the shareholders' meeting. None of the above matters may be raised by an extempore motion; the main contents may be placed on the website designated by the competent securities authorities or the Company, and the website address shall be included in the notice.

Where an election of all directors and their inauguration date shall be stated in the notice of the shareholders' meeting, after the completion of the election in said meeting, such inauguration date may not be altered by any extempore motion or otherwise in the same meeting.

A shareholder holding one percent or more of the total number of the issued shares may submit to the Company a proposal for discussion at a general shareholders' meeting. The number of items so proposed is limited only to one, and no proposal containing more than one item will be included in the meeting agenda. A shareholder's proposal in alignment with any circumstance under any subparagraph



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of Paragraph 4 of Article 172-1 of the Company Act may not be included in the meeting agenda by the Board of Directors. A shareholder may propose a recommendation for urging the Company to promote public interests or fulfill its social responsibilities, provided procedurally the number of items so proposed is limited only to one in accordance with Article 172-1 of the Company Act, and no proposal containing more than one item will be included in the meeting agenda.

Prior to the book closure date before an annual shareholders' meeting is held, the Company shall publicly announce its acceptance of shareholders' proposals in writing or by electronic means and the venue and time period for their submission; the period for acceptance of shareholders' proposals may not be fewer than 10 days.

Each of such proposals is limited to 300 words, and no proposal containing more than 300 words will be included in the meeting agenda. The shareholder making the proposal shall be present in person or by proxy at the annual general meeting of shareholders and take part in the discussion of the proposal.

Prior to the date for issuance of notice of a shareholders' meeting, the Company shall inform the shareholders who submitted proposals of the proposal screening results and shall list in the meeting notice the proposals that conform to the provisions of this article. With regard to the proposals submitted by shareholders but not included in the agenda of the meeting, the cause of exclusion of such proposals and explanation shall be made by the Board of Directors at the shareholders' meeting to be convened.

Article 4: Attendance at shareholders' meetings and proxy

For each shareholders' meeting, a shareholder may appoint a proxy to attend the meeting by providing the proxy form issued by the Company and stating the scope of the proxy's authorization. Each shareholder may issue only one proxy form and appoint only one proxy for any given shareholders' meeting and shall deliver the proxy form to the Company at least five days before the date of the shareholders' meeting. When a duplicate proxy form is served, the one received earliest shall prevail, unless a declaration is made to cancel the previous proxy form.

Once a proxy form is received by the Company, if a shareholder wishes to attend the shareholders' meeting in person or to exercise their voting rights in writing or by electronic means, a written proxy rescission notice shall be filed with the Company two days prior to the date of the shareholders' meeting, otherwise, the voting power exercised by the authorized proxy at the meeting shall prevail.

Article 5: Principles for the venue and time of a shareholders' meeting

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

Article 6: Preparation of a sign-in book and other documents

The Company shall specify in the meeting notice the time and place for the sign-in of the shareholders and other related matters.

The shareholders' meeting reporting time referred to in the preceding paragraph shall be 30 minutes prior to the meeting started. There should be clear signs at the reporting place with adequate staff assigned to handle the process.



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Shareholders or their proxies (hereinafter referred to as the shareholders) shall attend the shareholders' meetings with their attendance cards, sign-in cards, or other certificates of attendance. The Company may not arbitrarily add requirements for other documents beyond those showing eligibility to attendance presented by shareholders. Solicitors soliciting proxy forms shall also bring identification documents for verification.

The Company shall furnish the attending shareholders with a sign-in book to sign, or attending shareholders may hand in a sign-in card in lieu of signing in.

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

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

Article 7: Chair of the shareholders' meeting and attendees in a non-voting capacity

If a shareholders' meeting is convened by the Board of Directors, the meeting shall be chaired by the Chairperson. When the Chairperson is on leave or unable to exercise the powers as the chair for any reason, the Vice Chairperson shall chair the meeting on his behalf. Where there is no such a position as Vice Chairperson or the Vice Chairperson is on leave or unable to exercise the powers as the chair for any reason, the Chairperson shall appoint one of the managing directors to act as the chair. Where there is no such a position as managing director, the Chairperson shall appoint one of the directors to act as the chair. Where the Chairperson fails to make such a designation, the managing directors or directors shall select, from among themselves, one person to serve as the chair.

When a managing director or director serves as the chair, as referred to in the preceding paragraph, the director shall have held that position for six months or more with great understanding of the Company's financial position and business conditions. The same shall apply for a representative of a institutional director to serve as the chair.

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

Where a shareholders' meeting is convened by a party with power to convene other than the Board of Directors, the convening party shall chair the meeting. When there are two or more such convening parties, they shall mutually select a chair from among themselves.

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

Article 8: Evidence of the audio or video recordings of the shareholders' meeting

The Company shall make an uninterrupted audio and video recording of the entire process of the shareholders' meeting from shareholders' sign-in, the proceedings of the meeting, as well as the process of voting and vote counting.

The audio and video recording in the preceding paragraph shall be kept for at least one year. If, however, a shareholder files a lawsuit pursuant to Article 189 of the Company Act, the recording shall be retained until the conclusion of the litigation.



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Article 9 Attendance at shareholders' meetings shall be counted based on numbers of shares. The number of shares in attendance shall be calculated according to the shares indicated by sign-in book or the sign-in cards handed in, plus the number of shares whose voting rights are exercised by correspondence or electronically.

The chair shall call the meeting to order upon the meeting time and disclose information concerning the number of non-voting shares and number of shares represented by shareholders attending the meeting, among other related information. However, when the attending shareholders do not represent a majority of the total number of issued shares, the chair may announce a postponement, provided that no more than two such postponements, for a combined total of no more than one hour, may be made. When there are still insufficiently attending shareholders representing more than one-third of the total issued shares after two postponements, the meeting chair shall announce the meeting to be aborted.

If there are not enough shareholders representing at least one third of issued shares attending the meeting after two postponements, tentative resolutions may be passed in accordance with Article 175, paragraph 1 of the Company Act. Shareholders shall be notified of the tentative resolutions, and another shareholders' meeting will be convened within one month.

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

Article 10: Proposal discussion

If a shareholders' meeting is convened by the Board of Directors, the meeting agenda shall be set by the Board of Directors. Votes shall be cast on the proposals on the agenda one by one (including extempore motions and amendments to the original proposals set out in the agenda). The meeting shall proceed in the order set by the agenda, which may not be changed without a resolution by 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 other than the Board of Directors.

The chair may not declare the meeting adjourned prior to completion of deliberation on the meeting agenda of the preceding two paragraphs (including extempore motions), except by a resolution by the shareholders' meeting. If the chair declares the meeting adjourned in violation of the rules of procedure, the other members of the Board of Directors shall promptly assist the attending shareholders in electing a new chair in accordance with statutory procedures, by agreement of a majority of the votes represented by the attending shareholders to continue the meeting.

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

Article 11: Speeches by shareholders

Before speaking, an attending shareholder shall specify on a speaker's slip the subject of the speech, their shareholder account number (or attendance card number), and account name. The order in which shareholders speak will be set by the chair.

A shareholder in attendance who has submitted a speaker's slip but does not actually speak shall be



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deemed to have not spoken. When the content of the speech is not in alignment with the subject on the speaker's slip, the spoken content shall prevail.

Except with the consent of the chair, a shareholder may not speak more than twice on the same proposal, and a single speech may not exceed 5 minutes; if the shareholder's speech violates the rules or exceeds the scope of the motion, the chair may have the shareholder stop the speech.

Attending shareholders may not interfere with the speaking shareholders without the Chairperson's consent and the speaking shareholders. The Chairperson will have the violating shareholders stopped.

When an institutional shareholder appoints two or more representatives to attend a shareholders' meeting, only one of the representatives so appointed may speak on the same proposal.

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

Article 12: Counting of voting shares and a recusal policy

Votes cast at shareholders' meetings shall be calculated based on numbers of shares.

With respect to resolutions by a shareholders' meeting, the number of shares held by a shareholder without voting rights shall not be calculated as part of the total number of outstanding shares.

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

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

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

Article 13: (Methods for voting, scrutineering, and vote counting)

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

When the Company holds a shareholders' meeting, it shall adopt the exercise of voting rights by electronic means and may adopt the exercise of voting rights by correspondence. When voting rights are exercised by correspondence or electronic means, the method of exercise shall be specified in the shareholders' meeting notice.

A shareholder's exercise of voting rights by correspondence or electronic means will be deemed to have attended the meeting in person, but to have waived their rights with respect to the extempore motions and amendments to original proposals of that meeting; it is therefore advisable that the Company avoid the submission of extempore motions and amendments to original proposals.

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



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intent.

In case a shareholder who has exercised his/her/its voting power in writing or by way of electronic transmission intends to attend the shareholders' meeting in person, he/she/it shall, two days prior to the meeting date of the scheduled shareholders' meeting and in the same manner previously used in exercising his/her/its voting power, serve a separate declaration of intention to rescind his/her/its previous declaration of intention made in exercising the voting power under the preceding Paragraph Two. In the absence of a timely rescission of the previous declaration of intention, the voting power exercised in writing or by way of electronic transmission shall prevail. If the shareholder exercises the voting right in writing or by electronic means and appoints a proxy with a proxy form to attend the shareholders' meeting, the voting right exercised by the attending proxy at the meeting shall prevail.

Except as otherwise provided in the Company Act and in the Company's Articles of Incorporation, the passage of a proposal shall require an affirmative vote of a majority of the voting rights represented by the attending shareholders. At the time of a vote, for each proposal, the chair or a person designated by the chair shall first announce the total number of voting rights represented by the attending shareholders, followed by a vote by the shareholders. After the public offering of the Company's shares, at the conclusion of the meeting, on the same day it is held, the results for each proposal, based on the numbers of votes for and against and the number of abstentions, shall be entered on the MOPS.

When there is an amendment or an alternative to a proposal, the chair shall present the amended or alternative proposal together with the original proposal and decide the order in which they will be put to a vote. When any one among them is passed, the other proposals will then be deemed rejected and no further voting shall be required.

Scrutineers and vote counting personnel for the voting on proposals shall be appointed by the chair, provided all scrutineers be shareholders of the Company.

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

Article 14: Elections

The election of directors at a shareholders' meeting shall be held in accordance with the applicable election and appointment rules adopted by the Company, and the voting results shall be announced on-site immediately, including the names of those elected as directors and those who lost the election and the numbers of votes each candidate won.

The ballots for the election referred to in the preceding paragraph shall be sealed with the signatures of the scrutineers and kept in proper custody for at least one year. If, however, a shareholder files a lawsuit pursuant to Article 189 of the Company Act, the recording shall be retained until the conclusion of the litigation.

Article 15: Meeting minutes and documents to be signed

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

The Company may distribute the meeting minutes of the preceding paragraph by a public announcement through the Market Observation Post System



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

Article 16 Public announcement

On the day of a shareholders' meeting, the Company should compile in the prescribed format a statistical statement of the number of shares obtained by solicitors and the number of shares represented by proxies, and shall make an express disclosure in the shareholders' meeting.

If any resolutions by the shareholders' meeting are material information as stipulated by laws and regulations or Taiwan Stock Exchange Corporation (or Taipei Exchange), the Company shall upload the content to the designated information reporting system on the Internet prior to a deadline.

Article 17 Maintenance of the order of the venue

Staff handling administrative affairs of a shareholders' meeting shall wear an identification badge or an armband.

The chair may direct the proctors or security personnel to help maintain order at the meeting place. When proctors or security personnel help maintain order at the meeting place, they shall wear an identification badge or an armband, reading "Proctor."

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

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

Article 18 Recess and resumption of a shareholders' meeting

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

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

A resolution may be adopted at a shareholders' meeting to defer or resume the meeting within five days in accordance with Article 182 of the Company Act.

Article 19 These Rules and all amendments thereto shall be enforced upon approval by a shareholders' meeting.

Articles of Incorporation of Drewloong Precision, Inc.

Chapter 1 General Provisions

Article 1: The Company shall be organized under the provisions of the Company Act and shall be known as Drewloong Precision, Inc.

Article 2: The business activities of the Company are as follows:

1. CD01060 Aircraft and Parts Manufacturing
2. CD01010 Ships and Parts Manufacturing
3. CD01990 Other Transport Equipment and Parts Manufacturing
4. CQ01010 Mold and Die Manufacturing
5. F114070 Wholesale of Aircraft and Component Parts Thereof
6. F114990 Wholesale of Other Traffic Means of Transport and Component Parts Thereof
7. ZZ99999 All business items that are not prohibited or restricted by law, except those that are subject to special approval.

Article 3: The Company may provide external guarantees for business purposes in accordance with the Company's procedures for endorsement and guarantee .

Article 4: The Company shall establish its head office in Kaohsiung City and, if necessary, establish domestic and foreign branches by resolution of the Board of Directors .

Article 5: The Company's announcement shall be conducted in accordance with the Company Act and other relevant laws and regulations.

Chapter 2 Shares

Article 6: The Company's total capital is NT\$0.6 billion, which is divided into 60 million shares with a par value of NT\$10 per share, and the Board of Directors is authorized to issue unissued shares in tranches.

Of the capital under the preceding paragraph, an amount of NT\$50 million is reserved for the issuance of employee stock options for a total of 5 million shares with a par value of NT\$10 per share, and the Board of Directors is authorized to issue them in tranches in accordance with the actual needs.

Article 7: The Company may issue the shares without printing the stocks, but the shares should be registered with the centralized securities depository institution.

Changes in the shareholders' roster shall be made in accordance with Article 165 of the Company Act.

Article 8: The targets for transfer of repurchased shares transfer, targets for issuance of employee stock options, targets for subscription of new shares for employees, and targets for issuance of new employee restricted stocks in accordance with the Company Act may include employees of the controlling or subordinate companies who meet certain criteria. The Board of Directors is authorized to resolve the terms and conditions and the method of distribution.

Chapter 3 Shareholders' Meetings

Article 9: There are two types of shareholders' meetings: regular meetings and extraordinary meetings. Regular meetings are held at least once a year and are convened by the Board of Directors within six months after the end of each fiscal year in accordance with the law. An extraordinary meeting can be convened according to the law when necessary.

The procedures for convening and announcing shareholders' meetings shall be in accordance with Article 172 of the Company Act.

Article 10: If the shareholders' meeting is convened by the Board of Directors, the Chairperson shall be the Chair. If the Chairperson is absent from work or unable to exercise his or her duties for any reason, his or her acting person shall be governed by Article 208 of the Company Act.

Article 11: A shareholder who cannot attend the shareholders' meeting for reasons may have the proxy form of the company issued with the scope of authorization detailed and signed or sealed for the proxy to attend the meeting instead

In addition to the relevant provisions of the Company Act, the "Regulations Governing the Use of Proxies for Attendance at Shareholder Meetings of Public Companies" issued by the competent authorities should be followed for the use of the proxy form and proxy attendance of shareholders' meetings.

Article 12: Each shareholder of the Company shall have one voting right per share, except for those shares subject to restrictions or not entitled to voting rights under the Company Act.

Article 13: Resolutions at a shareholders' meeting shall, unless otherwise provided for in the Company Act, be adopted by a majority vote of the shareholders present, who represent more than one-half of the total number of voting shares.

The resolutions of the shareholders' meeting shall be recorded in the minutes of the meeting and shall be conducted in accordance with Article 183 of the Company Act.

When the Company convenes a shareholders' meeting, electronic means shall be included as one of the channels for exercising voting rights.

Article 14: If the Company wishes to cancel the public offering of shares, it shall handle such matter in accordance with Article 156-2 of the Company Act.

Chapter 4 Directors and the Audit Committee

Article 15: The Company shall have seven to nine directors who are elected for a three-year term and are eligible for re-election.

Of the total number of directors mentioned above, the number of independent directors shall not be less than three and shall not be less than one-fifth of the total number of directors. The professional qualifications, shareholdings, restrictions on concurrent employment, determination of independence, nomination and election of independent directors and other matters to be complied with shall be governed by the relevant securities laws and regulations.

The election of directors of the Company shall be conducted in accordance with Article 198 of the Company Act. Independent directors and non-independent directors shall be nominated separately but elected together and the number of elected seats should be counted separately.

The election of directors is based on the candidate nomination system, and the shareholders' meeting shall elect the directors from a list of candidates in accordance with the provisions of Article 192-1 of the Company Act.

Article 16: The Board of Directors shall be organized by the directors. The Chairperson shall be elected by more than half of the directors present at a board meeting attended by at least two-thirds of all directors from among themselves. The Chairperson shall represent the Company externally.

Unless otherwise provided in the Company Act, the Board of Directors' meetings shall be convened by the Chairperson at least quarterly, and the reason for convening the meetings should be stated with notice to the directors seven days in advance. However, the Board of Directors' meetings may be convened at any time in case of emergency. Notice of the Board of Directors' meetings may be given in writing, by facsimile or electronic means.

Article 17: 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.

Matters relating to the resolutions by a board meeting shall be recorded in the meeting minutes. The meeting minutes shall be signed or sealed by the chair of the meeting and a copy distributed to each director within 20 days after the conclusion of the meeting. The preparation and distribution of the minutes of shareholders' meeting as required in the preceding Paragraph may be effected by means of electronic transmission.

Article 18: The Chairperson should be the Chair of board meetings. If the Chairperson is absent from work or unable to exercise his or her duties for any reason, his or her acting person shall be governed by Article 208 of the Company Act.

Each director shall attend the board meeting in person. If a director is unable to attend the meeting for any reason, they may entrust another director to attend as proxy in accordance with Article 205 of the Company Act. A director may accept the appointment to act as the proxy referred to in the preceding Paragraph of one other director only.

A board meeting may be held by video conference, and directors who participate in the meeting by video conference shall be deemed to have attended the meeting in person.

Independent directors may appoint proxies to attend board meetings, and the proxies appointed to attend the board meetings must be independent directors. Regular directors may not be proxies for independent directors.

Article 19: The remuneration of the Company's directors is authorized to be determined by the Board of Directors based on the extent of the directors' participation in the Company's operations and the value of their contributions, and with reference to the industry standards.

The remuneration of independent directors is authorized to be determined by the Board of Directors with reference to the industry standards. However, independent directors shall not participate in the distribution of profit-sharing remuneration for directors.

Article 20: The Company is required by law to purchase liability insurance for directors during their term of office in respect of their legal liability for the performance of their business, and the amount and coverage of such insurance is authorized to be determined by the Board of Directors and reported to the Board of Directors at its next meeting.

Article 21: The Company has established an audit committee consisting of all independent directors in accordance with the Securities and Exchange Act. The authorities and responsibilities of the Audit Committee and other matters to be followed shall be in accordance with the provisions of the Company Act, the Securities and Exchange Act and other relevant laws and regulations and the Company's Articles of Incorporation.

Chapter 5 Managerial officers

Article 22: The Company may have several managerial officers in place. Their appointment, dismissal, and remuneration shall be handled in accordance with Article 29 of the Company Act.

Chapter 6 Accounting

Article 23: The Board of Directors at the end of each fiscal year shall prepare the following reports for the ratification of the shareholders' meeting in accordance with the law.

1. Business report.
2. Financial statements.
3. Earnings distribution or losses make-up proposal.

Article 24: If the Company has surplus earnings in a year as concluded by the year-end accounting close, the Company shall first pay taxes, make up for past losses, and then set aside 10% as the Company's legal reserve, except when the legal reserve has reached the total capital. Then the Company shall set aside or reverse special in accordance with the law, after which, the remaining earnings together with the undistributed earnings at the beginning of the period are consolidated into the accumulated distributable earnings, which shall be the basis for the Board of Directors to make a proposal for earnings distribution to the shareholders.

The Company's dividend policy is based on its current and future development plans, taking into account the investment environment, capital requirements, domestic and international competition, and the interests of shareholders to distribute dividends to shareholders at a rate of no less than 10% of the distributable earnings newly generated each year, in cash or in stock, with cash dividends of not less than 10% of the total dividends distributed.

Article 25: The Company shall appropriate 1% to 10% as profit-sharing remuneration for employees and not more than 3% as profit-sharing remuneration for directors based on the Company's profitability for the year, provided that the Company shall first make up for any losses.

Profit-sharing remuneration for employees may be made in stock or cash and may be made to employees of controlling or subordinate companies who meet certain criteria, the terms and distribution method of which are authorized to be determined by the Board of Directors. Profit-sharing remuneration for directors can only be paid in cash.

The profitability for the year mentioned in Paragraph 1 refers to the profit before tax before distribution of profit-sharing remuneration for employees remuneration and profit-sharing remuneration for directors.

The distribution of profit-sharing remuneration for employees and profit-sharing remuneration for directors shall be resolved by the Board of Directors, with the presence of two-thirds of the directors and the approval of a majority of the

directors present, and reported to the shareholders' meeting.

Chapter 7 Supplementary Provisions

- Article 26: The total amount of the Company's investments in other businesses shall not be subject to the restriction of Article 13 of the Company Act that the total amount of the Company's investments in other businesses shall not exceed 40% of the paid-in capital.
- Article 27: Matters not provided for in these Articles of Incorporation shall be governed by the Company Act and other relevant laws and regulations.
- Article 28: These Articles of Incorporation were established on July 5, 1990.
The 1st amendments were made on May 18, 1999.
The 2nd amendments were made on December 6, 2000.
The 3rd amendments were made on March 15, 2001.
The 4th amendments were made on June 1, 2001.
The 5th amendments were made on September 10, 2001.
The 6th amendments were made on June 30, 2002.
The 7th amendments were made on April 6, 2005.
The 8th amendments were made on March 28, 2006.
The 9th amendments were made on March 21, 2007.
The 10th amendments were made on January 12, 2009.
The 11th amendments were made on May 12, 2009.
The 12th amendments were made on May 16, 2011.
The 13th amendments were made on December 25, 2013
The 14th amendments were made on December 23, 2014
The 15th amendments were made on June 15, 2016.
The 16th amendments were made on December 18, 2017
The 17th amendments were made on July 26, 2018.
The 18th amendments were made on July 27, 2021.



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General Provisions

- Article 1 Drewloong Precision, Inc. (hereinafter referred to as the Company), in order to fulfill its corporate social responsibility and to achieve the goal of sustainable development, has established the Company's Sustainable Development Best Practice Principles to manage its economic, environmental and social risks and impacts.
- Article 2 The scope of the Principles includes the overall operational activities of the Company and its group enterprises. While engaging in business operations, the Company actively practices Sustainable Development to meet international development trends, and through corporate citizenship, to enhance national economic contributions, improve the quality of life of employees, communities and society, and promote competitive advantages based on sustainable development.
- Article 3 We promote sustainable development, pay attention to the interests of our stakeholders, and incorporate environmental, social, and corporate governance factors into our corporate management policies and operations while pursuing sustainable management and profitability.
The Company shall conduct risk assessments of environmental, social, and corporate governance issues related to company operations as per the principle of materiality, and formulated relevant risk management policies or strategies.
- Article 4 The Company's approach to sustainable development is divided into the following levels:
- I. Implement corporate governance.
 - II. Develop a sustainable environment.
 - III. Protect social welfare.
 - IV. Strengthen the disclosure of information on sustainable corporate development.
- Article 5 The Company shall make reference to the development trends of domestic and international sustainability issues, the relevance of its core business, and the impact of the Company's and its group companies' overall operation activities on stakeholders, etc., and formulate sustainable development policies, systems or related management policies and specific promotion plans, and submit reports to the Board of Directors, and report the relevant performance to the Board of Directors and the shareholders' meetings.
The Board of Directors of the Company shall consider and include in the shareholders' meeting any proposals from shareholders related to sustainable development.

Chapter 1 Implement corporate governance

- Article 6 The Company follows the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies, the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies, and the Guidelines for the Adoption of Codes of Ethical Conduct for TWSE/GTSM Listed Companies to establish an effective governance structure and related ethical standards to refine corporate governance.
- Article 7 The Board of Directors of the Company shall exercise due care and diligence in supervising the implementation of sustainable development, and shall review the effectiveness of its implementation and continuous improvement from time to time to ensure the enforcement of sustainable development. The Company's Board of Directors shall include the following matters when promoting sustainable development goals:
- I. The dedicated (part-time) unit promoting sustainable development shall propose a mission or vision for sustainable development to the Board of Directors and formulate policies, systems or related management guidelines for sustainable development, and the specific promotion plan for sustainable development shall be approved by the Board of Directors.
 - II. Ensure that information related to sustainable development is disclosed in a timely and accurate manner.



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III. The Board of Directors shall authorize senior management to handle economic, environmental and social issues arising from the Company's operations, and report to the Board of Directors on the handling of such issues. The operating process and who is responsible shall be specific and clear.

Article 8 The Company shall regularly conduct education and training to promote sustainable development, including the promotion of the matters mentioned in Paragraph 2 of the preceding article.

Article 9 In order to improve the management of sustainable development, the Company establishes a governance structure for promoting sustainable development and sets up a special (part-time) unit for promoting sustainable development, which is responsible for proposing and implementing sustainable development policies, systems or related management guidelines and specific promotion plans, and reports to the Board of Directors.

The Company has established a reasonable remuneration policy to ensure that remuneration planning is in line with the strategic objectives of the organization and the interests of stakeholders.

The employee performance appraisal system should be integrated with the sustainable development policy, and a clear and effective reward and disciplinary system should be established.

Article 10 The Company respects the rights of its stakeholders, identifies its stakeholders, and sets up a stakeholder area on the Company's website; understands the reasonable expectations and needs of its stakeholders through appropriate communication, and responds appropriately to their concerns about important sustainability issues.

Chapter 2 Develop a sustainable environment

Article 11 The Company shall comply with environmental-related laws and regulations and relevant international standards and regulations, protect the natural environment appropriately, and strive to achieve the goal of environmental sustainability in the execution of operational activities and internal management.

Article 12 We committed to improving the energy use efficiency and adopting recycled materials with low impact on the environment, so that the earth's resources can be used sustainably.

Article 13 The Company shall establish an appropriate environmental management system in accordance with the characteristics of the industry, which includes the following items:

- I. Collect and evaluate sufficient and timely information on the impact of operation activities on the natural environment.
- II. Establish measurable environmental sustainability goals and regularly review the sustainability and relevance of their development.
- III. Formulate specific plans or action plans and other implementation measures, and review their effectiveness on a regular basis.

Article 14 The Company shall establish a dedicated unit or appoint personnel for environmental management to prepare, promote and maintain relevant environmental management systems and specific action plans, and hold environmental education courses for management and employees on a regular basis.

Article 15 The Company shall consider the impact of its operations on ecological benefits, promote and advocate the concept of sustainable consumption, and engage in operational activities such as research and development, procurement, production, operations and services in accordance with the following principles in order to reduce the impact of its operations on the natural environment and human beings:

- I. Reduce the consumption of resources and energy for products and services.
- II. Reduce the emission of pollutants, toxic substances and waste, and to properly dispose of the waste.



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- III. Improve the recyclability and reuse of raw materials or products.
- IV. Make renewable resources to achieve the maximum sustainable use.
- V. Extend the durability of products.
- VI. Increase the performance of products and services.

Article 16 In order to improve the efficiency of water resources, the Company shall make proper and sustainable use of water resources. The Company shall avoid polluting water, air and land in its operations; if this is not possible, the Company shall make its best efforts to reduce the adverse effects on human health and the environment and implement the best feasible pollution prevention and control technologies, taking into account cost-effectiveness and technical and financial feasibility.

Article 17 The Company shall assess its current and future potential risks and opportunities of climate change and taken countermeasures against climate-related issues.

The Company adopts domestic and foreign common standards or guidelines to perform corporate greenhouse gas inventory and to disclose the following scopes:

- I. Direct greenhouse gas emissions: greenhouse gas emission sources owned or controlled by the company.
- II. Indirect greenhouse gas emissions: input power, heat or steam and other energy use generated by the.
- III. Other indirect emissions: the company's activities generated by emissions, not indirect emissions of energy, but from sources owned or controlled by other companies.

The Company shall compile statistics on greenhouse gas emissions, water consumption and total weight of waste, and formulate policies for energy conservation and carbon reduction, greenhouse gas reduction, reduction of water consumption or other waste management, and incorporate the acquisition of carbon rights into the Company's carbon reduction strategy planning, and promote them accordingly, in order to reduce the impact of the Company's operating activities on climate change.

Chapter 3 Protect social welfare

Article 18 The Company complies with relevant laws and regulations and international human rights conventions to protect gender equality, the right to work, and the prohibition of discrimination. Establish appropriate management policies and procedures to fulfill the responsibility of protecting human rights, which include

- I. Propose corporate human rights policies or statements.
- II. Evaluate the impact of the company's operational activities and internal management on human rights, and establishing corresponding procedures.
- III. Periodically review the effectiveness of corporate human rights policies or statements.
- IV. When human rights violations are involved, disclose the procedures for dealing with the interested parties involved.

The Company follows internationally recognized labor human rights, such as freedom of association, the right to collective bargaining, care for the disadvantaged, prohibition of child labor, elimination of all forms of forced labor, elimination of employment and employment discrimination, etc. The Company also recognizes that its human resources policies do not discriminate on the basis of gender, race, socio-economic class, age, marital status, or family status, and that they provide equal opportunities for employment, employment conditions, compensation, benefits, training, evaluation, and promotion.

The Company provides an effective and appropriate complaint mechanism to ensure the equality and transparency of the complaint process in the event that labor rights and interests are compromised. The complaint channel shall be simple, convenient, and accessible, and shall respond appropriately to employee complaints.

Article 19 The Company shall provide employees with information on labor laws and their rights in the countries in which it operates.



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Article 20 The Company shall provide a safe and healthy working environment for its employees, including the provision of necessary health and first aid facilities, and shall endeavor to reduce the hazards to employee safety and health in order to prevent occupational disasters. The Company shall provide regular safety and health education and training to employees.

Article 21 The Company creates a good environment for the career development of employees and establishes an effective career development training program. The Company establishes and implements reasonable employee benefit measures (including salary, vacation and other benefits, etc.) and appropriately reflects operational performance or results in employee compensation to ensure the recruitment, retention and encouragement of human resources and to achieve the goal of sustainable operations.

Article 22 The Company establishes a regular communication and dialogue channel for employees to have the right to obtain information and express their opinions on the Company's management activities and decisions. The Company respects the right of employee representatives to exercise consultation regarding working conditions and provides employees with the necessary information and hardware facilities to facilitate consultation and cooperation between the management and employees and employee representatives. The Company provides reasonable notice of operational changes that may have a significant impact on employees.

Article 23 The Company shall treat customers or consumers of its products or services in a fair and reasonable manner, including the principles of fairness and honesty in contracting, duty of care and fidelity, truthfulness in advertising, suitability of goods or services, information and disclosure, fairness in remuneration and performance, complaint protection, and professionalism of business personnel, and shall establish relevant implementation strategies and specific measures.

Article 24 The Company shall be responsible for its products and services and attach importance to marketing ethics. The company's research and development, procurement, production, operation and service processes shall ensure the transparency and security of product and service information, develop and disclose its consumer rights policy, and implement it in its operations to prevent products or services from harming consumer rights, health and safety.

Article 25 The Company shall ensure the quality of products and services in accordance with governmental regulations and relevant regulations of the industry. The Company complies with relevant laws and regulations and international standards regarding the health and safety of customers, customer privacy, marketing and labeling of products and services, and shall not deceive, mislead, defraud or any other acts that undermine consumer trust or harm consumer rights.

Article 26 The Company shall assess and manage the various risks that may cause business interruption and reduce their impact on consumers and society.

Article 27 The Company evaluates the environmental and social impacts of its procurement practices on the communities from which it supplies, and cooperates with its suppliers to jointly strive to implement corporate social responsibility. The Company shall establish a supplier management policy requiring suppliers to follow relevant regulations on issues such as environmental protection, occupational safety and health, or labor and human rights, and shall evaluate whether its suppliers have a record of environmental and social impacts before engaging in business transactions, and shall avoid transactions with those whose corporate social responsibility policies are in conflict. When the Company enters into a contract with a major supplier, the contract includes provisions for compliance with the CSR policies of both parties and for the supplier to terminate or cancel the contract at any time if the supplier is involved in a violation of the policy that has a significant impact on the environment and society in the community from which the supply is made.



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Article 28 The Company shall assess the impact of the Company's operations on the community and appropriately employ manpower in the communities where the Company operates in order to promote community recognition. The Company engages in community development and community education through commercial activities, in-kind donations, corporate volunteer services or other pro bono professional services related to civic organizations, charitable and philanthropic organizations and local government agencies to promote community development.

Chapter 4 Strengthen the disclosure of information on sustainable corporate development

Article 29 The Company shall disclose information in accordance with relevant laws and regulations and the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies, and shall fully disclose relevant and reliable information related to Sustainable Development in order to enhance information transparency. The following information about sustainable development is disclosed:

- I. The sustainable development policies, systems or related management policies and specific promotion plans as approved by the Board of Directors.
- II. The risks and effects on the Company's operations and financial condition arising from the implementation of factors such as promoting corporate governance, developing a sustainable environment and safeguarding social welfare.
- III. The company's performance objectives, measures and performance in implementing sustainable development.
- IV. Key stakeholders and the issues of concerns to them.
- V. Disclosure of information on the management and performance of major environmental and social issues by major suppliers.
- VI. Other information on sustainable development.

Article 30 The Company shall prepare Sustainable Reports using internationally recognized standards or guidelines to disclose the promotion of sustainable development and obtain third-party assurance or guarantee to enhance the reliability of the information.

The contents include:

- I. The implementation of the sustainable development policies, systems or related management policies and specific promotion plans.
- II. Key stakeholders and the issues of concerns to them.
- III. The Company's performance and review of the implementation of corporate governance, developing a sustainable environment, safeguarding social welfare and promoting economic development.
- IV. Future improvement direction and goals.

Chapter 5 Supplementary Provisions

Article 31 The Company shall pay attention to the development of domestic and overseas sustainable development related standards and changes in the corporate environment at all times, and review and improve the sustainable development system established by the Company to enhance the effectiveness of promoting sustainable development.

Article 32 The Company's Sustainable Development Best Practice Principles and all amendments thereto shall be enforced upon approval by the Board of Directors and reported to the shareholders' meeting.

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Title	Procedures for the Acquisition and Disposal of Assets	Date	06/15/2022

Article 1 Purpose

In order to protect assets and implement information disclosure, these Procedures are hereby established.

Article 2 Legal basis

These Procedures are established in accordance with the "Regulations Governing the Acquisition and Disposal of Assets by Public Companies". Matters not covered in these Procedures shall be handled in accordance with the provisions of the relevant laws and regulations.

Article 3 The scope of assets

- I. Investments in stocks, government bonds, corporate bonds, financial bonds, securities representing interest in a fund, depositary receipts, call (put) warrants, beneficial interest securities, and asset-backed securities.
- II. Real property (including land, houses and buildings, investment property, and construction enterprise inventory) and equipment.
- III. Memberships.
- IV. Patents, copyrights, trademarks, franchise rights, and other intangible assets.
- V. Right-of-use assets.
- VI. Claims of financial institutions (including receivables, bills purchased and discounted, loans, and overdue receivables).
- VII. Derivatives.
- VIII. Assets acquired or disposed of in connection with mergers, demergers, acquisitions, or transfer of shares in accordance with law.
- IX. Other major assets.

Article 4 Terminology

- I. Derivatives: Forward contracts, options contracts, futures contracts, leverage contracts, or swap contracts, whose value is derived from a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable; or hybrid contracts combining the above contracts; or hybrid contracts or structured products containing embedded derivatives. The term "forward contracts" does not include insurance contracts, performance contracts, after-sales service contracts, long-term leasing contracts, or long-term purchase (sales) contracts.
- II. Assets acquired or disposed through mergers, demergers, acquisitions, or transfer of shares in accordance with law: Refers to assets acquired or disposed through mergers, demergers, or acquisitions conducted under the Business Mergers and Acquisitions Act, Financial Holding Company Act, Financial Institutions Merger Act and other acts, or to transfer of shares from another company through issuance of new shares of its own as the consideration therefor (hereinafter "transfer of shares") under Article 156-3 of the Company Act.
- III. Related party or subsidiary: As defined in the Regulations Governing the Preparation of Financial Reports by Securities Issuers.
- IV. Professional appraiser: Refers to a real property appraiser or other person duly authorized by law to engage in the value appraisal of real property or equipment.
- V. Date of occurrence of the fact: The earlier of the date of contract signing, the date of payment, the date of settlement of the transaction, the date of ownership transfer, the date of resolution of the Board of Directors, or any other date that is sufficient to determine the counterparty and the amount of the transaction. However, for investors subject to the approval of the competent authority, it should be the earlier of the preceding dates or the date of receipt of approval from the competent authority.
- VI. Mainland China area investment: Refers to investments in the mainland China area approved by the Ministry of Economic Affairs Investment Commission or conducted in accordance with the provisions

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of the Regulations Governing Permission for Investment or Technical Cooperation in the Mainland Area.

Article 5 Limits for investments in real property not for business use and marketable securities

The limits for the above-mentioned assets acquired by the Company and its subsidiaries are as follows:

- I. The total amount of real property not for business use shall not exceed 30% of the Company's net worth on the financial statements for the most recent period.
- II. The total amount of investments in long-term and short-term securities shall not exceed 60% of the Company's net worth on the financial statements for the most recent period.
- III. The total amount of real property not for business use shall not exceed 30% of the Company's net worth on the financial statements for the most recent period.

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

- I. May not have previously received a final and unappealable sentence to imprisonment for 1 year or longer for a violation of the Act, the Company Act, the Banking Act of The Republic of China, the Insurance Act, the Financial Holding Company Act, or the Business Entity Accounting Act, or for fraud, breach of trust, embezzlement, forgery of documents, or occupational crime. However, this provision does not apply if 3 years have already passed since completion of service of the sentence, since expiration of the period of a suspended sentence, or since a pardon was received.
- II. May not be a related party or de facto related party of any party to the transaction.
- III. If the company is required to obtain appraisal reports from two or more professional appraisers, the different professional appraisers or appraisal officers may not be related parties or de facto related parties of each other.

When issuing appraisal reports or opinions, the foregoing personnel shall follow the self-regulatory rules of the respective trade association to which they belong and the following requirements:

- I. Prior to accepting a case, they shall prudently assess their own professional capabilities, practical experience, and independence.
- II. When executing a case, they shall appropriately plan and execute adequate working procedures, in order to produce a conclusion and use the conclusion as the basis for issuing the report or opinion. The related working procedures, data collected, and conclusion shall be fully and accurately specified in the case working papers.
- III. They shall undertake an item-by-item evaluation of the appropriateness and reasonableness of the sources of data used, the parameters, and the information, as the basis for issuance of the appraisal report or the opinion.
- IV. They shall issue a statement attesting to the professional competence and independence of the personnel who prepared the report or opinion, and that they have evaluated and found that the information used is appropriate and reasonable, and that they have complied with applicable laws and regulations.

Article 7 Procedures for acquisition or disposal of real property or equipment

I. Evaluation and operating procedures

The Company's procedures for acquisition or disposal of real property and equipment shall be in accordance with the "Property, Plant and Equipment Cycle" of the Company's internal control system.

II. Procedures for determining transaction terms and authorization limits

- (I) For the acquisition or disposal of real property, the Company shall make reference to the announced current value, the assessed value, the actual transaction price of nearby real property, etc., and decide on the transaction terms and price, and prepare an analysis report and submit it to

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Chairperson. If the amount is less than NT\$30 million, it shall be approved along the approval hierarchy. by the Board of Directors at each level in accordance with the authorization method. If the amount exceeds NT\$30 million, it must be approved by the Board of Directors.

- (II) Equipment shall be acquired or disposed of by means of price inquiry, comparison, bargaining or tender, whichever is appropriate. If the amount is less than NT\$30 million (inclusive), it shall be approved along the approval hierarchy in accordance with the authorization method; if the amount exceeds NT\$30 million, it shall be approved by the Chairperson and submitted to the Board of Directors for approval.

III. Execution unit

When acquiring or disposing of real property or equipment, the Company shall get an approval in accordance with the preceding approval authority, and the user department and the administration department shall be responsible for its execution.

IV. Appraisal report of real property or equipment

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

- (I) Where due to special circumstances it is necessary to give a limited price, specified price, or special price as a reference basis for the transaction price, the transaction shall be submitted for approval in advance by the Board of Directors; the same procedure shall also be followed whenever there is any subsequent change to the terms and conditions of the transaction.
- (II) Where the transaction amount is NT\$1 billion or more, appraisals from two or more professional appraisers shall be obtained.
- (III) If the appraisal result of the professional appraiser meets one of the following circumstances, except that the appraisal result of an asset acquired is higher than the transaction amount or the appraisal result of an asset disposed of is lower than the transaction amount, a CPA shall be requested to express a specific opinion on the reasons for the difference and the fairness of the transaction price.
1. The discrepancy between the appraisal result and the transaction amount is 20 percent or more of the transaction amount.
 2. The discrepancy between the appraisal results of two or more professional appraisers is 10 percent or more of the transaction amount.
- (IV) The date of the professional appraiser's report is issued shall not be more than three months from the date of establishment of the contract. However, if the announced current value of the same period is applicable and is less than six months old, an opinion letter issued by the original professional appraiser shall suffice.
- (V) Where the Company acquires or disposes of assets through court auction procedures, the evidentiary documentation issued by the court may be substituted for the appraisal report or CPA opinion.

- V. For the transaction terms, price and authorization limit under the second and fourth paragraphs that should be approved by the Board of Directors' resolution, if any director expresses dissenting opinion and there is a record or written statement, the Company shall send the information of the director's dissenting opinion to the Audit Committee

Article 8 Procedures for acquisition or disposal of investments in marketable securities

I. Evaluation and operating procedures

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The purchase and sale of the Company's long-term and short-term marketable securities are handled in accordance with the investment cycle of the Company's internal control system.

II. Procedures for determining transaction terms and authorization limits

- (I) Marketable securities traded on the centralized trading market or at business premises of securities firms shall be determined by the responsible unit based on market conditions. If the amount is less than NT\$30 million (inclusive), it should be approved by the Chairperson and reported to the Board of Directors at the next Board of Directors meeting afterwards; if the amount exceeds NT\$30 million, it shall be submitted to the Board of Directors for approval before proceeding.
- (II) For marketable securities transactions that are not conducted in the centralized trading market or business premises of securities firms, the latest financial statements of the subject company audited and attested or reviewed by a CPA should be obtained before the date of occurrence of the fact as a reference for evaluating the transaction price, taking into account the net worth per share, profitability and future development potential, etc. If the amount is less than NT\$30 million (inclusive), it should be approved by the Chairperson and reported to the Board of Directors at the next Board of Directors meeting afterwards; if the amount exceeds NT\$30 million, it shall be submitted to the Board of Directors for approval before proceeding.

III. Execution unit

The Company's long- and short-term investments in securities shall be approved by the Board of Directors in accordance with the preceding approval authority and shall be executed by the finance and accounting unit.

IV. Obtaining expert opinions

- (I) The Company acquiring or disposing of securities shall, prior to the date of occurrence of the event, obtain financial statements of the issuing company for the most recent period, certified or reviewed by a certified public accountant, for reference in appraising the transaction price, and if the dollar amount of the transaction is 20 percent of the Company's paid-in capital or NT\$300 million or more, the Company shall additionally engage a certified public accountant prior to the date of occurrence of the event to provide an opinion regarding the reasonableness of the transaction price. This requirement does not apply, however, to publicly quoted prices of securities that have an active market, or where otherwise provided by regulations of the Financial Supervisory Commission (FSC).
- (II) Where the Company acquires or disposes of assets through court auction procedures, the evidentiary documentation issued by the court may be substituted for the appraisal report or CPA opinion.

- V. For the transaction terms, price and authorization limit under the second and fourth paragraphs that should be approved by the Board of Directors' resolution, if any director expresses dissenting opinion and there is a record or written statement, the Company shall send the information of the director's dissenting opinion to the Audit Committee.

Article 9 Procedures for related party transactions

- I. When the company engages in any acquisition or disposal of assets from or to a related party, in addition to the provisions of Articles 7 and 8, the following provisions should be followed and the reasonableness of the transaction terms is appraised, if the transaction amount exceeds 20 percent of the Company's paid-in capital, 10 percent of the company's total assets, or NT\$300 millions, the company shall also obtain an appraisal report from a professional appraiser or a CPA's opinion in compliance with the provisions of the preceding article.

The calculation of the transaction amount referred to in the preceding paragraph shall be made in accordance with Article 11 herein.

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

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II. Evaluation and operating procedures

For the acquisition and disposal of property or use-of-right assets with the related party, or the acquisition and disposal of assets other than the property or right-of-right assets for an amount exceeding 20% of the Company's paid-in capital, 10% of the total assets, or NT\$300 million, except for the trade of domestic bonds, R/P and R/S bonds, subscription, or R/P of monetary fund issued by domestic securities investment trusts industry, the following information should be submitted to the Audit Committee for approval and to the Board of Directors for resolution before having the trade contract signed and payment made.

- (I) The purpose, necessity, and expected benefits for the acquisition and disposal of assets;
- (II) The reason for having the related party selected as the counterparty;
- (III) The relevant information used to assess the reasonableness of the trade conditions related to the acquisition and disposal of property and use-of-right assets with the related party according to the provisions of Paragraph 3 of this Article.
- (IV) The original acquisition date and price of the related party, the counterparty, and its relationship with the company and the related party;
- (V) The monthly cash receipts and payments forecast in the coming year starting from the contracting month, and assessing the necessity of the transaction and the rationality of the use of funds;
- (VI) The appraisal report issued by the professional appraiser or accountant's opinion obtained in accordance with the provisions stated in the preceding paragraph;
- (VII) The restrictions and other important agreed matters of this transaction;

The Board of Directors may, in accordance with Article 7, Section 2, authorize the Chairperson to decide on the acquisition or disposal of equipment for business use between the Company and its subsidiaries within a certain amount, and then submit the transaction to the most recent Board of Directors for ratification:

- (I) Acquisition or disposal of the equipment or its use-of-right assets for business operation;
- (II) Acquisition or disposal of the property or its use-of-right assets for business operation;

In addition, when such transaction is presented to the Board of Directors for discussion in accordance with Paragraph 2, the opinions of each independent director shall be fully considered at the discussion session of the board meeting. The clear consent or opposition and the reasons for an objection of the independent director shall be stated in the meeting minutes.

If the Company has any transaction under Paragraph 2 with a subsidiary and the transaction amount reaches 10% or more of the Company's total assets, the Company shall submit the information listed in the second paragraph to the shareholders' meeting for approval before signing the transaction contract and making the payment. Except for transactions between the Company and its subsidiaries, or between subsidiaries.

The calculation of the transaction amount stated in the second paragraph and the preceding paragraph should be handled in accordance with Subparagraph 7, Paragraph 1 of Article 15, and the so-called "within one year" should be retroactively calculated for one year based on the date of occurrence. Transactions that have been submitted and approved by the shareholders' meeting, the Board of Directors and the Audit Committee in accordance with the provisions of the "Procedures" are exempted from being incorporated into the retroactive calculation.

III. Evaluation of the reasonableness of transaction costs

- (I) The Company when acquiring real property or right-of-use assets thereof from a related party shall evaluate the reasonableness of the transaction costs by the following means:
 1. Based upon the related party's transaction price plus necessary interest on funding and the

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costs to be duly borne by the buyer. "Necessary interest on funding" is imputed as the weighted average interest rate on borrowing in the year the company purchases the property; provided, it may not be higher than the maximum non-financial industry lending rate announced by the Ministry of Finance.

2. Total loan value appraisal from a financial institution where the related party has previously created a mortgage on the property as security for a loan; provided, the actual cumulative amount loaned by the financial institution shall have been 70 percent or more of the financial institution's appraised loan value of the property and the period of the loan shall have been 1 year or more. However, this shall not apply where the financial institution is a related party of one of the transaction counterparties.
 - (II) Where land and structures thereupon are combined as a single property purchased or leased in one transaction, the transaction costs for the land and the structures may be separately appraised in accordance with either of the means listed in the preceding paragraph.
 - (III) The Company when acquiring real property or right-of-use assets thereof from a related party and appraises the cost of the real property or right-of-use assets thereof in accordance with the preceding two subparagraphs of this article shall also engage a CPA to check the appraisal and render a specific opinion.
 - (IV) Where the Company acquires real property thereof from a related party and the results of appraisals conducted in accordance with the Subparagraphs 1 and 2, Paragraph 3 of this Article are uniformly lower than the transaction price, shall be proceed in according with Subparagraph 5 of Paragraph 3. However, where the following circumstances exist, objective evidence has been submitted and specific opinions on reasonableness have been obtained from a professional real property appraiser and a CPA have been obtained, this restriction shall not apply:
 1. Where the related party acquired undeveloped land or leased land for development, it may submit proof of compliance with one of the following conditions:
 - (1) Where undeveloped land is appraised in accordance with the means in the preceding Article, and structures according to the related party's construction cost plus reasonable construction profit are valued in excess of the actual transaction price. The "Reasonable construction profit" shall be deemed the average gross operating profit margin of the related party's construction division over the most recent 3 years or the gross profit margin for the construction industry for the most recent period as announced by the Ministry of Finance, whichever is lower.
 - (2) Completed transactions by unrelated parties within the preceding year involving other floors of the same property or neighboring or closely valued parcels of land, where the land area and transaction terms are similar after calculation of reasonable price discrepancies in floor or area land prices in accordance with standard property market sale practices.
 2. When the Company acquiring real property, or obtaining real property right-of-use assets through leasing, from a related party provides evidence that the terms of the transaction are similar to the terms of completed transactions involving neighboring or closely valued parcels of land of a similar size by unrelated parties within the preceding year. Completed transactions involving neighboring or closely valued parcels of land mentioned above in principle refers to parcels on the same or an adjacent block and within a distance of no more than 500 meters or parcels close in publicly announced current value; transactions involving similarly sized parcels in principle refers to transactions completed by unrelated parties for parcels with a land area of no less than 50 percent of the property in the planned transaction; within the preceding year as mentioned above refers to the year preceding the date of occurrence of the acquisition of the real property or obtainment of the right-of-use assets thereof.
 - (V) Where the Company acquires real property or right-of-use assets thereof from a related party and the results of appraisals conducted in accordance with the Subparagraphs 1 and 2, Paragraph 3 of

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this Article are uniformly lower than the transaction price, the following steps shall be taken:

1. For the difference between the transaction price and assessed cost of the property and its use-of-right assets, a special reserve shall be appropriated by the Company in accordance with Paragraph 1 of Article 41 of the Securities and Exchange Act, and it shall not be distributed or capitalized with stock shares distributed. Where the Company uses the equity method to account for its investment in a public company, then the special reserve called for under Article 41, paragraph of this Act shall be set aside pro rata in a proportion consistent with the share of public company's equity stake in the other company.
2. The independent directors of the Audit Committee shall handle the matter in accordance with Article 218 of the Company Act.
3. The processes stated in the first 2 points in this article should be reported in the shareholders' meeting and the details of the transaction should be disclosed in the annual report and the prospectus.

The Company has set aside a special reserve as mentioned above and may not utilize the special reserve until it has recognized a loss on decline in market value of the assets it purchased or leased at a premium, or they have been disposed of, or the leasing contract has been terminated, or adequate compensation has been made, or the status quo ante has been restored, or there is other evidence confirming that there was nothing unreasonable about the transaction, and the Exchanges and Futures Institute has given its consent.

- (VI) If the Company acquires real property or right-of-use assets thereof from a related party under any of the following circumstances, the Company shall comply with the provisions of the first and second paragraphs of this Article regarding evaluation and operating procedures, and the provisions of (I), (II) and (III) of Paragraph 3 of this Article regarding the evaluation of the reasonableness of transaction costs shall not apply:
1. The related party acquired the real property or right-of-use assets thereof through inheritance or as a gift.
 2. More than 5 years will have elapsed from the time the related party signed the contract to obtain the real property or right-of-use assets thereof to the signing date for the current transaction.
 3. The real property is acquired through signing of a joint development contract with the related party, or through engaging a related party to build real property, either on the company's own land or on rented land.
 4. The real property right-of-use assets for business use are acquired by the Company with its parent or subsidiaries, or by its subsidiaries in which it directly or indirectly holds 100 percent of the issued shares or authorized capital.
- (VII) When the Company obtains real property or right-of-use assets thereof from a related party, it shall also comply with the Subparagraph 5, Paragraph 3 of this Article if there is other evidence indicating that the acquisition was not an arms length transaction.

Article 10 Procedures for acquisition or disposal of memberships or intangible assets

I. Evaluation and operating procedures

- (I) For the acquisition or disposal of memberships, the Company shall make reference to the fair market value, decide the transaction conditions and transaction price, and prepare an analysis report and submit it to Chairperson. If the amount is less than 1% of the paid-in capital or NT\$3 million, it shall be submitted to the Chairperson for approval. If the amount exceeds 1% of the paid-in capital or NT\$3 million, it must be submitted to the Board of Directors for approval before proceeding.
- (II) For the acquisition or disposal of intangible assets, the Company shall make reference to expert appraisal reports, the fair market value, decide the transaction conditions and transaction price,

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and prepare an analysis report and submit it to Chairperson. If the amount is less than 10% of the paid-in capital or NT\$30 million, it shall be submitted to the Chairperson for approval. If the amount exceeds 10% of the paid-in capital or NT\$30 million, it must be submitted to the Board of Directors for approval before proceeding.

II. Execution unit

When acquiring or disposing of memberships or intangible assets, the Company shall get an approval in accordance with the preceding approval authority, and the user department and the finance department or administration department shall be responsible for its execution.

III. Expert appraisal report of memberships or intangible assets

- (I) The Company shall request an appraisal report from an expert if the transaction amount of acquiring or disposing memberships reaches 5% of the paid-in capital or NT\$30 million or more.
- (II) The Company shall request an appraisal report from an expert if the transaction amount of acquiring or disposing intangible assets reaches 10% of the paid-in capital or NT\$30 million or more.
- (III) When the Company acquires or disposes of intangible assets or right-of-use assets thereof or memberships and the transaction amount reaches 20 percent or more of paid-in capital or NT\$300 million or more, except in transactions with a domestic government agency, the Company shall engage a certified public accountant prior to the date of occurrence of the event to render an opinion on the reasonableness of the transaction price.

Article 11 The calculation of the transaction amounts referred to in Articles 7, 8 and 10 shall be done in accordance with Subparagraph 7, Paragraph 1 of Article 15, and "within the preceding year" as used herein refers to the year preceding the date of occurrence of the current transaction. Items for which an appraisal report from a professional appraiser or a CPA's opinion has been obtained need not be counted toward the transaction amount.

Article 12 Procedures for acquisition or disposal of creditor's rights of financial institutions

In principle, the Company does not engage in transactions to acquire or dispose of the creditor's rights of financial institutions. If the Company wishes to engage in transactions to acquire or dispose of the creditor's rights of financial institutions in the future, the Company will submit the transaction to the Board of Directors for approval and then establish the evaluation and operating procedures.

Article 13 When the Company engages in derivative financial instruments, the Company shall follow the Company's "Procedures for Engagement in Derivative Transactions".

Article 14 Procedures for handling mergers, demergers, acquisitions or transfer of shares

I. Evaluation and operating procedures

- (I) When handling a merger, demerger, acquisition or transfer of shares, the Company shall appoint an attorney, CPA and securities underwriter to jointly discuss the estimated schedule of the statutory procedures and organize a project team to execute the procedures in accordance with the statutory procedures. The Company, prior to convening the Board of Directors to resolve on the matter, shall engage a CPA, attorney, or securities underwriter to give an opinion on the reasonableness of the share exchange ratio, acquisition price, or distribution of cash or other property to shareholders, and submit it to the Board of Directors for deliberation and passage. However, the requirement of obtaining an aforesaid opinion on reasonableness issued by an expert may be exempted in the case of a merger by the Company of a subsidiary in which it holds 100 percent of the issued shares or authorized capital, and in the case of a merger between subsidiaries in which the Company directly or indirectly holds 100 percent of the respective subsidiaries' issued shares or authorized capital.
- (II) The Company shall prepare a public report to shareholders detailing important contractual content and matters relevant to the merger, demerger, or acquisition prior to the shareholders meeting and include it along with the expert opinion referred to in Subparagraph 1 of this

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Article when sending shareholders notification of the shareholders meeting for reference in deciding whether to approve the merger, demerger, or acquisition. Provided, where a provision of another act exempts a company from convening a shareholders meeting to approve the merger, demerger, or acquisition, this restriction shall not apply. In addition, where the shareholders meeting of any one of the companies participating in a merger, demerger, or acquisition fails to convene or pass a resolution due to lack of a quorum, insufficient votes, or other legal restriction, or the proposal is rejected by the shareholders meeting, the companies participating in the merger, demerger or acquisition shall immediately publicly explain the reason, the follow-up measures, and the preliminary date of the next shareholders meeting.

II. Other matters that should be noted:

(I) Date of the board meeting

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

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

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

1. Basic identification data for personnel: Including job titles, names, and national ID numbers (or passport numbers in the case of foreign nationals) of all persons involved in the planning or implementation of any merger, demerger, acquisition, or transfer of another company's shares prior to disclosure of the information.
2. Dates of material events: Including the signing of any letter of intent or memorandum of understanding, the hiring of a financial or legal advisor, the execution of a contract, and the convening of a Board of Directors meeting.
3. Important documents and minutes: Including merger, demerger, acquisition, and share transfer plans, any letter of intent or memorandum of understanding, material contracts, and minutes of Board of Directors meetings.

When participating in a merger, demerger, acquisition, or transfer of another company's shares, a company that is listed on an exchange or has its shares traded on an OTC market shall, within 2 days counting inclusively from the date of passage of a resolution by the Board of Directors, report (in the prescribed format and via the Internet-based information system) the information set out in subparagraphs 1 and 2 of the preceding paragraph to the FSC for recordation.

Where any of the companies participating in a merger, demerger, acquisition, or transfer of another company's shares is neither listed on an exchange nor has its shares traded on an OTC market, the company(s) so listed or traded shall sign an agreement with such company whereby the latter is required to abide by the provisions of Items 3 and 4, Subparagraph 1 of Paragraph 2.

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

- (III) Principles for determining and changing the share exchange ratio or acquisition price: A

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company involved in a merger, demerger, acquisition, or transfer of shares, prior to the board meetings of the two parties to resolve on the matter, shall engage a CPA, attorney, or securities underwriter to give an opinion on the reasonableness of the share exchange ratio, acquisition price, or distribution of cash or other property to shareholders, and report it to the shareholders' meeting. The share exchange ratio or the acquisition price shall not be changed arbitrarily except for the following circumstances:

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

(IV) The contents that should be incorporated in the contract: In addition to the provisions of Article 317-1 of the Company Act and Article 22 of the Business Mergers and Acquisitions Act, the contract of a merger, demerger, acquisition or transfer of shares shall also state the following information:

1. Handling of breach of contract.
2. Principles for the handling of equity-type securities previously issued or treasury stock previously bought back by any company that is extinguished in a merger or that is demerged.
3. The amount of treasury stock participating companies are permitted under law to buy back after the record date of calculation of the share exchange ratio, and the principles for handling thereof.
4. The manner of handling changes in the number of participating entities or companies.
5. Preliminary progress schedule for plan execution, and anticipated completion date.
6. Scheduled date for convening the legally mandated shareholders meeting if the plan exceeds the deadline without completion, and relevant procedures.

(V) Changes in the number of companies participating in the merger, demerger, acquisition, or share transfer: If any company intends further to carry out a merger, demerger, acquisition, or share transfer with another company, all of the participating companies shall carry out anew the procedures or legal actions that had originally been completed toward the merger, demerger, acquisition, or share transfer; except that where the number of participating companies is decreased and a participating company's shareholders meeting has adopted a resolution authorizing the Board of Directors to alter the limits of authority, such participating company may be exempted from calling another shareholders meeting to resolve on the matter anew.

(VI) Where any of the companies participating in a merger, demerger, acquisition, or transfer of shares is not a public company, the Company shall sign an agreement with the non-public company whereby the latter is required to abide by the provisions of Subparagraphs 1, 2 and 5, Paragraph 2 of this Article.

Article 15 Procedures for public disclosure of information

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I. The items to be announced and reported and the standards for announcement and reporting

- (I) Acquisition or disposal of real property or right-of-use assets thereof from or to a related party, or acquisition or disposal of assets other than real property or right-of-use assets thereof from or to a related party where the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the company's total assets, or NT\$300 million or more; provided, this shall not apply to trading of domestic government bonds or bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by securities investment trust enterprises.
- (II) Merger, demerger, acquisition, or transfer of shares.
- (III) Losses from derivatives trading reaching the limits on aggregate losses or losses on individual contracts set out in the procedures adopted by the company.
- (IV) Where the asset type of the asset or right-of-use asset thereof acquired or disposed of is for business use, and furthermore the transaction counterparty is not a related party, and the transaction amount reaches NT\$500 million.
- (V) Where land is acquired under an arrangement on engaging others to build on the company's own land, engaging others to build on rented land, joint construction and allocation of housing units, joint construction and allocation of ownership percentages, or joint construction and separate sale, and furthermore the transaction counterparty is not a related party, and the amount the company expects to invest in the transaction reaches NT\$500 million.
- (VI) Where an asset transaction other than any of those referred to in the preceding 5 subparagraphs, a disposal of receivables by a financial institution, or an investment in the mainland China area reaches 20 percent or more of paid-in capital or NT\$300 million; Except for the following circumstances:
 1. Purchase and sale of domestic government bonds or foreign government bonds with credit ratings not lower than the sovereign rating of Taiwan.
 2. Trading of bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by securities investment trust enterprises.
- (VII) The above transaction amount is calculated as follows, and the "Within the preceding year" as used in the preceding paragraph refers to the year preceding the date of occurrence of the current transaction. Items duly announced in accordance with the regulations need not be counted toward the transaction amount.
 1. The amount of any individual transaction.
 2. The cumulative transaction amount of acquisitions and disposals of the same type of underlying asset with the same transaction counterparty within the preceding year.
 3. The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of real property or right-of-use assets thereof within the same development project within the preceding year.
 4. The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of the same security within the preceding year.

II. Time limit for making announcement and reporting

If the Company acquires or disposes of assets with the items to be announced as specified in the first paragraph of this Article and the transaction amount reaches the standards to be announced and reported in this Article, the Company shall make an announcement and report within two days from the date of occurrence of the fact.

III. Announcing and reporting procedures.

- (I) The Company shall announce and report the relevant information on the website designated by

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the Securities and Futures Institute.

- (II) The Company shall compile monthly reports on the status of derivatives trading engaged in up to the end of the preceding month by the Company and any subsidiaries that are not domestic public companies and enter the information in the prescribed format into the designated information reporting website by the 10th day of each month.
- (III) When the Company at the time of public announcement makes an error or omission in an item required by regulations to be publicly announced and so is required to correct it, all the items shall be again publicly announced and reported in their entirety within two days counting inclusively from the date of knowing of such error or omission.
- (IV) The Company acquiring or disposing of assets shall keep all relevant contracts, meeting minutes, log books, appraisal reports and CPA, attorney, and securities underwriter opinions at the Company, where they shall be retained for 5 years except where another act provides otherwise.
- (V) Where any of the following circumstances occurs with respect to a transaction that the Company has already publicly announced and reported in accordance with the preceding article, a public report of relevant information shall be made on the information reporting website designated by the FSC within 2 days counting inclusively from the date of occurrence of the event:
 1. Change, termination, or rescission of a contract signed in regard to the original transaction.
 2. The merger, demerger, acquisition, or transfer of shares is not completed by the scheduled date set forth in the contract.
 3. Change to the originally publicly announced and reported information.

Article 16 The subsidiaries of the Company shall be subject to the following regulations:

- I. The subsidiaries should establish the "Procedures for Acquisition or Disposal of Assets" in accordance with the "Regulations Governing the Acquisition and Disposal of Assets by Public Companies".
- II. When acquiring or disposing of assets, the subsidiaries shall also follow the provisions of the aforementioned procedures.
- III. If a subsidiary is not a public company, and the acquisition or disposal of assets reaches the standards for public announcement and reporting set forth in the "Regulations Governing the Acquisition and Disposal of Assets by Public Companies", the Company shall make the announcement and reporting on its behalf.
- IV. The announcement and reporting standards for subsidiaries that "reach 20% of the Company's paid-in capital or 10% of the Company's total assets" are based on the Company's paid-in capital or total assets.

Article 17 Penalties

The Company's managerial officers and related personnel shall be liable for damages for any violation of these Procedures that results in damage to the Company, and shall be jointly and severally liable with the Company for any violation that results in damage to others.

Any violation of these Procedures by the managerial officers and related personnel of the Company may be punished by way of admonition, minor demerit, major demerit, or demotion, depending on the seriousness of the case.

Article 18 Implementation and amendments

The Company's "Procedures for Acquisition or Disposal of Assets" and all amendments thereto shall be enforced upon approval by the Board of Directors and the shareholders' meeting. If a director expresses an objection with a record or written statement on file, the Company shall present the information of the

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director's objection to the Audit Committee.

When the "Procedures for Acquisition or Disposal of Assets" are presented to the Board of Directors for discussion, the opinions of each independent director shall be fully considered at the discussion session of the board meeting. The clear consent or opposition and the reasons for an objection of the independent director shall be stated in the meeting minutes.

Starting from the 11th Board of Directors of the Company, the establishment and amendments of the "Procedures for Acquisition or Disposal of Assets" shall be approved by at least one-half of all members of the Audit Committee before being submitted to the Board of Directors for resolution.

If the approval of one-half or more of all Audit Committee members as required in the preceding paragraph is not obtained, the Operational Procedures may be implemented if approved by two-thirds or more of all directors, and the resolution of the Audit Committee shall be recorded in the minutes of the Board of Directors meeting.

The terms "all audit committee members" in Paragraph 3 and "all directors" in the preceding paragraph shall be counted as the actual number of persons currently holding those positions.

Drewloong Precision, Inc. Shareholding of All Directors

- I. The paid-in capital of the Company is NT\$358,000,000 and the number of issued shares is 35,800,000.
- II. In accordance with Article 26 of the “Securities and Exchange Act” and the “Rules and Review Procedures for Director and Supervisor Share Ownership Ratios at Public Companies”, the Company has two or more independent directors and the minimum shareholding of all directors other than independent directors is reduced to 80%. Therefore, the minimum number of shares to be held by all directors of the Company is 3,600,000 shares.
- III. As of April 29, 2023, the date of suspension of stock transfer for the regular shareholders' meeting, the actual number of shares held by all directors of the Company was 7,259,543, and the shareholdings of individual directors were as follows:

Title	Name	Number of shares held recorded on the	
		Number of shares held	Shareholding
Chairperson	Hong Long Investment Co., Ltd. Representative: Kun-Sheng Wang	5,709,373	15.95%
Director	Sheng Shi Investment Co., Ltd. Representative: Hsuan-I Chen	1,464,153	4.09%
Director	Wen-Yu Li	61,788	0.17%
Director	Wen-Tsung Shih	24,229	0.07%
Independent	Shu-Hsien Hu	-	-
Independent	Yi-Tung Wan	-	-
Independent	Jung-Chun Kao	-	-
Total of all directors		7,259,543	20.28%