

Yieh Phui Enterprise Co., Ltd.

Risk Management Policy and Procedures

Adopted on December 21, 2022

Article 1 (Purpose of Risk Management)

With the aim of maintaining the stability of the Company's operations and implementing corporate sustainability, these Risk Management Policy and Procedures are established in accordance with Article 44 of the Regulations Governing Establishment of Internal Control Systems by Public Companies as the basis for implementing risk management at all levels of the Company.

Article 2 (Scope of Application)

These Policy and Procedures are applicable to risk management and its implementation at all department levels across the Company, and shall govern unless otherwise provided by law or the Company's rules and regulations.

Article 3 (Risk Management Policy)

The Company's risk management policy is detailed as follows:

1. Establish and maintain an effective risk management framework to ensure the integrity of risk management operations.
2. Establish and improve risk management procedures to keep abreast of risk factors, control known risks within the Company's tolerable range, stabilize the Company's normal operations, and enhance its corporate value.
3. Establish channels of communication and communicate risks to internal and external stakeholders in a moderate manner to ensure the applicability and effective implementation of risk management on an ongoing basis, as well as meet stakeholders' understanding and expectations of corporate risk management.
4. Build a risk management culture to enhance risk management awareness, and integrate it into daily risk management.

Article 4 (Types of Risk)

The significant risks involved in the Company's businesses are detailed as follows (including but not limited to the following items).

1. Hazard risk: It refers to the risk of losses caused to the Company by major natural or man-made disasters (e.g., earthquakes, extreme weather, epidemics or chemical spills).
2. Financial risk: It refers to any risk caused to the Company's finances and

business due to various factors such as changes in the economy and the industry at home and abroad. Examples of financial risk include interest rate risk, exchange rate risk, liquidity risk, and credit risk.

3. Operational risk: It refers to any risk caused to the Company's normal operations by uncertainties in its production and business processes, such as raw material procurement, transportation, equipment, human resources, production technology, occupational safety and health, energy consumption, cyber security, and intellectual property rights.
4. Strategic risk: It refers to the risk of losses caused by mistakes in business strategies, such as excessive concentration in sales territories, excessive customer concentration, and investment development.
5. Compliance risk/Contract risk: Compliance risk refers to any possible loss caused by the failure to comply with the relevant rules and regulations promulgated by the competent authorities. Contract risk refers to any possible loss caused by various circumstances that result in invalidation of contracts, such as lack of legal validity, ultra vires, omission of terms and conditions, and inadequate regulations.
6. Other types of risk: Other types of risk refer any risk other than those mentioned above. As other types of risk may cause losses to the Company, appropriate risk control procedures shall be established according to the characteristics and impact of these types of risk.

Article 5 (Structure and Functions of Risk Management Organization)

1. Board of Directors

The Board of Directors is the highest governing body for risk management at the Company. With the aim of promoting and implementing overall risk management across the Company in compliance with the relevant laws and regulations, the Board of Directors shall have a clear understanding of the risks facing the Company's operations, ensure the effectiveness of risk management, and take ultimate responsibility for risk management.

2. President and President's Office

The President shall be responsible for formulating the Company's overall

risk management system, supervising the implementation of risk control, and coordinating related operations. The President's Office shall assist the President in promoting and implementing relevant risk management.

3. Various divisions and business execution units:

The heads of various divisions and business execution units shall take responsibility for risk management. They shall be in charge of supervising risk analysis and assessment at their respective division and unit when engaging in the relevant business, keeping abreast of risks, and ensuring effective implementation of risk control mechanisms and procedures.

Article 6 (Risk Management Procedures)

The Company's risk management procedures include risk identification, risk measurement, risk response, risk monitoring, and risk reporting.

1. Risk identification:

Each division and business execution unit at the Company shall identify risks with respect to its short-, medium-, and long-term goals as well as business functions based on the Company's strategic goals.

Potential risk events that may result in failure to achieve the Company's goals, cause losses to the Company or have a negative impact on the Company shall be identified comprehensively using various feasible analysis tools and methods (e.g., process analysis, scenario analysis, questionnaire survey, PESTLE analysis, etc.) based on past experience and information through "top-down" and "bottom-up" analysis and discussions in consideration of internal and external risk factors, and stakeholder concerns along with strategic and operational risks.

2. Risk measurement:

After identifying the risks it may encounter, the Company shall establish appropriate analysis and evaluation methods according to type of risk, and use them as the basis for risk management.

Risk measurement refers to the process of determining the likelihood of occurrence or non-occurrence of a risk event using various types of information and assessing the extent to which the outcome affects the Company. Each business execution unit shall evaluate the severity and likelihood of an identified risk event, make a comprehensive assessment of the corresponding risk level (high, medium or low risk), and provide the necessary information as the basis for risk assessment and risk response.

The severity criteria can be set from various aspects, including property loss,

interruption of operations, violation of laws and regulations, customer satisfaction, death and injury, and reputational damage.

The likelihood criteria can be set in terms of probability, periodicity, frequency, quantity or degree.

When performing risk analysis, it is necessary to consider whether the risk event can be prevented with existing internal controls.

3. Risk response:

After assessing and aggregating the identified risks, each division and business execution unit shall assess its risk appetite (or risk tolerance) for the risks it encounters, and propose the appropriate response measures to be taken. The risk response measures that can be taken are listed as follows:

- (1) Risk avoidance: Adopt measures to avoid various activities that may cause risks.
- (2) Risk reduction: Adopt measures to minimize the impact of the risk after it occurs and/or the likelihood of occurrence of the risk.
- (3) Risk sharing: Adopt the risk transfer method, in which the risk is transferred in part or in whole to others. An example of risk sharing is insurance.
- (4) Assumption of risk: No measure taken to change the likelihood of occurrence of the risk and its impact.

4. Risk monitoring:

Each division and business execution unit shall monitor the status of risk control in its business, propose necessary recommendations for improvement, and report them in writing or during meetings in due course.

5. Risk reporting:

Each business execution unit shall report all risk management information to managers at all levels on an immediate, daily or regular basis according to the scope of duties and nature of business. Any significant or abnormal risk shall be reported immediately.

The President shall report various risk management and implementation outcomes to the Board of Directors on an annual basis.

Article 7 (Amendment to Risk Management Policy)

The Company shall examine this Risk Management Policy on an annual basis. At the same time, the Company shall keep abreast of developments in international and domestic risk management systems at all times, as well as

review and improve these Policy and Procedures accordingly, with a view to enhancing the implementation effectiveness of risk management at the Company.

Article 8 (Disclosure of Risk Information)

Aside from disclosing relevant information in accordance with the rules and regulations promulgated by the competent authorities, the Company shall also disclose information related to risk management in its annual report and on its corporate website.

Article 9 (Approval and Amendment)

These Policy and Procedures shall take effect upon approval by the Board of Directors. The foregoing shall also apply to any amendments thereto.