

Stock Code : 4912

***LemTech***

**Lemtech Holdings Co., Limited**

**2019 Annual General Meeting  
Meeting Handbook**

**Date: Monday, June 17, 2019 at 9:00 am**

**Place: 3F., No.189, Sec. 1, Xianmin Blvd., Banqiao Dist., New Taipei City,  
Taiwan (Grand Forward Hotel)**

(This English version is a translation based on the original Chinese version. Where any discrepancy arises between the two versions, the Chinese version shall prevail.)

# Table of Contents

---

I. Meeting Procedures .....	1
II. Meeting Agenda .....	2
1. Reporting Matters .....	3
2. Proposals Matters .....	5
3. Discussion Matters .....	6
4. Questions and Motions .....	8
5. Adjournment .....	8
III. Attachment	
1. 2018 Business Report .....	9
2. 2018 Audit Report by Audit Committee .....	14
3. 2018 Auditors' Report and financial statements.....	15
4. 2018 Annual Profit Distribution Table.....	25
5. The comparison table of the "Memorandum and Articles of Association" before and after amendments .....	26
6. The comparison table of the "Operational Procedures for Acquisition and Disposal of Assets" before and after amendments. ....	39
7. The comparison table of the "Operational Procedures for Loaning of Company Funds" before and after amendments .....	73
8. The comparison table of the "Operational Procedures for Endorsements and Guarantees" before and after amendments .....	77
IV. Appendix	
1. Memorandum and Articles of Association.....	81
2. Rules of Procedure for Shareholders' Meetings.....	120
3. Operational Procedures for Acquisition and Disposal of Assets.....	126
4. Operational Procedures for Loaning of Company Funds .....	144
5. Operational Procedures for Endorsements and Guarantees.....	149
6. Shareholdings of all Directors.....	154
7. Impact of Issuance of Stock Dividends on Business Performance, Earnings per Share, and Return on Equity .....	155

# **Lemtech Holdings Co., Limited**

## **2019 Annual General Meeting Procedures**

**I. Call the Meeting to Order**

**II. Chairperson Remarks**

**III. Reporting Matters**

**IV. Proposals Matters**

**V. Discussion Matters**

**VI. Questions and Motions**

**VII. Adjournment**

## II. Meeting Agenda

Date: Monday, June 17, 2019 at 9:00 am

Place: 3F., No.189, Sec. 1, Xianmin Blvd., Banqiao Dist., New Taipei City, Taiwan (Grand Forward Hotel)

Meeting Procedure:

- I. Call the Meeting to Order (Report on the total number of shares held by those in attendance)
- II. Chairperson Remarks
- III. Reporting Matters
  - (1) 2018 Business report
  - (2) Audit Committee review report of 2018 settlement statement and book
  - (3) To report 2018 employees' profit sharing bonus and directors' compensation
  - (4) Implementation report on the second issuance of unsecured convertible corporate bonds in R.O.C.
- IV. Proposals Matters
  - (1) Adoption of the 2018 Business Report and Financial Statements
  - (2) Ratification of the motion of distribution of earnings in 2018
- V. Discussion Matters
  - (1) The issuance of new shares for capitalization for earnings in 2018
  - (2) Amendments to the Memorandum and Articles of Association of the Company
  - (3) Partial amendments to the "Operational Procedures for Acquisition and Disposal of Assets"
  - (4) Partial amendments to the "Operational Procedures for Loaning of Company Funds"
  - (5) Partial amendments to the "Operational Procedures for Endorsements and Guarantees"
  - (6) Release of non-compete obligation of directors
- VI. Questions and Motions
- VII. Adjournment

# 1. Reporting Matters

Report 1: 2018 Business report.

Explanation: The Company's 2018 Business report is attached to the Meeting Handbook as Attachment 1.

Report 2: Audit Committee review report on the 2018 Financial Statements.

Explanation: The 2018 Business report, Consolidated Financial Statements and Proposal of Distribution of Earnings prepared by the Company's Board of Directors pursuant to Article 228 of the Company Act have been inspected by the Company's Audit Committee and found no non-conformities. According to Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act, the review report by the Company's Audit Committee is attached to the Meeting Handbook as Attachment 2.

Report 3: To report the 2018 employees' profit sharing bonus and directors' compensation.

Explanation: 1. Pursuant to the Company's bylaws, it is proposed to appropriate 0.5% for employees' compensation, and 1% for directors' compensation, respectively, in the amount of NT\$1,946,020 for employees' compensation, and NT\$3,892,039 for directors' compensation.  
2. This Motion has been approved by the Compensation Committee and the Board of Directors, and submitted to the General Meeting.

Report 4: Implementation report on the second issuance of unsecured convertible corporate bonds in R.O.C.

Explanation: In order to repay the bank loans and fund the working capital, the Company issued the second round of unsecured convertible corporate bonds in R.O.C. upon the resolution of the Board meeting on May 24, 2018, and the confirmation of filing by the Financial Supervisory Commission Letter Jin-Guan-Zheng-Fa-Zi No. 1070324423 dated July 13, 2018. The implementation process is as below:

Bond type	Second issuance of unsecured convertible corporate bonds in R.O.C.
Issue Date	July 30, 2018
Issue value	NT\$ 100,000
Issue price	Issued at 100% of their face value
Total Issued	NT\$ 600,000,000
Coupon rate	0%
Duration	3 years, matured on July 30, 2021

Re-payment Methods	Except for redemption by the Company, sellback by the bondholder, conversion or repurchase by the securities brokerage for cancellation, the Company will re-purchase each bond in cash at its face value at the maturity of the bond.
Unpaid principal	None
Bondholder's right to sell back	The bondholder may sell back the convertible corporate bond as early as the second anniversary date (7/30/2020) and require the Company to re-purchase the convertible bond at the face value in cash.
Number of converted shares as of April 19, 2019	Converted common shares: 22,727 shares
Conversion price	NT\$220 per share

## 2. Proposals Matters

Proposal 1: (Proposed by the Board)

Subject: Adoption of the 2018 Business Report and Financial Statements.

Explanation: 1. The 2018 Business report, Consolidated Financial Statements (Balance Sheet, Income Statement, Statement of Changes in Equity, Statement of Cash Flows) have been approved by the Board of Directors. The foregoing consolidated financial statements, as audited by the CPAs of Deloitte Taiwan, Jui-Chuan, Chih and Li-Huang, Lee, and the 2018 Business report have been reviewed and approved by the Audit Committee. Please see Attachment 3 of the Meeting Handbook.

2. The agenda has been proposed.

Proposal 2: (Proposed by the Board)

Subject: Ratification of the motion of distribution of earnings in 2018.

Explanation: 1. The Company's 2018 Proposal of Distribution of Earnings have been approved by the Audit Committee, and resolved by the Board of Directors.

2. Please see Attachment 4 of the Meeting Handbook for the 2018 Earning Distribution Schedule.

3. According to the Company's earnings distribution plan, the cash dividends shall be NT\$2.5 and the share dividends shall be NT\$2 per share.

4. If the number of outstanding shares is affected due to the issuance of new shares under the shareholding conversion, re-purchase of the Company's shares, transfer and cancellation of treasury stocks or other reasons, the Board of Directors authorizes the Chairman to determine the distribution rate of shareholder for the distribution of stock dividends.

5. Pursuant to Letter Jing-Shang-Zi 09800574750 dated May 26, 2009, the Board of Directors may authorize the Chairman to determine the dividends record date and distribution date of cash dividends.

6. The agenda has been proposed.

### 3. Discussion Matters

Proposal 1: (Proposed by the Board)

Subject: The issuance of new shares for capitalization for earnings in 2018.

Explanation: 1. Considering the need of future business development, the Company proposes to appropriate from the distributable earnings of 2018 NT\$79,082,230 as stock dividends to issue 7,908,223 new shares at the face value of NT\$10. Shareholders' bonus will be distributed according to the list of common shareholder holders and their ownership percentage in the shareholder registrar on the stock record date. The shareholder shall combine the odd lots received into round lots within five days of the stock record date and register the shares with the Company's shareholder service agency. Failure to round up the odd lots or the combined shares are still in shortage, the dividends will be converted into and paid in cash; the shares will be subscribed by the person designated by the Chairman as authorized by the General Meeting at their face value.

2. The common stocks issued shall bear the same right and obligation as the original shares.

3. It is proposed that the General Meeting may authorize the Board of Directors to modify this capital increase plan as necessary.

4. The Board of Directors is authorized by the General Meeting to schedule the stock distribution under this capital increase plan.

Resolutions:

Proposal 2: (Proposed by the Board)

Subject: Amendments to the Memorandum and Articles of Association of the Company.

Explanation: Pursuant to the amendment to the "Checklist for Protection of Shareholder Interests in Countries of Incorporation of Foreign Issuers" in Taiwan Stock Exchange, Tai-Zheng-Shang-Er-Zi No. 1071703794 dated November 30, 2018, the Company has prepared the comparison table of modifications of the Company's bylaws. Please see Attachment 5 of the Meeting Handbook.

Resolutions:

Proposal 3. (Proposed by the Board)

Subject: Amendments to the "Operational Procedures for Acquisition and Disposal of Assets".

Explanation: Pursuant to the Financial Supervisory Commission Letter Jin-Guan-Zheng-Fa-Zi No. 10703410725 dated November 26, 2018, the Company has prepared the comparison table of the modifications of the "Operational Procedures for Acquisition and Disposal of Assets." Please see Attachment 6 of the Meeting Handbook.

Resolutions:



Proposal 4. (Proposed by the Board)

Subject: Amendments to the “Operational Procedures for Loaning of Company Funds”.

Explanation: Pursuant to the Financial Supervisory Commission Letter Jin-Guan-Zheng-Shen-Zi No. 1080304826 dated March 7, 2019, the Company has prepared the comparison table of the modifications of the “Operational Procedures for Loaning of Company Funds.” Please see Attachment 7 of the Meeting Handbook.

Resolutions:

Proposal 5. (Proposed by the Board)

Subject: Amendment to the “Operational Procedures for Endorsements and Guarantees”.

Explanation: Pursuant to the Financial Supervisory Commission Letter Jin-Guan-Zheng-Shen-Zi No. 1080304826 dated March 7, 2019, the Company has prepared the comparison table of the modifications of the “Operational Procedures for Endorsements and Guarantees.” Please see Attachment 8 of the Meeting Handbook.

Resolutions:

Proposal 6. (Proposed by the Board)

Subject: Release of non-compete obligation of directors.

Explanation: 1. Pursuant to Article 209 of the Company Act “If a director is engaged in activities which are within the business scope of the company, either for his/her own sake or on behalf of others, the director should explain to the shareholders the major contents of such activities and obtain approval accordingly.”  
2. Considering the need of business development, the Company seeks the consent of the General Meeting to relieve the non-compete obligation of the directors. The director plans to take the position in the following company:

Title	Name	Concurrent employment at other company/Title
Chairman	Chi-Feng, Hsu	Director, Zhenjiang Emtron Surface Treatment Limited
Vice Chairman	Chan Kim Seng Maurice	Director, Zhenjiang Emtron Surface Treatment Limited

3. It is proposed to release the non-compete restriction on the directors.

Resolutions:

## **4. Questions and Motions**

## **5. Adjournment**

## Attachment 1. 2018 Business Report

Dear Shareholders,

Thank you all for your support to Lemtech, and thanks for making it here to attend the 2019 General Meeting. I would like to welcome your presence and opinion on behalf of Lemtech.

Upon account settlement, the company's net revenues reached NT\$6 billion in 2018, increasing by 42% compared to the amount of NT\$4.3 billion in 2017. The earnings after tax reached NT\$405,403 thousand, an increase of NT\$90,887 thousand comparing to the amount of NT\$314,516 thousand in 2017. The growth is seen in the primary product lines. The amount of mobile shipments has increased beyond expectation, contributing to revenue growth exceeding 40 percent in 2018. Other financial performance and business achievements are described in the annual financial statements and side notes.

The overall business performance of 2018 maintained the general growth as in 2017. The businesses of thermal modules, 3C, auto and mobile products have all attained 2-digit growth on average. First, for auto products, the Czech plant has started the mass production for some items. Currently, it is actively exploring new product items, including electronic parts. For other product lines, the slide factory has started to raise its revenue and earn profits. In addition to developing new products, we will add more product lines, and increase the capacity utilization rate. Although the mobile revenue is one of the main profit drivers in 2018, the mobile industry is rather unstable. The company will remain prudent, and will not blindly pursue figure increases. We would also like to tell our shareholders the server thermal module technology developed independently by us has been accepted by the market. We have received formal orders from certain major supplier, and expect this business to drive the revenue growth in the future years. The overall economy in 2019 may be rough. However, the company's management is confident, and will make efforts to maintain the growth tendency in return for the long-term support of our shareholders.

### I. Operating Performance in 2018

#### (1) Operating result of business plans

Unit: NT\$ thousands

Item \ Year	2018	2017	Increase (decrease) in amount	Variation (%)
Net operating revenue	6,043,090	4,255,549	1,787,541	42.00
Operating cost	4,757,020	3,382,778	1,374,242	40.62
Gross profit	1,286,070	872,771	413,299	47.35
Operating expenses	680,111	532,223	147,888	27.79
Net operating profit	605,959	340,548	265,411	77.94
Non-operating revenues and expenses	(63,795)	53,772	(117,567)	-218.64
Net profit before taxation	542,164	394,320	147,844	37.49

Item	Year	2018	2017	Increase (decrease) in amount	Variation (%)
	Less: Income tax expenses		136,761	79,804	56,957
Net income		405,403	314,516	90,887	28.90

Difference Analysis:

- (a) Operating revenue increased: It increased primarily due to the increase of the business growth of 3C electronic products and automobiles.
  - (b) Operating cost increased: The cost increased due to the increase of the operating revenue.
  - (c) Gross profit increased: The amount of the gross profit increased due to the increase of the operating revenue.
  - (d) Operating expense increased: It was caused by the raising of salaries and the expenses for the continuance of the new project test examinations which occurred in the current term.
  - (e) Operating income increased: The operating income increased significantly due to the increase of operating revenue and the proper management of expenses.
  - (f) Non-operating expenses increased: The exchange loss caused a larger fluctuation of the current operating revenue and operating cost.
  - (g) Pre-tax income increased: Compared to the same term of last year, the pre-tax income increased in the current term is because the growth of operating income is larger than the change of the non-operating income and expense.
  - (h) Income tax expense increased: The income tax expense of the current term is more than the same term from last year due to the deferred income tax expense generated by the undistributed earnings of the subsidiaries.
  - (i) Net income increased: The growth of the net income of the current term has a decline due to the increase of the deferred income tax expense generated by the undistributed earnings of the subsidiaries.
- (2) Implementation of budget: The Company only set the internal budget goals for 2018, and did not disclose the financial predictions to the public. This section is not applicable.
  - (3) Receipts and payments, and analysis of profitability: The Company focuses on increasing the product combination with higher gross profit, and integrating client resources, as well as enhancing cooperation with well-known companies. The company always had a stable financial operation, and a well-maintained balance between receipts and payments.

Unit: %

Item	Year	2018	2017	Increase / decrease
	Financial structure	Debt to assets ratio	65.28	65.66
Long-term capital to property, plant and equipment		199.09	169.14	29.95

Item		Year	2018	2017	Increase / decrease
Solvency	Current ratio		139.23	112.32	26.91
	Quick ratio		102.48	88.35	14.13
Profitability	Return on assets		8.77	8.39	0.38
	Return on shareholders' equity		23.21	20.00	3.21
	Base earnings per share (\$)		9.67	7.55	2.12

- (4) Research and development: Continuous effort in improving, strengthening and integrating current mechanisms to provide services with more humanity, width and depth.

## II. Business Plan for 2019

### (1) Operation strategies

The US-China trade war in 2018 has resulted in additional tariffs on many products. Later, the controversial communication confidentiality agreement has forced many 3C producers to move to non-China regions. Some Lemtech clients also started switching their production sites to Taiwan and ASEAN. Lemtech Group also started dispersing its production locations in recent years. Although the manufacturing activities are only in certain regions (such as Thailand and the Czech Republic), the context is to centralized the dispersed production. Considering the US clients' concerns about protecting the patents of communication technology and key technology, they have started establishing R&D centers in Taiwan, and manufacturing the key products or technology in Taiwan. To work with the clients' needs, the production sites have to have redundant mechanisms outside of China.

Lemtech's auto products are mostly for domestic sales in China, and less affected by the trade war. However, while the economy in China is slowing, the local demand of automobiles has become saturated. The sales of automobiles will drop, and buyers would bargain for a lower price. These developments are inevitable. Lemtech enhances the integration of upstream and downstream on the one hand. On the other hand, Lemtech continues to increase the percentage of semi-automated production, work on the projects of the value-added products, actively expand high-tech projects, and develop new clients to improve the company's portfolio of gross profits for all products. In addition to auto parts, accessories for cloud services and electronic communication components take up a higher percentage, and are critical items in the product portfolio. Except for dispersing the risk of client centralization, we also take into account that the dispersed industries will facilitate the company in seeking progress within stability, and polish its product technology in different industries to deepen and expanding Lemtech's technology, and increase the competitiveness of Lemtech technology.

### (2) Expected sales volume and the related reference

The production capacity has substantially increased after the second factory

construction was completed, giving Lemtech a better capability to fulfill more orders. However, the market demand for cloud service accessories continues growing, and the production technology of auto products has entered the semi-automated field. The company will look for another production site specialized in the research and development of semi-automated production lines to manage the auto product orders that continue to grow. Although the outlook of the economy in 2019 is less optimistic, the company will make effort to achieve our self-demanded goal of continuous business growth.

- (3) Important production and sales policies
  - a. Proactively develop new products, new markets, and new usages to win orders.
  - b. Add new equipment into the production process to accelerate expansion in new product areas.
  - c. Continuously improve the cost structure, refurbish the internal management procedures, enhance production efficiency, reduce production cost, and raise market competitiveness.

### III. Development strategy of the Company in the future

- (1) We position ourselves as the comprehensive and multi-field supplier of stamping parts and components. Our core research and development lies in mold technology, and we are developing our products in diverse fields.
- (2) We will integrate the supply chain, and go beyond the field of stamping production to try some upstream and downstream production, and bring full services to our clients.
- (3) We changed some outdated production methods, and increased the application of robot in production. We changed the workstation to automated production lines and reduce the dependence on labor, increase production efficiency and secured production quality.
- (4) We pay attention to and understand the progress and trends of global technology and the market, and allocate more efforts into the field of cloud technology applications.
- (5) We are actively expanding the client base and market share.
- (6) We introduce strategic partners, increase the competitiveness of our products and clients, and step strongly into the new product field.
- (7) We continue to improve the corporate governance and pursue the sustainable development of the company.
- (8) We have stable financial planning to reduce the risk of exchange rate changes.

### IV. Impacts of the external competitive environment, regulatory environment, and the overall business environment

- (1) Influences of external competition
  1. While the competition among new industrial players is becoming severe, product prices are facing more stress now. Under the stress of intense market competition, we need to maintain not only our price competitiveness but also the required quality of the products.
  2. Since wage costs increase year by year, we raised the operating costs, and developed automated and semi-automated equipment, actively participate in the

client's product development process, and take these factors of the production process into account during product design.

3. We actively develop the strength of the company itself, clarify the company's market position to avoid unnecessary competition, and differentiate ourselves from the competitors.
4. We review and find out the best operational scale of each single factory, and conduct research regarding the new business models and organizational patterns to reach the highest operational efficiency.

(2) Influence of regulations

1. The company only hires licensed vendors to dispose of the wastes from production. The company upholds its social responsibility, and complies with the worldwide environmental quality requirements.
2. About any new statutory amendments, the company will prepare and plan the best effort to reduce the uncertainty risk of shareholder equity to the lowest.

(3) Influence of overall operating environment

1. From the analysis reports of the market, the global economy has not shown an ideal path. Under the risk of operational uncertainty, we need to control our budget more carefully and lower inventory, improve to a better financial structure, keep a close connection with clients and suppliers, stay aware of the market, and reduce the operational risk.
2. Regarding the uncertainty of future budget, we will make efforts to provide the decision makers with correct financial data, such as the break-even point, and production capacity utilization rate, to reach the most suitable judgment.

Lastly, thank you again for coming here. We wish everyone good health and prosperity.

Lemtech Holdings Co., Limited

Chairman Chi-Feng, Hsu

President Chi-Feng, Hsu

Accounting Managerial Personnel Chin Yu, Lu

## **Attachment 2. 2018 Audit Report by Audit Committee**

### **Lemtech Holdings Co., Limited**

#### **Audit Committee' Review Report**

The 2018 Operational Report, Consolidated Financial Statements, and Proposal of Distribution of Earnings prepared by the Company's Board of Directors. The CPAs of Deloitte Taiwan, Reui Chuan Chi and Li Huang Li, have audited the foregoing consolidated financial statements and issued the audit report.

The Audit Committee has reviewed the above books and statements submitted by the Board of Directors, and found no nonconformities. Therefore, the Committee declares as above pursuant to Article 14-4 of the Securities and Exchanges Act and Article 219 of the Company Act. Please approve.

To:

Lemtech Holdings Co., Limited

Convener of the Audit Committee: Rui-Long Yang

Date: March 27, 2019



## **Attachment 3. 2018 Auditors' Report and financial statements**

### **Auditor's Report**

To Lemtech Holdings Co., Limited:

#### **Audit opinions**

We have audited the accompanying consolidated balance sheet of Lemtech Holdings Co., Limited and its subsidiary (Lemtech Group) as of December 31, 2018 and 2017, and the related consolidated statement of income, consolidated statement of changes in shareholders equity, consolidated statement of cash flows, and Note of the consolidated financial statements (including major accounting policy) for the years then ended.

In my opinion, the financial statements as referred to present fairly, in all material aspects the financial position of Lemtech Group as of December 31, 2018 and 2017, and the results of its operations and cash flows for the years then ended conformity with the Regulation Governing the Preparation of Financial Reports by Securities Issuers, and applicable IFRS, IAS, SIC, and IFRIC as recognized by the Financial Supervisory Commission .

#### **The basis for opinions**

We conducted our audit in accordance with the “Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants”, and generally accepted auditing standards in the Republic of China. Our responsibilities under those standards are further described in the responsibilities of auditors for the audit of the consolidated financial statements. We are independent of Lemtech Group in accordance with the Code of Ethics for certified public accountants in the part relevant to the audit of the consolidated financial statements of Lemtech Group, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believed that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Key audit matter**

Key audit matters are those matter that, in our professional judgment, were of most significant in our audit of the consolidated statements of Lemtech Group in 2018. These matters were addressed in the content of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on those matters.

Key audit procedures of the consolidated financial statements of Lemtech Group in 2018 included:

Key audit matters: Recognition of revenue

The consolidated total operating revenues in 2018 for Lemtech Group amounted to NT\$6,043,090 thousand, which was NT\$1,787,541 thousand more than NT\$4,255,549 thousand realized in 2017, an increase of 42 percent. Based on the significance of accounting and Auditing Standards presuming revenue recognition as a significant risk, we have addressed whether operating revenues come from certain customers with specified qualifications actually occurred as a key audit matter. Refer to Note 4 and 23 for accounting policies on revenue recognition.

After reviewing the industry and local economic conditions of Lemtech Group, we have performed the following primary audit procedures:

1. Conducting comparative analysis of individual customers' percentage of sales, credit period, and percentage change in gross margin. Meanwhile, we have made further inquiries to those mentioned above that have substantial changes, and evaluated the reasonableness of those changes.
2. We have chosen appropriate samples from the sale of the account of Lemtech Group, and examined their original purchase orders, delivery orders and invoices which was confirmed by transaction counterparts. Meanwhile, in order to confirm the authenticity of the transaction information and evaluate the transfer of control of goods, we have verified whether the party names shown on the receipt vouchers are the same as those shown on the transaction certificates.
3. Investigating whether there are significant sales returns and allowances after balance sheet date, and furthermore verifying the authenticity of previous transactions. In addition, based on the credit periods of this type of customers, we have reviewed their conditions to determine if they were reasonable.

**Responsibilities of Management and Those in Charge with Governance of the Consolidated Financial Statements**

The responsibility of management is to prepare fairly presented consolidated financial statements in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRS, IAS, IFRIC, SIC recognized and published by the Financial Supervisory Commission and maintain necessary internal control related to the preparation of consolidation of financial statements in order to ensure the material misstatement caused by fraud or error does not exist in the consolidated financial statements.

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

Those in charge of governance (including the Auditing Committee) are responsible for overseeing the reporting process of Lemtech Group.

## **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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the accounting principles generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error. If fraud or errors are considered material, 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 accounting principles generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also perform the following works:

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 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 internal control effective in Lemtech Group.
3. Evaluate the appropriateness of accounting policies used and the reasonability of accounting estimates and related disclosures made by the management.
4. Conclude the appropriateness of the use of the going concern basis of accounting by the management, and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Lemtech Group and its 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 disclosure is inappropriate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause Lemtech Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure, and content of the consolidated statements, including the disclosures, whether the consolidated statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence on the financial information of business entities within the Group in order to express an opinion on the consolidated financial statements. The independent auditor is responsible for guiding, supervising, and implementing the audit of the Group; also, is responsible for forming an opinion on the audit of the Group.

We communicate with those in charge of 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 in charge of 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 in charge of governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of Lemtech Group of 2018 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 communications.

The engagement partners on the audit resulting in this independent auditors' report are Jui-Chuan Chih and Li-Huang Lee.

Deloitte & Touche

Taipei, Taiwan (Republic of China)

March 27, 2019

### **Notes to Readers**

The accompanying consolidated financial statements are intended only to present the consolidated financial position, financial performance and its cash flows in accordance with the accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such consolidated financial statements are those generally accepted and applied in the Republic of China.

The independent auditors' report and the accompanying consolidated financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' report and consolidated financial statements, the Chinese version shall prevail.

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)

Lemtech Holdings Co., Limited and subsidiaries

CONSOLIDATED BALANCE SHEETS

December 31, 2018 and 2017

Unit: NTS thousands

Code	Assets	December 31, 2018		December 31, 2017	
		Amount	%	Amount	%
	<b>CURRENT ASSETS</b>				
1100	Cash and cash equivalents (Note 6 and 32)	\$ 550,292	10	\$ 609,909	13
1136	Financial assets at amortized cost - current (Note 8, 9 and 32)	3,842	-	-	-
1147	Debt investments with no active market - current (Note 10, 32 and 34)	-	-	155,728	3
1150	Notes receivable (Note 11 and 32)	5,379	-	25,076	1
1170	Accounts receivable (Note 11, 32 and 33)	2,220,152	41	1,811,281	38
1200	Other receivables (Note 11 and 32)	17,828	-	8,142	-
1220	Current tax assets (Note 25)	31	-	1,805	-
130X	Inventories (Note 12)	900,520	17	611,150	13
1410	Prepayments (Note 17)	103,923	2	97,320	2
1470	Other current assets	3,147	-	-	-
11XX	Total current assets	<u>3,805,114</u>	<u>70</u>	<u>3,320,411</u>	<u>70</u>
	<b>NON-CURRENT ASSETS</b>				
1550	Investments accounted for using the equity method (Note 14 and 33)	33,502	1	13,546	-
1600	Property, plant and equipment (Note 15)	1,230,891	23	970,751	21
1801	Net computer software (Note 16)	22,634	-	22,565	1
1840	Deferred income tax assets (Note 25)	20,847	-	17,196	-
1915	Prepayments for equipment (Note 17)	194,248	4	273,394	6
1920	Refundable deposits (Note 17)	2,977	-	6,719	-
1985	Long-term prepayments for leases (Note 17)	88,214	2	92,347	2
15XX	Total non-current assets	<u>1,593,313</u>	<u>30</u>	<u>1,396,518</u>	<u>30</u>
1XXX	<b>TOTAL ASSETS</b>	<u>\$ 5,398,427</u>	<u>100</u>	<u>\$ 4,716,929</u>	<u>100</u>
	<b>Liabilities and equity</b>				
	<b>CURRENT LIABILITIES</b>				
2100	Shot-term borrowings (Note 18, 32 and 34)	\$ 1,009,466	19	\$ 1,535,622	33
2120	Financial liabilities at fair value through profit or loss- Current (Note 7 and 32)	910	-	-	-
2130	Contract liability – current (Note 21 and 23)	66,510	1	-	-
2150	Notes payables (Note 20 and 32)	300,787	5	84,698	2
2170	Accounts payable (Note 20, 32 and 33)	1,134,173	21	996,452	21
2219	Other payables (Note 21 and 32)	200,410	4	155,747	3
2230	Current tax liabilities (Note 25)	13,318	-	8,766	-
2310	Advances (Note 33)	-	-	45,644	1
2320	Long-term borrowing maturing within one year (Note 18, 32 and 34)	-	-	119,246	3
2399	Other current liabilities (Note 21)	7,403	-	10,161	-
21XX	Total current liabilities	<u>2,732,977</u>	<u>50</u>	<u>2,956,336</u>	<u>63</u>
	<b>NON-CURRENT LIABILITIES</b>				
2530	Corporate bonds payable (Note 19)	576,478	11	-	-
2540	Long-term borrowings (Note 18)	-	-	22,320	1
2570	Deferred tax liabilities (Note 25)	208,160	4	111,441	2
2645	Deposits received	6,708	-	7,220	-
25XX	Total non-current liabilities	<u>791,346</u>	<u>15</u>	<u>140,981</u>	<u>3</u>
2XXX	Total liabilities	<u>3,524,323</u>	<u>65</u>	<u>3,097,317</u>	<u>66</u>
	<b>Equity of the company (Note 22)</b>				
	Capital stock				
3110	Common stock	395,411	7	395,411	8
3200	Capital surplus	784,347	15	678,811	15
	Retained earnings				
3320	Special reserve	13,500	-	28,925	-
3350	Undistributed earnings	662,990	13	363,944	8
3300	Total retained earnings	676,490	13	392,869	8
3410	Exchange differences from the translation of financial statements of foreign operations	1,375	-	7,821	-
31XX	Total equity of the company	1,857,623	35	1,474,912	31
36XX	<b>NON-CONTROLLING INTEREST</b>	16,481	-	144,700	3
3XXX	Total equity	<u>1,874,104</u>	<u>35</u>	<u>1,619,612</u>	<u>34</u>
	<b>TOTAL LIABILITIES AND EQUITY</b>	<u>\$ 5,398,427</u>	<u>100</u>	<u>\$ 4,716,929</u>	<u>100</u>

The notes attached shall constitute an integral part of this Consolidated financial statement.

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)

Lemtech Holdings Co., Limited and subsidiaries

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

January 1 to December 31, 2018 and 2017

Unit: NT\$ Thousand; except for earnings per share in NT\$

Code		2018		2017	
		Amount	%	Amount	%
	OPERATING REVENUE (Note 23 and 33)				
4110	Sales revenue	\$ 6,072,407	100	\$ 4,274,318	100
4190	Sales return and discount	( 29,317 )	-	( 18,769 )	-
4000	Total operating revenue	6,043,090	100	4,255,549	100
5000	OPERATING COST (Note 12 and 33)	( 4,757,020 )	( 79 )	( 3,382,778 )	( 79 )
5900	GROSS PROFIT	<u>1,286,070</u>	<u>21</u>	<u>872,771</u>	<u>21</u>
	OPERATING EXPENSES (Note 24)				
6100	Marketing expenses	( 199,533 )	( 3 )	( 153,520 )	( 4 )
6200	Administrative expenses	( 316,674 )	( 5 )	( 254,101 )	( 6 )
6300	Research and development expenses	( 151,893 )	( 3 )	( 124,602 )	( 3 )
6450	Expected credit impairment loss	( 12,011 )	-	-	-
6000	Total operating expenses	( 680,111 )	( 11 )	( 532,223 )	( 13 )
6900	NET OPERATING PROFIT	<u>605,959</u>	<u>10</u>	<u>340,548</u>	<u>8</u>
	NON-OPERATING INCOME AND EXPENSES (Note 24)				
7190	Other income	26,299	1	17,583	-
7020	Other gains and losses	( 59,085 )	( 1 )	59,189	1
7050	Financial costs	( 45,642 )	( 1 )	( 22,045 )	-
7060	Share of profits of associates	<u>14,633</u>	-	( 955 )	-
7000	Total non-operating income and expenses	( 63,795 )	( 1 )	<u>53,772</u>	<u>1</u>
7900	INCOME BEFORE INCOME TAX	542,164	9	394,320	9
7950	INCOME TAX EXPENSES (Note 25)	( 136,761 )	( 2 )	( 79,804 )	( 2 )
8200	NET INCOME	<u>405,403</u>	<u>7</u>	<u>314,516</u>	<u>7</u>

(Continued on next page)

(Continued from previous page)

Code		2018		2017	
		Amount	%	Amount	%
	OTHER COMPREHENSIVE INCOME (post-tax profit or loss)				
8310	Items that will not be reclassified subsequently to profit or loss:				
8341	Exchange differences arising on translation to the presentation currency	\$ -	-	(\$ 3,438)	-
8360	Items that may be reclassified subsequently to profit or loss:				
8361	Exchange differences on translating the financial statements of foreign operations	( 9,189)	-	25,637	1
8300	Other comprehensive income/(loss) for the year, net of income tax	( 9,189)	-	22,199	1
8500	TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 396,214</u>	<u>7</u>	<u>\$ 336,715</u>	<u>8</u>
	NET PROFIT ATTRIBUTABLE TO:				
8610	The owners of the company	\$ 382,474	6	\$ 298,368	7
8620	Non-controlling interest	<u>22,929</u>	<u>1</u>	<u>16,148</u>	<u>-</u>
8600		<u>\$ 405,403</u>	<u>7</u>	<u>\$ 314,516</u>	<u>7</u>
	TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
8710	The owners of the company	\$ 376,028	6	\$ 321,614	8
8720	Non-controlling interest	<u>20,186</u>	<u>1</u>	<u>15,101</u>	<u>-</u>
8700		<u>\$ 396,214</u>	<u>7</u>	<u>\$ 336,715</u>	<u>8</u>
	EARNINGS PER SHARE (Note 26)				
9710	Basic	<u>\$ 9.67</u>		<u>\$ 7.55</u>	
9810	Diluted	<u>\$ 9.49</u>		<u>\$ 7.54</u>	

The notes attached shall constitute an integral part of this Consolidated financial statement.

## (English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)

Lemtech Holdings Co., Limited and subsidiaries

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

January 1 to December 31, 2018 and 2017

Unit: NT\$ thousands

Code	Equity of the company						Exchange differences from the translation of financial statements of foreign operations (\$)	Total	Non-controlling interest	Total equity
	Capital stock	Capital surplus	Retained earnings		Undistributed earnings	Total				
			Special reserve	Undistributed earnings						
A1	BALANCE AT JANUARY 1, 2017	\$ 395,411	\$ 747,057	\$ 14,546	\$ 254,761	\$ 1,396,350	\$ 1,396,350	\$ 129,599	\$ 1,525,949	
T1	Functional currency effects	-	( 68,246 )	( 1,046 )	( 15,596 )	( 84,888 )	( 84,888 )	-	( 84,888 )	
B3	Appropriations of 2016 earnings:									
B5	Special reserve	-	-	15,425	( 15,425 )	-	-	-	-	
B5	Cash dividends distributed by the Company	-	-	-	( 158,164 )	( 158,164 )	( 158,164 )	-	( 158,164 )	
D1	Net income in 2017	-	-	-	298,368	298,368	298,368	16,148	314,516	
D3	Other comprehensive income for the year ended December 31, 2017, net of income tax	-	-	-	-	23,246	23,246	( 1,047 )	22,199	
D5	Total comprehensive income for the year ended December 31, 2017	-	-	-	298,368	321,614	321,614	15,101	336,715	
Z1	BALANCE AT DECEMBER 31, 2017	395,411	678,811	28,925	363,944	1,474,912	1,474,912	144,700	1,619,612	
B3	Appropriations of 2017 earnings:									
B5	Special reserve	-	-	( 15,425 )	15,425	-	-	-	-	
B5	Cash dividends distributed by the Company	-	-	-	( 98,853 )	( 98,853 )	( 98,853 )	-	( 98,853 )	
M5	Other changes in capital surplus									
M5	Acquisition of partial interest in a subsidiary.	-	79,798	-	-	79,798	79,798	( 79,798 )	-	
C5	Equity component of convertible bonds issued by the Company	-	25,738	-	-	25,738	25,738	-	25,738	
D1	Net income in 2018	-	-	-	382,474	382,474	382,474	22,929	405,403	
D3	Other comprehensive income for the year ended December 31, 2018, net of income tax	-	-	-	-	( 6,446 )	( 6,446 )	( 2,743 )	( 9,189 )	
D5	Total comprehensive income for the year ended December 31, 2018	-	-	-	382,474	376,028	376,028	20,186	396,214	
O1	Change in non-controlling interest	-	-	-	-	-	-	( 68,607 )	( 68,607 )	
Z1	BALANCE AT DECEMBER 31, 2018	\$ 395,411	\$ 784,347	\$ 13,500	\$ 662,990	\$ 1,857,623	\$ 1,857,623	\$ 16,481	\$ 1,874,104	

The notes attached shall constitute an integral part of this Consolidated financial statement.



(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)

Lemtech Holdings Co., Limited and subsidiaries

CONSOLIDATED STATEMENTS OF CASH FLOWS

January 1 to December 31, 2018 and 2017

Unit: NT\$ thousands

Code		2018	2017
	CASH FLOWS FROM OPERATING ACTIVITIES		
A10000	Income before income tax	\$ 542,164	\$ 394,320
A20010	Profits and loss		
A20100	Depreciation expenses	170,333	104,608
A20200	Amortization expenses	5,632	4,869
A20300	Expected credit impairment loss	12,011	-
A20300	Impairment loss recognized on trade receivables	-	8,193
A20900	Financial costs	41,881	22,045
A21200	Interest income	( 10,268 )	( 3,535 )
A22300	Share of (profit)/loss of associates and joint ventures	( 14,633 )	955
A22500	(Gain)/loss on disposal of property, plant and equipment	527	( 72 )
A23200	Gain on disposal of associates	-	( 499 )
A20400	Net loss on fair value changes of financial liabilities designated as at fair value through profit or loss	1,990	-
A23700	Real estate impairment loss (reversal gain)	( 3,640 )	1,483
A23800	Inventory valuation and obsolescence losses	11,583	5,905
A24100	Foreign exchange gains- net	35,482	( 75,692 )
A29900	Amortization of prepayments for leases	2,295	2,270
A30000	Net change in operating assets and liabilities		
A31130	Decrease (increase) in notes receivable	19,697	( 16,607 )
A31150	Increase in accounts receivable	( 420,329 )	( 688,056 )
A31180	Decrease (increase) in other receivables	( 9,867 )	33,393
A31200	Increase in inventories	( 293,103 )	( 136,614 )
A31230	Increase in prepayments	( 4,352 )	( 36,734 )
A31240	Increase in other current assets	( 3,147 )	-
A32125	Increase in contract liability	66,510	-
A32130	Increase in notes payable	216,089	39,566
A32150	Increase in accounts payable	137,721	403,499
A32180	Increase (decrease) in other payables	45,134	( 50,590 )
A32210	(Decrease) increase in advance receipts	( 45,644 )	35,181
A32230	(Decrease) Increase in other current liabilities	( <u>2,758</u> )	<u>1,703</u>
A33000	Cash generated from operations	501,308	49,591

(Continued on next page)

(Continued from previous page)

Code		2018	2017
A33300	Interest paid	(\$ 35,840)	(\$ 20,926)
A33500	Income tax paid	( 40,917)	( 23,411)
AAAA	Net cash inflow from operating activities	<u>424,551</u>	<u>5,254</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
B07500	Interest received	10,449	3,744
B00050	Proceeds from sale of financial assets measured at cost	151,886	-
B00600	Purchase of debt investments with no active market	-	( 145,223)
B00700	Proceeds from sale of debt investments with no active market	-	77,715
B01800	Acquisition of associates ventures	( 8,987)	-
B02700	Purchase of property, plant, and equipment	( 376,435)	( 569,361)
B02800	Proceeds from disposal of property, plant and equipment	1,946	652
B04500	Purchase of intangible assets	( 5,976)	( 4,101)
B03700	Increase in refundable deposits	-	( 546)
B03800	Decrease in Refundable deposits	<u>3,742</u>	<u>-</u>
BBBB	Net cash outflow from investing activities	( <u>223,375</u> )	( <u>637,120</u> )
CASH FLOWS FROM FINANCING ACTIVITIES			
C01200	Proceeds from issuance of convertible bonds	597,375	-
C00100	(Decrease) Increase of short-term loan	( 526,156)	1,039,416
C01700	Repayments of long-term borrowings	( 141,566)	( 119,314)
C03000	Increase in deposits received	-	281
C03100	Refunds of guarantee deposits received	( 512)	-
C04500	Cash dividend distribution	( 98,853)	( 158,164)
C05500	Proceeds from disposal of partial interest in a subsidiary.	-	3,792
C05800	Change in non-controlling interest	( <u>78,656</u> )	<u>-</u>
CCCC	Net cash inflow (outflow) from financing activities	( <u>248,368</u> )	<u>766,011</u>
DDDD	IMPACT OF CHANGES IN EXCHANGE RATE ON CASH AND CASH EQUIVALENTS	( <u>12,425</u> )	( <u>5,419</u> )
EEEE	NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	( 59,617)	128,726
E00100	CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>609,909</u>	<u>481,183</u>
E00200	BALANCE OF CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 550,292</u>	<u>\$ 609,909</u>

The notes attached shall constitute an integral part of this Consolidated financial statement.

## Attachment 4. 2018 Annual Profit Distribution Table

### Lemtech Holdings Co., Limited Annual Profit Distribution Table 2018

Unit: NT\$

Items	Amount
Opening undistributed earnings (2018.01.01)	280,514,636
Add: Net profit after tax (2018)	382,476,004
Earnings to be allocated	662,990,640
Less: Special reserve	0
Less: Distribution of cash dividends (@2.5)	(98,852,798)
Less: Distribution of stock dividends (@2)	(79,082,230)
Closing undistributed earnings	485,055,612

Chairman:  
Chi-Feng, Hsu

President:  
Chi-Feng, Hsu

Accounting Managerial Personnel:  
Chin Yu, Lu

## Attachment 5. The comparison table of the “Memorandum and Articles of Association” before and after amendments

Article	Clauses after the amendment	Original clause	Remark
6	<p><u>(1)</u>The issue of new ordinary Shares in the Company shall be approved by a majority of the Directors present at a meeting attended by two-thirds or more of the total number of the Directors. The issue of new Shares shall at all times be subject to the sufficiency of the authorised capital of the Company. The Company shall not issue any unpaid Shares or partial paid-up Shares.</p> <p><u>(2)</u>The Company shall not convert the Shares into par value shares if the Company chooses to issue no par value shares.</p>	<p>The issue of new ordinary Shares in the Company shall be approved by a majority of the Directors present at a meeting attended by two-thirds or more of the total number of the Directors. The issue of new Shares shall at all times be subject to the sufficiency of the authorised capital of the Company. The Company shall not issue any unpaid Shares or partial paid-up Shares.</p>	Amend this article to accommodate the revision to Paragraph 6, Article 156-1 of Company Act of the Republic of China.
26	<p><u>(1)</u>Any Member(s) holding at least three percent (3%) of the outstanding Shares of the Company for a period of one consecutive year or a longer time may, by depositing the requisition notice specifying the proposals to be resolved and the reasons, request the Board to convene an extraordinary general meeting. If the Board does not give notice to Members to convene such meeting within fifteen (15) days after the date of the requisition notice, the proposing Member(s) may, after obtaining an approval from the competent authority, convene the general meeting.</p> <p><u>(2)</u>Any Member(s) holding more</p>	<p>Any Member(s) holding at least three percent (3%) of the outstanding Shares of the Company for a period of one consecutive year or a longer time may, by depositing the requisition notice specifying the proposals to be resolved and the reasons, request the Board to convene an extraordinary general meeting. If the Board does not give notice to Members to convene such meeting within fifteen (15) days after the date of the requisition notice, the proposing Member(s) may, after obtaining an approval from the competent authority, convene the general meeting.</p>	Amend this article to accommodate the revision to Article 173-1 and 220 of Company Act and Article 14-4 of Securities and Exchange Act of the Republic of China.

Article	Clauses after the amendment	Original clause	Remark
	<p><u>than one-half of the outstanding Shares of the Company for a period of three consecutive months or a longer time may, convene an extraordinary general meeting. The calculation of the holding period and the number of Shares held by the abovementioned Member(s) shall be based on the holding at the time when share transfer registration is suspended.</u></p> <p><u>(3)Subject to the condition that the Board does not or is not able to convene a general meeting, the Independent Director of the Audit Committee may, for the benefit of the Company, convene a general meeting when it is deemed necessary.</u></p>		
27	<p><u>(1)The Board or any authorized convener of the general meeting may require the Company or its Shareholders' Service Agent to provide the Register.</u></p> <p><u>(2)The Company shall engage a Shareholders' Service Agent within the R.O.C. to handle the administration of such general meeting, including but not limited to, the voting matters.</u></p>	<p>The Company shall engage a Shareholders' Service Agent within the R.O.C. to handle the administration of such general meeting, including but not limited to, the voting matters.</p>	<p>Amend this article to accommodate the revision to Paragraph 1, Article 210-1 of Company Act of the Republic of China.</p>
29	<p>The following matters shall be specified in the notice of a general meeting with the description of their major content, and shall not be proposed as ad hoc motions; <u>the major content may be posted on the website designated by the</u></p>	<p>The following matters shall be specified in the notice of a general meeting with the description of their major content, and shall not be proposed as ad hoc motions:</p>	<p>Amend this article to accommodate the revision to Paragraph 5, Article 172 of Company Act of the Republic</p>

Article	Clauses after the amendment	Original clause	Remark
	<p><u>Commission, the TPEX or the TWSE or the Company, and such website shall be indicated in the above notice:</u></p> <p>(a)election or discharge of Directors;</p> <p>(b)amendments to the Memorandum of Association and/or these Articles;</p> <p><u>(c)capital reduction;</u></p> <p><u>(d)application for the approval of ceasing the Shares to be publicly offered;</u></p> <p><u>(e)winding-up, Merger/Consolidation or Spin-off of the Company;</u></p> <p><u>(f)entering into, amendment to, or termination of any contract for lease, management by others, or regular joint operation with others of its business in whole;</u></p> <p><u>(g)the transfer of the whole or any material part of its business or assets; and</u></p> <p><u>(h)taking over another's whole business or assets, which will have a material effect on the business operation of the Company;</u></p> <p><u>(i)carrying out a Private Placement of equity securities;</u></p> <p><u>(j)granting a waiver to the Director's non-competition obligation;</u></p> <p><u>(k)distributing part or all of its dividends or bonus by way of issuance of new Shares; and</u></p> <p><u>(l)capitalization of the Legal Reserves and capitalization of the Capital Reserve of the Company, the Share Premium</u></p>	<p>(a)election or discharge of Directors;</p> <p>(b)amendments to the Memorandum of Association and/or these Articles;</p> <p>(c)winding-up, Merger/Consolidation or Spin-off of the Company;</p> <p>(d)entering into, amendment to, or termination of any contract for lease, management by others, or regular joint operation with others of its business in whole;</p> <p>(e)the transfer of the whole or any material part of its business or assets; and</p> <p>(f)taking over another's whole business or assets, which will have a material effect on the business operation of the Company;</p> <p>(g)carrying out a Private Placement of equity securities;</p> <p>(h)granting a waiver to the Director's non-competition obligation;</p> <p>(i)distributing part or all of its dividends or bonus by way of issuance of new Shares; and</p> <p>(j)capitalization of the Legal Reserves and capitalization of the Capital Reserve of the Company, the Share Premium</p>	<p>of China.</p>

Article	Clauses after the amendment	Original clause	Remark
	Account of the Company and/or the income from endowments received by the Company as Capital Reserve, by issuing new Shares or cash to its existing Members in proportion to the number of Shares being held by each of them.	Account of the Company and/or the income from endowments received by the Company as Capital Reserve, by issuing new Shares to its existing Members in proportion to the number of Shares being held by each of them.	
33	<p>(1)The Member(s) holding one percent (1%) or more of the total outstanding Shares of the Company may submit a proposal <u>in writing or by way of electronic transmission</u> for resolution at an annual general meeting; provided that only one matter shall be allowed in each proposal, and in case a proposal contains more than one matter, such proposal shall not be included in the agenda.</p> <p>(2)Prior to the relevant record date, the Company shall give a public notice announcing the place and the period for the Members to submit proposals; and the period for accepting such proposals shall not be less than ten (10) days.</p> <p>(3)The number of words of a proposal to be submitted by a Member shall be limited to not more than three hundred (300) words, and any proposal containing more than 300 words shall not be included in the agenda of the general meeting. The Member who has submitted a proposal shall attend, in person or by a proxy, such general meeting</p>	<p>(1)The Member(s) holding one percent (1%) or more of the total outstanding Shares of the Company may submit a proposal for resolution at an annual general meeting; provided that only one matter shall be allowed in each proposal, and in case a proposal contains more than one matter, such proposal shall not be included in the agenda.</p> <p>(2)Prior to the relevant record date, the Company shall give a public notice announcing the place and the period for the Members to submit proposals; and the period for accepting such proposals shall not be less than ten (10) days.</p> <p>(3)The number of words of a proposal to be submitted by a Member shall be limited to not more than three hundred (300) words, and any proposal containing more than 300 words shall not be included in the agenda of the general meeting. The Member who has submitted a proposal shall attend, in person or by a proxy, such general meeting</p>	Amend this article to accommodate the revision to Paragraph 4, Article 172-1 of Company Act of the Republic of China.

Article	Clauses after the amendment	Original clause	Remark
	<p>whereat his proposal is to be discussed and shall take part in the discussion of such proposal.</p> <p>(4)<u>Unless</u> any of the following circumstances <u>is satisfied</u>, the Board <u>shall include</u> the proposal submitted by a Member from the agenda:</p> <p>(a)Where the subject (the issue) of the said proposal cannot be settled or resolved by a general meeting;</p> <p>(b)Where the number of shares of the Company held by the proposing Member is less than one percent (1%) of the total outstanding Shares on the relevant record date; or</p> <p>(c)Where the said proposal is submitted on a day beyond the deadline fixed and announced by the Company for accepting Members' proposals.</p> <p>(d)Where the said proposal <u>containing more than 300 words or more than one matters in a single proposal.</u></p> <p>(5)<u>The proposal proposed pursuant to the preceding paragraph (1) for urging the Company to promote public interests or fulfil the Company's social responsibilities may still be included in the agenda by the Board.</u></p> <p>(6)The Company shall, prior to sending the notice of the</p>	<p>whereat his proposal is to be discussed and shall take part in the discussion of such proposal.</p> <p>(4)<u>Under</u> any of the following circumstances, the Board <u>may exclude</u> the proposal submitted by a Member from the agenda:</p> <p>(a)Where the subject (the issue) of the said proposal cannot be settled or resolved by a general meeting;</p> <p>(b)Where the number of shares of the Company held by the proposing Member is less than one percent (1%) of the total outstanding Shares on the relevant record date; or</p> <p>(c)Where the said proposal is submitted on a day beyond the deadline fixed and announced by the Company for accepting Members' proposals.</p> <p>(5)The Company shall, prior to sending the notice of the</p>	



Article	Clauses after the amendment	Original clause	Remark
	<p>general meeting, inform all the proposing Members of whether their proposals are accepted or not, and shall list in the notice of general meeting the accepted proposals. With regard to the proposals submitted by Members but not included in the agenda of the meeting, the cause of exclusion of such proposals and explanation shall be made by the Board at such general meeting.</p>	<p>general meeting, inform all the proposing Members of whether their proposals are accepted or not, and shall list in the notice of general meeting the accepted proposals. With regard to the proposals submitted by Members but not included in the agenda of the meeting, the cause of exclusion of such proposals and explanation shall be made by the Board at such general meeting.</p>	
75	<p>The office of Director shall be vacated, if such Director:</p> <p>(a) commits a felony (including but not limiting to an offence under Statute for Prevention of Organizational Crimes of the R.O.C.) and has been adjudicated guilty by a final judgment, <u>and has not started serving the sentence, has not completed serving the sentence, or five years have not elapsed since completion of serving the sentence, expiration of the probation, or pardon;</u></p> <p>(b) has been sentenced to imprisonment for a term of more than one year for commitment of fraud, breach of trust or misappropriation, <u>and has not started serving the sentence, has not completed serving the sentence, or two years have not elapsed since completion of serving the sentence, expiration of the probation, or pardon;</u></p> <p>(c) has been adjudicated guilty by</p>	<p>The office of Director shall be vacated, if such Director:</p> <p>(a) commits a felony (including but not limiting to an offence under Statute for Prevention of Organizational Crimes of the R.O.C.) and has been adjudicated guilty by a final judgment, <u>and the time elapsed after he has served the full term of the sentence is less than five (5) years;</u></p> <p>(b) has been sentenced to imprisonment for a term of more than one year for commitment of fraud, breach of trust or misappropriation, <u>and the time elapsed after he has served the full term of such sentence is less than two (2) years;</u></p>	<p>Amend this article to accommodate the revision to paragraph 5, Article 192 and Article 30 of Company Act of the Republic of China.</p>

Article	Clauses after the amendment	Original clause	Remark
	<p>a final judgment for <u>committing an offence under the Anti-Corruption Act of the R.O.C.</u> during the time of his/her public service, <u>and has not started serving the sentence, has not completed serving the sentence, or two years have not elapsed since completion of serving the sentence, expiration of the probation, or pardon;</u></p> <p>(d)becomes bankrupt under the laws of any country <u>or has been adjudicated of the commencement of the liquidation procedure by the court</u> and has not been reinstated to his rights and privileges; or makes any arrangement or composition with his creditors generally;</p> <p>(e)has been dishonored for unlawful use of credit instruments, and the term of such sanction has not expired yet;</p> <p>(f)loses all or part of legal capacity as defined under the Applicable Listing Rules;</p> <p>(g)<u>has been adjudicated the commencement of assistantship and such assistantship has not been revoked yet;</u></p> <p>(h)dies or is found to be or becomes of unsound mind or a patient for any purpose of any statute or applicable law relating to mental health and the Directors resolved that his office is vacated;</p> <p>(i)if he ceases to be a Director by</p>	<p>(c)has been adjudicated guilty by a final judgment <u>for misappropriating company or public funds</u> during the time of his public service, <u>and the time elapsed after he has served the full term of such sentence is less than two (2) years;</u></p> <p>(d)becomes bankrupt under the laws of any country and has not been reinstated to his rights and privileges; or makes any arrangement or composition with his creditors generally;</p> <p>(e)has been dishonored for unlawful use of credit instruments, and the term of such sanction has not expired yet;</p> <p>(f)loses all or part of legal capacity as defined under the Applicable Listing Rules;</p> <p>(g)dies or is found to be or becomes of unsound mind or a patient for any purpose of any statute or applicable law relating to mental health and the Directors resolved that his office is vacated;</p> <p>(h)if he ceases to be a Director by</p>	

Article	Clauses after the amendment	Original clause	Remark
	<p>virtue of, or becomes prohibited from being a Director by reason of, an order made under any provisions of any law or enactment;</p> <p><u>(j)</u>resigns his office by notice in writing to the Company;</p> <p><u>(k)</u>is removed from office pursuant to these Articles; or</p> <p><u>(l)</u>has been ordered to be discharged by the R.O.C. Courts on the grounds that such Director has, in the course of performing his duties, committed serious violations of the Law, Applicable Listing Rules or these Articles, or acts resulting in material damage to the Company, upon a petition by the Company or Member(s) to the R.O.C. Courts for remedies including the discharge of such Director, in accordance with the requirements of the Applicable Listing Rules or these Articles.</p>	<p>virtue of, or becomes prohibited from being a Director by reason of, an order made under any provisions of any law or enactment;</p> <p>(i)resigns his office by notice in writing to the Company;</p> <p>(j)is removed from office pursuant to these Articles; or</p> <p>(k)has been ordered to be discharged by the R.O.C. Courts on the grounds that such Director has, in the course of performing his duties, committed serious violations of the Law, Applicable Listing Rules or these Articles, or acts resulting in material damage to the Company, upon a petition by the Company or Member(s) to the R.O.C. Courts for remedies including the discharge of such Director, in accordance with the requirements of the Applicable Listing Rules or these Articles.</p>	
75-1	<p>(1)A Director will be automatically discharged if, during his/her/its tenure, such Director transfers more than one half of the Shares held by him/her/it at the time of election; a Director will also be automatically discharged if the aggregated number of Shares transferred by such Director prior to and after the amendment of these Articles is more than one half of the Shares held by him/her/it at the time of election; <u>unless</u></p>	<p>(1)A Director will be automatically discharged if, during his/her/its tenure, such Director transfers more than one half of the Shares held by him/her/it at the time of election; a Director will also be automatically discharged if the aggregated number of Shares transferred by such Director prior to and after the amendment of these Articles is more than one half of the Shares held by him/her/it at the time of election.</p>	<p>Amend this article to accommodate the revision to paragraph 5, Article 14-2 of Securities and Exchange Act of the Republic of China.</p>

Article	Clauses after the amendment	Original clause	Remark
	<p><u>otherwise, he/she/it is the Independent Director.</u></p> <p>(2) If, after he/she/it is elected, a Director transfers more than one half of the Shares held by him/her at the time of election before he/she/it assumes office, or transfers more than one half of the total number of Shares held by him/her/it during the period prior to the general meeting where share transfer registration is suspended, the election of such Director shall become invalid; <u>unless otherwise, he/she/it is the Independent Director.</u></p>	<p>(2) If, after he/she/it is elected, a Director transfers more than one half of the Shares held by him/her at the time of election before he/she/it assumes office, or transfers more than one half of the total number of Shares held by him/her/it during the period prior to the general meeting where share transfer registration is suspended, the election of such Director shall become invalid.</p>	
76-1	<p>(1)In the event of a complete re-election of the Board prior to the expiration of the Directors' terms of office pursuant to the Applicable Listing Rules, such Directors, absent a resolution that the existing Directors will not be discharged until the expiry of their present terms of office, will be deemed to be discharged in advance.</p> <p>(2)The general meeting for the re-election of the Board referred to in the preceding paragraph shall be attended by more than one-half of the total issued and outstanding Shares of the Company.</p>	<p>(1)In the event of a complete re-election of the Board prior to the expiration of the Directors' terms of office pursuant to the Applicable Listing Rules, such Directors, absent a resolution that the existing Directors will not be discharged until the expiry of their present terms of office, will be deemed to be discharged in advance.</p> <p>(2)The general meeting for the re-election of the Board referred to in the preceding paragraph shall be attended by more than one-half of the total issued and outstanding Shares of the Company.</p>	Amend this article to accommodate the revision to paragraph 1, Article 199-1 of Company Act of the Republic of China.
77-1	<p>(1)Member(s) who holds <u>one percent (1%)</u> or more of the total issued and outstanding Shares of the Company for more than <u>six months</u> may submit a written request to the</p>	<p>(1)Member(s) who holds <u>three percent (3%)</u> or more of the total issued and outstanding Shares of the Company for more than <u>one year</u> may submit a written request to the</p>	Amend this article to accommodate the revision to Article 214 of Company Act

Article	Clauses after the amendment	Original clause	Remark
	<p>Independent Director on the Audit Committee to institute a lawsuit on behalf of the Company against the Director(s) and may choose Taiwan Taipei District Court as the court of first instance.</p> <p>(2)If the Independent Director on the Audit Committee fails to institute a lawsuit within thirty (30) days of receiving the request pursuant to the preceding paragraph, such Member(s) may institute a lawsuit on behalf of the Company and may choose Taiwan Taipei District Court as the court of first instance.</p>	<p>Independent Director on the Audit Committee to institute a lawsuit on behalf of the Company against the Director(s) and may choose Taiwan Taipei District Court as the court of first instance.</p> <p>(2)If the Independent Director on the Audit Committee fails to institute a lawsuit within thirty (30) days of receiving the request pursuant to the preceding paragraph, such Member(s) may institute a lawsuit on behalf of the Company and may choose Taiwan Taipei District Court as the court of first instance.</p>	<p>of the Republic of China.</p>
84		<p><u>(1)A Director who is in any way, whether directly or indirectly, interested in a contract or proposed contract with the Company shall declare the nature of his interest at a meeting of the Directors.</u></p> <p><u>(2)For the purposes of previous paragraph, a general notice to the Board by a Director to the effect that:</u></p> <p><u>(a)he is a member or officer of a specified company or firm and is to be regarded as interested in any contract or arrangement which may after the date of the notice be made with that company or firm; or</u></p> <p><u>(b)he is to be regarded as interested in any contract or arrangement which may after the date of the notice be made with a specified person who is connected</u></p>	<p>Amend this article to accommodate the revision to Paragraph 2 and 3, Article 206 of Company Act of the Republic of China.</p>

Article	Clauses after the amendment	Original clause	Remark
	<p>(1) <u>A Director who in any way has a personal interest in the matter under discussion at a meeting of the Directors shall declare the essential contents of his personal interest to the Board meeting.</u></p> <p>(2) <u>Where the spouse, a blood relative within the second degree of kinship of a Director, _____ or _____ any holding/subordinate company of a Director has interests in the matters under discussion at a meeting of the Directors of the preceding paragraph, such Director shall be deemed to have a personal interest in the matter.</u></p> <p>(3) A Director cannot exercise his own vote or by proxy on behalf of another Director in respect of any matter or proposed matter or arrangement if he may be interested therein and may cause damage to the Company's interests. The voting right of such Director who cannot vote or exercise any voting right as prescribed</p>	<p><u>with him;</u>  <u>shall be deemed to be a sufficient disclosure of personal interest under this Article in relation to any such contract or arrangement, provided that no such notice shall be effective unless either it is given at a meeting of the Board or the Director takes reasonable steps to secure that it is brought up and read at the next Board meeting after it is given.</u></p> <p>(3) A Director cannot exercise his own vote or by proxy on behalf of another Director in respect of any matter or proposed matter or arrangement if he may be interested therein and may cause damage to the Company's interests. The voting right of such Director who cannot vote or exercise any voting right as prescribed</p>	

Article	Clauses after the amendment	Original clause	Remark
	above shall not be counted in the number of votes of Directors present at the Board meeting but shall still be counted in the quorum for such meeting.	above shall not be counted in the number of votes of Directors present at the Board meeting but shall still be counted in the quorum for such meeting.	
89-3	The Board shall be entitled to release or disclose to any regulatory or judicial authority <u>of the R.O.C. or Cayman Islands</u> any information in its possession, custody or control regarding the Company or its affairs to any of its Shareholder including, without limitation, information contained in the Register of Members and transfer books of the Company.	The Board shall be entitled to release or disclose to any regulatory or judicial authority any information in its possession, custody or control regarding the Company or its affairs to any of its Shareholder including, without limitation, information contained in the Register of Members and transfer books of the Company.	Amend this article to clarify the regulatory or judicial authority to which the Board is entitled to release or disclose any information regarding the Company.
100	The Board shall keep copies of this Memorandum of Association, these Articles, the minutes of every general meeting, the Financial Statements, the Register and the counterfoil of corporate bonds issued by the Company at its Shareholders' Service Agent's office in the R,O,C.. Any Member may request at any time, by submitting evidentiary document(s) to show his interests involved and indicating the scope of requested matters, access to inspect, <u>transcribe and to make copies of the above documents and the Company shall make its Shareholders' Service Agent to provide with the access.</u>	The Board shall keep copies of this Memorandum of Association, these Articles, the minutes of every general meeting, the Financial Statements, the Register and the counterfoil of corporate bonds issued by the Company at its Shareholders' Service Agent's office in the R,O,C.. Any Member may request at any time, by submitting evidentiary document(s) to show his interests involved and indicating the scope of requested matters, access to inspect, and to make copies of the above documents.	Amend this article to accommodate the revision to Paragraph 2, Article 210 of Company Act of the Republic of China.
119	<b>CORPORATE SOCIAL RESPONSIBILITY</b> <u>The Company shall comply with the laws and regulations as well</u>	(New Clause)	Add this article to fulfill operational needs.

Article	Clauses after the amendment	Original clause	Remark
	<u>as business ethics and may take actions which will promote public interests in order to fulfill its social responsibilities when conducting business.</u>		



## Attachment 6. The comparison table of the “Operational Procedures for Acquisition and Disposal of Assets” before and after amendments

Clauses after the amendment	Original clause	Remark
<p>Article 3 Scope of Assets</p> <p>1. Securities: shares, government bonds, corporate bonds, bank debentures, securities that represent fund entitlements, depository receipts, call/put options, beneficiary securities and asset-backed securities.</p> <p>2. Real estate (including land, building, investment properties, and construction inventory) and equipment.</p> <p>3. Membership card</p> <p>4. Intangible assets: patents, copyrights, trademarks, licenses and other intangible assets.</p> <p>5. <u>Right-of-use assets.</u></p> <p>6. Claims (including receivables, foreign exchange purchase discount and loans, and delinquent loans) of financial institutions.</p> <p>7. Derivatives: Forward contracts, options contracts, futures contracts, leverage contracts, or swap contracts, whose value is derived from <u>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.</u> The term “forward contracts” does</p>	<p>Article 3 Scope of Assets</p> <p>1. Securities: shares, government bonds, corporate bonds, bank debentures, securities that represent fund entitlements, depository receipts, call/put options, beneficiary securities and asset-backed securities.</p> <p>2. Real estate (including land, building, investment properties, <u>land use rights,</u> and construction inventory) and equipment.</p> <p>3. Membership card</p> <p>4. Intangible assets: patents, copyrights, trademarks, licenses and other intangible assets.</p> <p>5. Claims (including receivables, foreign exchange purchase discount and loans, and delinquent loans) of financial institutions</p> <p>6. Derivatives: Refers to the value of the forward contracts, options contracts, futures contracts, leveraged margin contracts, swap contracts and <u>compound contracts</u> of the aforementioned instruments derived from <u>assets, interest rate, exchange rate, index or other benefits.</u> The term “forward contracts” does not include insurance contracts, performance contracts, after-sale service contracts, long-term leasing contracts and long-term purchases (sales)</p>	<p>With reference to the amendment to the “Regulations Governing the Acquisition and Disposal of Assets by Public Companies” by the Financial Supervisory Commission Letter Jin-Guan-Zheng-Fa -Zhi No. 10703410725 dated November 26, 2018.</p>

Clauses after the amendment	Original clause	Remark
<p>not include insurance contracts, performance contracts, after-sales service contracts, long-term leasing contracts, or long-term purchase (sales) <u>contracts</u>.</p> <p>8. 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 Institution 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.</p> <p>9. Other important assets</p>	<p><u>contracts</u>.</p> <p>7. 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 Institution 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, <u>Paragraph 8</u> of the Company Act.</p> <p>8. Other important assets</p>	
<p>Article 4 Terminology</p> <p>1. Related party and subsidiaries: It should be recognized in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Firms.</p> <p>2. Professional appraiser: Refers to real estate appraisers or other individuals engaged in property and equipment appraisal business in accordance with the governing laws.</p> <p>3. Date of event: Refers to the transaction contract signing date, payment date,</p>	<p>Article 4 Terminology</p> <p>1. Related party and subsidiaries: It should be recognized in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Firms.</p> <p>2. Professional appraiser: Refers to real estate appraisers or other individuals engaged in property and equipment appraisal business in accordance with the governing laws.</p> <p>3. Date of event: Refers to the transaction contract signing date, payment date,</p>	<p>With reference to the amendment to the “Regulations Governing the Acquisition and Disposal of Assets by Public Companies” by the Financial Supervisory Commission Letter Jin-Guan-Zheng-Fa -Zhi No. 10703410725 dated November 26, 2018.</p>

Clauses after the amendment	Original clause	Remark
<p>commission Closing Date, transfer date and the Board resolution date or the date the counterparty and transaction amount sufficiently determined whichever is earlier or sooner. For investments that are subject to the approval of the competent authorities, one of the dates of event referred to above or the date of approval by the competent authorities whichever is earlier or sooner shall prevail.</p> <p>4. Investment in Mainland China: Refers to the investments engaged in Mainland China approved by the Investment Commission of the Ministry of Economic Affairs Investment or conducted in accordance with the Technical Cooperation Licensing Requirements.</p> <p>5. Total Assets: The total assets stated in the most recent parent company-only financial report <u>or individual</u> financial report prepared under the Regulations Governing the Preparation of Financial Reports by Securities Issuers.</p> <p>6. "Latest financial statements": mentioned here shall refer to the Company's audited/auditor-reviewed financial statements that were published prior to acquiring or disposing the assets.</p> <p><u>7. Investment professional: Refers to financial holding companies, banks, insurance companies, bill finance companies, trust enterprises, securities firms</u></p>	<p>commission Closing Date, transfer date and the Board resolution date or the date the counterparty and transaction amount sufficiently determined whichever is earlier or sooner. For investments that are subject to the approval of the competent authorities, one of the dates of event referred to above or the date of approval by the competent authorities whichever is earlier or sooner shall prevail.</p> <p>4. Investment in Mainland China: Refers to the investments engaged in Mainland China approved by the Investment Commission of the Ministry of Economic Affairs Investment or conducted in accordance with the Technical Cooperation Licensing Requirements.</p> <p>5. Total Assets: The total assets stated in the most recent parent company-only financial report prepared under the Regulations Governing the Preparation of Financial Reports by Securities Issuers.</p> <p>6. "Latest financial statements": mentioned here shall refer to the Company's audited/auditor-reviewed financial statements that were published prior to acquiring or disposing the assets.</p>	

Clauses after the amendment	Original clause	Remark
<p><u>operating proprietary trading or underwriting business, futures commission merchants operating proprietary trading business, securities investment trust enterprises, securities investment consulting enterprises, and fund management companies, that are lawfully incorporated and are regulated by the competent financial authorities of the jurisdiction where they are located.</u></p> <p>8. <u>Securities exchange: “Domestic securities exchange” refers to Taiwan Stock Exchange Corporation; “foreign securities exchange” refers to any organized securities exchange market that is regulated by the competent securities authorities of the jurisdiction where it is located.</u></p> <p>9. <u>Over-the-counter venue (“OTC venue”, “OTC”): “Domestic OTC venue” refers to a venue for OTC trading provided by a securities firm in accordance with the Regulations Governing Securities Trading on the Taipei Exchange; “foreign OTC venue” refers to a venue at a financial institution that is regulated by the foreign competent authority and that is permitted to conduct securities business.</u></p>		

Clauses after the amendment	Original clause	Remark
<p>Article 5 Evaluation Process</p> <p>The price of the acquisition or disposal of assets by the Company are determined as and with reference to the following:</p> <ol style="list-style-type: none"> <li>1. The Finance Department or Management Department shall be responsible for the acquisition or disposal of assets by the Company, and shall evaluate the feasibility of the acquisition or disposal of assets, and obtain the approval according to the authority matrix in Article 6 before implementation.</li> <li>2. The Company for the acquisition or disposal of securities shall obtain prior to the date of event the underlying company's most recent financial statements audited, attested or reviewed by CPAs as reference in assessing the transaction price. In addition, for a transaction amount exceeding 20% of the paid-in capital or NTD300 million, a CPA should be contracted prior to the date of the event to express an opinion on the reasonableness of the transaction price. The CPA that needs to adopt the report of an expert shall have it processed in accordance with the Statement of Auditing Standards (SFAS) No. 20 published by the Research and Development Foundation. However, exceptions are made if the marketable securities are with a quote in an active market or it</li> </ol>	<p>Article 5 Evaluation Process</p> <p>The price of the acquisition or disposal of assets by the Company are determined as and with reference to the following:</p> <ol style="list-style-type: none"> <li>1. The Finance Department or Management Department shall be responsible for the acquisition or disposal of assets by the Company, and shall evaluate the feasibility of the acquisition or disposal of assets, and obtain the approval according to the authority matrix in Article 6 before implementation.</li> <li>2. The Company for the acquisition or disposal of securities shall obtain prior to the date of event the underlying company's most recent financial statements audited, attested or reviewed by CPAs as reference in assessing the transaction price. In addition, for a transaction amount exceeding 20% of the paid-in capital or NTD300 million, a CPA should be contracted prior to the date of the event to express an opinion on the reasonableness of the transaction price. The CPA that needs to adopt the report of an expert shall have it processed in accordance with the Statement of Auditing Standards (SFAS) No. 20 published by the Research and Development Foundation. However, exceptions are made if the marketable securities are with a quote in an active market or it</li> </ol>	<p>With reference to the amendment to the "Regulations Governing the Acquisition and Disposal of Assets by Public Companies" by the Financial Supervisory Commission Letter Jin-Guan-Zheng-Fa -Zhi No. 10703410725 dated November 26, 2018.</p>

Clauses after the amendment	Original clause	Remark
<p>is otherwise regulated by the Financial Supervisory Commission.</p> <p>3. In the event that the transaction amount for acquiring or disposing of real property, equipment, <u>or its right-of-use assets</u> reaches twenty percent (20%) of the paid-in capital or NT\$300 million or more, the Company shall obtain an appraisal report prior to the date of event occurrence from a professional appraiser and comply with the provisions below, except for transacting with a <u>domestic</u> government agency, engaging others to build on its own land, engaging others to build on rented land, or acquiring or disposing of equipment <u>or its right-of-use assets</u> held for business use.</p> <p>(1)Where due to special circumstances it is necessary to give a limited price, specified price, or special price as a reference basis for the transaction price, the transaction shall be submitted for approval in advance by the board of directors; <u>the same procedure shall apply to any subsequent changes to the terms and conditions of transaction.</u></p> <p>(2)The transaction amounted to NT\$1 billion or more should be appraised by two or more professional appraisers.</p> <p>(3)If the professional</p>	<p>is otherwise regulated by the Financial Supervisory Commission.</p> <p>3. In the event that the transaction amount for acquiring or disposing of real property, equipment, reaches twenty percent (20%) of the paid-in capital or NT\$300 million or more, the Company shall obtain an appraisal report prior to the date of event occurrence from a professional appraiser and comply with the provisions below, except for 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 held for business use.</p> <p>(1)Where due to special circumstances it is necessary to give a limited price, specified price, or special price as a reference basis for the transaction price, the transaction shall be submitted for approval in advance by the board of directors. <u>The changes in trading conditions should be processed the same.</u></p> <p>(2)The transaction amounted to NT\$1 billion or more should be appraised by two or more professional appraisers.</p> <p>(3)If the professional</p>	

Clauses after the amendment	Original clause	Remark
<p>appraiser’s appraisal result falls under one of the following circumstances, except for the valuation of the acquired asset is higher than the transaction amount or the valuation of the disposed asset is lower than the transaction amount, a CPA should be contracted to have it processed in accordance with the Statement of Auditing Standards (SFAS) No. 20 of the Accounting Research and Development Foundation with an opinion issued on the reasons for the difference and the adequacy of the transaction price:</p> <p>a.The spread between the appraisal result and the transaction amount exceeds 20%.</p> <p>b.The discrepancy between the appraisal results of two or more professional appraisers is 10 percent or more of the transaction amount.</p> <p>(4)No more than 3 months may elapse between the date of the appraisal report issued by a professional appraiser and the contract execution date; However, if the report pertains to the same government-declared value and is no more than six months old, the Company may still base its decisions on the report, provided that an opinion letter is obtained</p>	<p>appraiser’s appraisal result falls under one of the following circumstances, except for the valuation of the acquired asset is higher than the transaction amount or the valuation of the disposed asset is lower than the transaction amount, a CPA should be contracted to have it processed in accordance with the Statement of Auditing Standards (SFAS) No. 20 of the Accounting Research and Development Foundation with an opinion issued on the reasons for the difference and the adequacy of the transaction price:</p> <p>a.The spread between the appraisal result and the transaction amount exceeds 20%.</p> <p>b.The discrepancy between the appraisal results of two or more professional appraisers is 10 percent or more of the transaction amount.</p> <p>(4)No more than 3 months may elapse between the date of the appraisal report issued by a professional appraiser and the contract execution date; However, if the report pertains to the same government-declared value and is no more than six months old, the Company may still base its decisions on the report, provided that an opinion letter is obtained</p>	

Clauses after the amendment	Original clause	Remark
<p>from the original valuer.</p> <p>4. In the event that the transaction amount for acquiring or disposing of intangible assets <u>or its right-of-use assets or memberships</u> reaches twenty percent (20%) of paid-in capital or NT\$300 million or more, except for transactions with a <u>domestic</u> government agency, the Company shall engage a certified public accountant prior to the date of event occurrence to render an opinion on the fairness of the transaction price. The certified public accountant shall render such an opinion in accordance with the provisions of Statement of Auditing Standards No. 20 published by the ARDF.</p> <p>5. The transactions amount should be calculated in accordance with Article 8 Paragraph 2 of the procedures. Also, the alleged “within one year” meant for the one year prior to the date of occurrence excluding the appraisal report issued by the professional appraiser or the CPA’s opinions acquired in accordance with the procedures.</p> <p>6. For the Company’s acquisition or disposal of assets by the court auction process, the supporting documents issued by the court can be used instead of the appraisal report or CPA’s opinions.</p> <p>7. Professional appraisers and their officers, certified public</p>	<p>from the original valuer.</p> <p>4. In the event that the transaction amount for acquiring or disposing of <u>membership card</u> or intangible assets reaches twenty percent (20%) of paid-in capital or NT\$300 million or more, except for transactions with a government agency, the Company shall engage a certified public accountant prior to the date of event occurrence to render an opinion on the fairness of the transaction price. The certified public accountant shall render such an opinion in accordance with the provisions of Statement of Auditing Standards No. 20 published by the ARDF.</p> <p>5. The transactions amount should be calculated in accordance with Article 8 Paragraph 2 of the procedures. Also, the alleged “within one year” meant for the one year prior to the date of occurrence excluding the appraisal report issued by the professional appraiser or the CPA’s opinions acquired in accordance with the procedures.</p> <p>6. For the Company’s acquisition or disposal of assets by the court auction process, the supporting documents issued by the court can be used instead of the appraisal report or CPA’s opinions.</p> <p>7. Professional appraisers and their officers, certified public</p>	



Clauses after the amendment	Original clause	Remark
<p>accounts, attorneys, and securities underwriters that provide the Company with appraisal reports, certified public accountant’s opinions, attorney’s opinions, or underwriter’s opinions <u>shall meet the following requirements:</u></p> <p><u>(1) May not have previously received a final and unappealable sentence to imprisonment for 1 year or longer for a violation of the Securities and Exchange 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.</u></p> <p><u>(2) May not be a related party or de facto related party of any party to the transaction.</u></p> <p><u>(3) 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</u></p>	<p>accounts, attorneys, and securities underwriters that provide the Company with appraisal reports, certified public accountant’s opinions, attorney’s opinions, or underwriter’s opinions, <u>and the trade parties must be not be related.</u></p>	

Clauses after the amendment	Original clause	Remark
<p><u>parties or de facto related parties of each other.</u></p> <p><u>When issuing an appraisal report or opinion, the personnel referred to in the preceding paragraph shall comply with the following:</u></p> <p><u>(1) Prior to accepting a case, they shall prudently assess their own professional capabilities, practical experience, and independence.</u></p> <p><u>(2) For audit assignments, plan and implement appropriate processes to draw a conclusion as the basis of producing a report or expressing an opinion; and maintain a full record of the operating procedures, gathered data, and conclusions in the worksheet.</u></p> <p><u>(3) They shall undertake an item-by-item evaluation of the comprehensiveness, accuracy, 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.</u></p> <p><u>(4) 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 reasonable and</u></p>		

Clauses after the amendment	Original clause	Remark
<p><u>accurate, and that they have complied with applicable laws and regulations.</u></p> <p>8. In addition to the foregoing requirements, the following procedures shall apply:</p> <p>(1)For the acquisition and disposal of negotiable securities on the stock exchange or securities brokerage, the price of equity, fund or bond is determined at the time.</p> <p>(2)When the Company acquires or disposes of any securities which are not for trading on the stock exchange market, or securities brokerage office, it shall consider the net value per share, technique and profitability, future development potential, market interest rate, bond coupon rate, debtor’s credit, market value, and fund profitability rating, and negotiate the price with reference to the then-current strike prices.</p> <p>(3)When the Company acquires or disposes of any real estate, it shall negotiate the price with reference to the published current value, current value appraisal and the actual strike price of the adjacent real estate. If the real estate is purchased from a related party, it shall compute the price in the methods set forth in Chapter 2 of these Procedures to evaluate the reasonableness</p>	<p>8. In addition to the foregoing requirements, the following procedures shall apply:</p> <p>(1)For the acquisition and disposal of negotiable securities on the stock exchange or securities brokerage, the price of equity, fund or bond is determined at the time.</p> <p>(2)When the Company acquires or disposes of any securities not for trading on the stock exchange market, or securities brokerage office, it shall consider the net value per share, technique and profitability, future development potential, market interest rate, bond coupon rate, debtor’s credit, market value, and fund profitability rating, and negotiate the price with reference to the then-current strike prices.</p> <p>(3)When the Company acquires or disposes of any real estate, it shall negotiate the price with reference to the published current value, current value appraisal and the actual strike price of the adjacent real estate. If the real estate is purchased from a related party, it shall compute the price in the methods set forth in Chapter 2 of these Procedures to evaluate the reasonableness</p>	

Clauses after the amendment	Original clause	Remark
<p>of the trading price.</p> <p>(4)When the Company acquires or disposes of any membership, it shall negotiate the price by considering the possible benefits, and with reference to the then-current strike prices.</p> <p>(5)When the Company acquires or disposes of any intangible assets, it shall negotiate the price with reference to the international or market course of dealings, usable years, and influence on the company's technology and business.</p> <p>(6)When the Company acquires or disposes of any equipment or other assets, it shall review the supplier quotations, and carry on by request for quotation, quotation comparison, price negotiation, or public tender.</p> <p>(7)When the Company engages in any derivatives transactions, it shall review the futures market transaction, exchange rate and interest rate tendency, and follow Chapter 3 of these Procedures.</p> <p>(8)When the Company conducts a merger, spinoff, acquisition, or receipt of shares, it shall review the business characteristics, net value per share, asset value, technique and profitability,</p>	<p>of the trading price.</p> <p>(4)When the Company acquires or disposes of any membership, it shall negotiate the price by considering the possible benefits, and with reference to the then-current strike prices.</p> <p>(5)When the Company acquires or disposes of any intangible assets, it shall negotiate the price with reference to the international or market course of dealings, usable years, and influence on the company's technology and business.</p> <p>(6)When the Company acquires or disposes of any equipment or other assets, it shall review the supplier quotations, and carry on by request for quotation, quotation comparison, price negotiation, or public tender.</p> <p>(7)When the Company engages in any derivatives transactions, it shall review the futures market transaction, exchange rate and interest rate tendency, and follow Chapter 3 of these Procedures.</p> <p>(8)When the Company conducts merger, spinoff, acquisition, or receipt of shares, it shall review the business characteristics, net value per share, asset value, technique and profitability,</p>	

Clauses after the amendment	Original clause	Remark
<p>production capacity, and future development potential, and follow Chapter 4 of these Procedures.</p> <p>9. The transactions with a related party, derivatives trading, merger, spinoff, acquisition, or receipt of shares by the Company shall be subject to the foregoing provisions, as well as Chapters 2 to 4 of these Procedures.</p>	<p>production capacity, and future development potential, and follow Chapter 4 of these Procedures.</p> <p>9. The transactions with a related party, derivatives trading, merger, spinoff, acquisition, or receipt of shares by the Company shall be subject to the foregoing provisions, as well as Chapters 2 to 4 of these Procedures.</p>	
<p>Article 7 Trading Limits</p> <p>In addition to the acquisition of operating assets, the Company and each subsidiary may invest and purchase non-operating real estate or securities within the following trading limits:</p> <p>1. For the acquisition of any non-operating real estate and <u>its right-of-use assets</u> by the Company, the total amount shall not exceed 40 percent of the Company’s net worth in the latest financial report.</p> <p>For the acquisition of any non-operating real estate and <u>its right-of-use assets</u> by any subsidiary, the total amount shall not exceed 20 percent of the Company’s net worth in the latest financial report.</p> <p>2. For the acquisition of securities by the Company, the total amount shall not exceed 200 percent of the Company’s net worth in the latest financial report.</p> <p>For the acquisition of securities by any subsidiary, the total amount shall not exceed 150</p>	<p>Article 7 Trading Limits</p> <p>In addition to the acquisition of operating assets, the Company and each subsidiary may invest and purchase non-operating real estate or securities within the following trading limits:</p> <p>1. For the acquisition of any non-operating real estate by the Company, the total amount shall not exceed 40 percent of the Company’s net worth in the latest financial report.</p> <p>For the acquisition of any non-operating real estate by any subsidiary, the total amount shall not exceed 20 percent of the Company’s net worth in the latest financial report.</p> <p>2. For the acquisition of securities by the Company, the total amount shall not exceed 200 percent of the Company’s net worth in the latest financial report.</p> <p>For the acquisition of securities by any subsidiary, the total amount shall not exceed 150</p>	<p>With reference to the amendment to the “Regulations Governing the Acquisition and Disposal of Assets by Public Companies” by the Financial Supervisory Commission Letter Jin-Guan-Zheng-Fa -Zhi No. 10703410725 dated November 26, 2018.</p>

Clauses after the amendment	Original clause	Remark
<p>percent of the Company's net worth in the latest financial report.</p> <p>3. For the acquisition of a single security by the Company, the amount shall not exceed 150 percent of the Company's net worth in the latest financial report.</p> <p>For the acquisition of a single security by any subsidiary, the amount shall not exceed 100 percent of the Company's net worth in the latest financial report.</p>	<p>percent of the Company's net worth in the latest financial report.</p> <p>3. For the acquisition of a single security by the Company, the amount shall not exceed 150 percent of the Company's net worth in the latest financial report.</p> <p>For the acquisition of a single security by any subsidiary, the amount shall not exceed 100 percent of the Company's net worth in the latest financial report.</p>	
<p>Article 8 Announcement and reporting procedures</p> <p>1. The Company's acquisition or disposal of assets in any of the following circumstances. It should be announced and reported in the FSC website within two days from the date of the event in accordance with the nature and the prescribed format.</p> <p>(1)The acquisition or disposal of real estate <u>or right-of-use assets</u> from and to the related party, or the acquisition or disposal of assets other than real estate from and to the related party for an amount exceeds 20% of the paid-in capital, 10% of the total assets, or NT\$300 million. However, <u>domestic</u> bond trades, RP and RS bonds and purchase/repurchase of money market funds that are issued by domestic securities investment trust</p>	<p>Article 8 Announcement and reporting procedures</p> <p>1. The Company's acquisition or disposal of assets in any of the following circumstances. It should be announced and reported in the FSC website within two days from the date of the event in accordance with the nature and the prescribed format.</p> <p>(1)The acquisition or disposal of real estate from and to the related party, or the acquisition or disposal of assets other than real estate from and to the related party for an amount exceeds 20% of the paid-in capital, 10% of the total assets, or NT\$300 million. However, bond trades, RP and RS bonds and purchase/repurchase of money market funds that are issued by domestic securities investment trust enterprises is not subject to</p>	<p>With reference to the amendment to the "Regulations Governing the Acquisition and Disposal of Assets by Public Companies" by the Financial Supervisory Commission Letter Jin-Guan-Zheng-Fa -Zhi No. 10703410725 dated November 26, 2018.</p>

Clauses after the amendment	Original clause	Remark
<p>enterprises is not subject to such requirements.</p> <p>(2)Process merger, spins-off, acquisition, or assignment of shares.</p> <p>(3)Engaged in derivatives transaction with a loss up to the limit of the total or individual contract amount regulated in this procedure.</p> <p>(4)Acquisition or disposal of equipment <u>or its right-of-use assets</u> for business operations from an unrelated party at a transaction amount meets any one of the following <u>criteria</u>:</p> <p>a. For a public company whose paid-in capital is less than NT\$10 billion, the transaction amount reaches NT\$500 million or more.</p> <p>b. For a public company whose paid-in capital is NT\$10 billion or more, the transaction amount reaches NT\$1 billion or more.</p> <p><u>When the paid-in capital reaches NT\$10 billion, the transaction amount under the foregoing paragraphs shall be recognized as NT\$20 billion under the Company's owner equity account.</u></p> <p>(5)Acquisition or disposal by a public company in the construction business of real property <u>or right-of-use assets</u> thereof for</p>	<p>such requirements.</p> <p>(2)Process merger, spins-off, acquisition, or assignment of shares.</p> <p>(3)Engaged in derivatives transaction with a loss up to the limit of the total or individual contract amount regulated in this procedure.</p> <p>(4)Acquisition or disposal of <u>operational</u> equipment, where the counterparty is not a related party and the transaction amount meets any of the following <u>requirements</u>:</p> <p>a. For a public company whose paid-in capital is less than NT\$10 billion, the transaction amount reaches NT\$500 million or more.</p> <p>b. For a public company whose paid-in capital is NT\$10 billion or more, the transaction amount reaches NT\$1 billion or more.</p> <p>(5)Acquisition or disposal by a public company in the construction business of real property thereof for construction use, and</p>	

Clauses after the amendment	Original clause	Remark
<p>construction use, and furthermore the transaction counterparty is not a related party, and the transaction amount reaches NT\$500 million; <u>among such cases, if the public company has paid-in capital of NT\$10 billion or more, and it is disposing of real property from a completed construction project that it constructed itself, and furthermore the transaction counterparty is not a related party, then the threshold shall be a transaction amount reaching NT\$1 billion or more.</u></p> <p>(6)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, <u>and furthermore the transaction counterparty is not a related party,</u> and the amount the company expects to invest in the transaction reaches NT\$500 million.</p> <p>(7)Where an asset transaction other than any of those referred to in the preceding six subparagraphs, a disposal of receivables by a financial institution, or an</p>	<p>furthermore the transaction counterparty is not a related party, and the transaction amount reaches NT\$500 million.</p> <p>(6)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 the amount the company expects to invest in the transaction reaches NT\$500 million.</p> <p>(7)Where an asset transaction other than any of those referred to in the preceding six subparagraphs, a disposal of receivables by a financial institution, or an</p>	



Clauses after the amendment	Original clause	Remark
<p>investment in the mainland China area reaches 20 percent or more of paid-in capital or NT\$300 million. However, the following conditions are not subject to this restriction:</p> <p>a. <u>Domestic</u> government bonds trade.</p> <p>b. As a professional investor, conduct trading of negotiable securities on securities exchanges or securities brokerage firms, or subscription of ordinary corporate bonds or general bank debentures without equity characteristics in domestic primary market, <u>(excluding subordinated debt) that are offered and issued in the primary market, or subscription or redemption of securities investment trust funds</u> or futures trust funds, or subscription by a securities firm of securities as necessitated by its undertaking business or as an advisory recommending securities firm for an emerging stock company, in accordance with the rules of the Taipei Exchange.</p> <p>c. The trade of RP/RS bonds and purchase/repurchase of money market funds that are issued by domestic securities investment trust</p>	<p>investment in the mainland China area reaches 20 percent or more of paid-in capital or NT\$300 million. However, the following conditions are not subject to this restriction:</p> <p>a. Government bond trade.</p> <p>b. As a professional investor, conduct trading of negotiable securities on <u>domestic and overseas</u> securities exchanges or securities brokerage firms, or subscription of ordinary corporate bonds or general bank debentures without equity characteristics in <u>domestic</u> primary market, or futures trust funds, or subscription by a securities firm of securities as necessitated by its undertaking business or as an advisory recommending securities firm for an emerging stock company, in accordance with the rules of the Taipei Exchange.</p> <p>c. The trade of RP/RS bonds and purchase/repurchase of money market funds that are issued by domestic securities investment trust</p>	

Clauses after the amendment	Original clause	Remark
<p>enterprises</p> <p>2. The transaction amount referred to above is calculated in accordance with the following methods:</p> <p>(1)The amount of any individual transaction.</p> <p>(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.</p> <p>(3)The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of real property <u>or right-of-use assets</u> thereof within the same development project within the preceding year.</p> <p>(4)The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of the same security within the preceding year.</p> <p>3. “Within the previous year” as claimed in the preceding paragraph refers to the one year before the date of acquisition. The part disclosed according to these Procedures will be exempted.</p> <p>4. The Company should have the derivative transactions of the Company and the non-public domestic subsidiaries up to the end of the last month published in the FSC website monthly in</p>	<p>enterprises</p> <p>2. The transaction amount referred to above is calculated in accordance with the following methods:</p> <p>(1)The amount of any individual transaction.</p> <p>(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.</p> <p>(3)The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of real property assets thereof within the same development project within the preceding year.</p> <p>(4)The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of the same security within the preceding year.</p> <p>3. “Within the previous year” as claimed in the preceding paragraph refers to the one year before the date of acquisition. The part disclosed according to these Procedures will be exempted.</p> <p>4. The Company should have the derivative transactions of the Company and the non-public domestic subsidiaries up to the end of the last month published in the FSC website monthly in</p>	

Clauses after the amendment	Original clause	Remark
<p>accordance with the prescribed format before the 10<sup>th</sup> day of each month.</p> <p>5. When the items that are to be published by the Company in accordance with the regulations are found with errors or omissions at the time of publication, all the items should be published and reported again within 2 days from the date of learning of the discrepancy.</p> <p>6. <u>The</u> Company should have the contract, minutes of meeting, book, appraisal reports, the opinions of CPAs, attorneys, or underwriters related to the acquisition or disposal of assets ready at the Company's premise for at least 5 years unless otherwise provided by law.</p> <p>7. If the transactions reported and announced by the Company in accordance with the provision referred to above be found with any of the following circumstances, the Company should have the related information announced and reported on-line at the information network designated by the FSC within 2 days from the date of occurrence:</p> <p>(1) The originally signed trade contract is modified, terminated, or revoked.</p> <p>(2) Merger, spins-off, acquisition, or assignment of shares is not completed in accordance with the deadline stated in the contract signed.</p>	<p>accordance with the prescribed format before the 10<sup>th</sup> day of each month.</p> <p>5. When the items that are to be published by the Company in accordance with the regulations are found with errors or omissions at the time of publication, all the items should be published and reported again within 2 days from the date of learning of the discrepancy.</p> <p>6. The <u>Public</u> Company should have the contract, minutes of meeting, book, appraisal reports, the opinions of CPAs, attorneys, or underwriters related to the acquisition or disposal of assets ready at the Company's premise for at least 5 years unless otherwise provided by law.</p> <p>7. If the transactions reported and announced by the Company in accordance with the provision referred to above be found with any of the following circumstances, the Company should have the related information announced and reported on-line at the information network designated by the FSC within 2 days from the date of occurrence:</p> <p>(1) The originally signed trade contract is modified, terminated, or revoked.</p> <p>(2) Merger, spins-off, acquisition, or assignment of shares is not completed in accordance with the deadline stated in the contract signed.</p>	

Clauses after the amendment	Original clause	Remark
(3)Changes are made to the original announcement and report.	(3)Changes are made to the original announcement and report.	
<p>Article 9 The control procedure for the subsidiary’s acquisition or disposal of assets</p> <p>1. The Company shall urge its subsidiaries to prescribe and implement the “Procedures of Acquisition and Disposal of Assets” pursuant to these Procedures.</p> <p>2. The “Procedures for the Acquisition and Disposal of Assets” prescribed by a subsidiary or the amendment thereof shall conform to these Procedures, and must be submitted to each supervisor, and reported to the shareholders meeting for approval after the resolution of the Board meeting . If any of the director’s objections is recorded or expressed in writing, the Subsidiary shall have the objections of the directors forwarded to each supervisor. Where the position of independent director has been created in accordance with the regulations, when a transaction involving the acquisition or disposal of assets is submitted for discussion to the board of directors, it should fully consider the views of the independent directors. The objections or reservations of independent directors, if any, should be stated in the minutes of the Board meeting.</p> <p>Where an audit committee has</p>	<p>Article 9 The control procedure for the subsidiary’s acquisition or disposal of assets</p> <p>1. The Company shall urge its subsidiaries to prescribe and implement the “Procedures of Acquisition and Disposal of Assets” pursuant to these Procedures.</p> <p>2. The “Procedures for the Acquisition and Disposal of Assets” prescribed by a subsidiary or the amendment thereof shall conform to these Procedures, and must be submitted to each supervisor, and reported to the shareholders meeting for approval after the resolution of the Board meeting . If any of the director’s objections is recorded or expressed in writing, the Subsidiary shall have the objections of the directors forwarded to each supervisor. Where the position of independent director has been created in accordance with the regulations, when a transaction involving the acquisition or disposal of assets is submitted for discussion to the board of directors, it should fully consider the views of the independent directors. The objections or reservations of independent directors, if any, should be stated in the minutes of the Board meeting.</p> <p>Where an audit committee has</p>	<p>With reference to the amendment to the “Regulations Governing the Acquisition and Disposal of Assets by Public Companies” by the Financial Supervisory Commission Letter Jin-Guan-Zheng-Fa -Zhi No. 10703410725 dated November 26, 2018.</p>

Clauses after the amendment	Original clause	Remark
<p>been established in accordance with the Act, when the procedures for the acquisition and disposal of assets are adopted or amended they shall be approved by more than half of all audit committee members and submitted to the board of directors for a resolution.</p> <p>If approval of more than half of all audit committee members as required in the preceding paragraph is not obtained, the procedures may be implemented if approved by more than two-thirds of all directors, and the resolution of the audit committee shall be recorded in the minutes of the board of directors meeting.</p> <p>The terms "all audit committee members" and "all directors" in the preceding paragraph shall be counted as the actual number of persons currently holding those positions.</p> <p>3. Unless otherwise prescribed in its policy, these Procedures may also be applied to the acquisition or disposal of assets by the subsidiary.</p> <p>4. If the subsidiary is not a domestic public company, and the acquisition or disposal of assets are subject to the reporting under Article 8, the Company shall notify the shareholder service agency, and publish the announcement within days of such event on behalf of the subsidiary.</p> <p>5. The paid-in capital or total asset of the Company shall apply to</p>	<p>been established in accordance with the Act, when the procedures for the acquisition and disposal of assets are adopted or amended they shall be approved by more than half of all audit committee members and submitted to the board of directors for a resolution.</p> <p>If approval of more than half of all audit committee members as required in the preceding paragraph is not obtained, the procedures may be implemented if approved by more than two-thirds of all directors, and the resolution of the audit committee shall be recorded in the minutes of the board of directors meeting.</p> <p>The terms "all audit committee members" and "all directors" in the preceding paragraph shall be counted as the actual number of persons currently holding those positions.</p> <p>3. Unless otherwise prescribed in its policy, these Procedures may also be applied to the acquisition or disposal of assets by the subsidiary.</p> <p>4. If the subsidiary is not a domestic public company, and the acquisition or disposal of assets are subject to the reporting under Article 8, the Company shall notify the shareholder service agency, and publish the announcement within days of such event on behalf of the subsidiary.</p> <p>5. The <u>20%</u> of paid-in capital or <u>10%</u> of total asset of the</p>	

Clauses after the amendment	Original clause	Remark
<p>subsidiaries in the preceding paragraph required to report acquisition or disposal of assets based on the paid-in capital or total asset under <u>paragraph 1 of Article 8</u>.</p>	<p>Company shall apply to subsidiaries in the preceding paragraph required to report acquisition or disposal of assets based on the paid-in capital or total asset under <u>above</u> paragraph.</p>	
<p>Article 10 Determination Basis</p> <p>1. In addition to processing the related decision procedures and assessing the reasonableness of trade conditions in accordance with the provision referred to above and in this Article, the appraisal report issued by the professional appraiser or the CPA's opinions must be acquired in accordance with the guidelines referred to above for the acquisition or disposal of assets by the Company from the related party with a transaction amount over 10% of the Company's total assets.</p> <p>2. The calculation of the transaction amount referred to in the preceding paragraph shall be made in accordance with Paragraph 5, Article 5 herein.</p> <p>3. The legal form and the real relationship should be considered in determining whether the counterparty is a related party.</p>	<p>Article 10 Determination Basis</p> <p>1. In addition to processing the related decision procedures and assessing the reasonableness of trade conditions in accordance with the provision referred to above and in this Article, the appraisal report issued by the professional appraiser or the CPA's opinions must be acquired in accordance with the guidelines referred to above for the acquisition or disposal of assets by the Company from the related party with a transaction amount over 10% of the Company's total assets.</p> <p>2. The calculation of the transaction amount referred to in the preceding paragraph shall be made in accordance with Paragraph 2, Article 8 herein.</p> <p>3. The legal form and the real relationship should be considered in determining whether the counterparty is a related party.</p>	<p>With reference to the amendment to the "Regulations Governing the Acquisition and Disposal of Assets by Public Companies" by the Financial Supervisory Commission Letter Jin-Guan-Zheng-Fa -Zhi No. 10703410725 dated November 26, 2018.</p>
<p>Article 11 Decision Making Process</p> <p>1. If the Company acquires from or disposes of any real estate <u>or the right-of-use assets</u> thereof to a related party, or acquires from or disposes of any assets other than real estate <u>or the</u></p>	<p>Article 11 Decision Making Process</p> <p>1. If the Company acquires from or disposes of to a related party any real estate, or acquire from or dispose of to a related party any assets other than real estate, and the transaction amount</p>	<p>With reference to the amendment to the "Regulations Governing the Acquisition and Disposal of Assets by Public Companies" by the</p>

Clauses after the amendment	Original clause	Remark
<p><u>right-of-use assets</u> thereof to a related party, and the transaction amount exceeds 20% of the Company's paid-in capital, 10% of the total assets, or NT\$300 million, then except for the sales and purchase of <u>domestic</u> government bonds, callable or puttable bonds, subscription or repurchase of an MMF administered by a domestic securities/investment/trust firm, the Company shall submit the following materials to the Audit Committee and obtain the consent of the majority of the Committee, then the approval of the Board of Directors must be obtained before signing the transaction contract and making the payments:</p> <p>(1)The purpose, necessity, and expected benefits of the acquisition or disposal of assets.</p> <p>(2)The reasons for selecting the related party as the counterparty.</p> <p>(3)When acquiring real property <u>or its right-of-use assets</u> from a related party, assess the fairness of transaction terms according Articles 12 and 13.</p> <p>(4)The matters of the related party's original acquisition date and price, counterparty, and the relationship with the Company and the related party.</p> <p>(5)The monthly cash income and expense forecast within</p>	<p>exceeds 20% of the Company's paid-in capital, 10% of the total assets, or NT\$300 million, then except for the sales and purchase of domestic government bonds, callable or puttable bonds, subscription or repurchase of a MMF administered by a domestic securities/investment/ trust firm, the Company shall submit the following materials to the Audit Committee and obtain the consent of the majority of the Committee, then the approval of the Board of Directors before signing the transaction contract and making the payments:</p> <p>(1)The purpose, necessity, and expected benefits of the acquisition or disposal of assets.</p> <p>(2)The reasons for selecting the related party as the counterparty.</p> <p>(3)When acquiring real property from a related party, assess the fairness of transaction terms according Articles 12 and 13.</p> <p>(4)The matters of the related party's original acquisition date and price, counterparty, and the relationship with the Company and the related party.</p> <p>(5)The monthly cash income and expense forecast within</p>	<p>Financial Supervisory Commission Letter Jin-Guan-Zheng-Fa -Zhi No. 10703410725 dated November 26, 2018.</p>

Clauses after the amendment	Original clause	Remark
<p>the year from the month of the contract signed; also, assess the necessity of the trade and the reasonableness of the use of funds.</p> <p>(6)Acquire the appraisal report from the professional appraisers or the opinions of the CPAs in accordance with the provisions referred to above.</p> <p>(7)The restrictions and other important stipulations of the transaction.</p> <p>2. The transaction amount in the foregoing paragraph shall be calculated according to Article 8.2. The term "within the preceding year" refers to the year preceding the date of the current transaction. Any proposal that has been approved by the majority of the Audit Committee and the Board of Directors according to these Procedures will not be counted for this purpose.</p> <p>3. The Board of Directors authorizes the Chairman to grant the preliminary approval, and report to the nearest Board meeting for ratification, for the following transactions not exceeding NT\$50 million between the Company and its subsidiaries, <u>or between its subsidiaries of which the Company has the direct or indirect ownership of 100% of the outstanding shares or share capital:</u></p> <p><u>(1)Acquisition or disposal of equipment or right-of-use</u></p>	<p>the year from the month of the contract signed; also, assess the necessity of the trade and the reasonableness of the use of funds.</p> <p>(6)Acquire the appraisal report from the professional appraisers or the opinions of the CPAs in accordance with the provisions referred to above.</p> <p>(7)The restrictions and other important stipulations of the transaction.</p> <p>2. The transaction amount in the foregoing paragraph shall be calculated according to Article 8.2. The term "within the preceding year" refers to the year preceding the date of the current transaction. Any proposal that has been approved by the majority of the Audit Committee and the Board of Directors according to these Procedures will not be counted for this purpose.</p> <p>3. The Board of Directors authorizes the Chairman to grant the preliminary approval, and report to the nearest Board meeting for ratification, for any <u>acquisition or disposal of any equipment held for operating purposes between</u> the Company and its subsidiaries not exceeding NT\$50 million.</p>	



Clauses after the amendment	Original clause	Remark
<p><u>assets thereof held for business use.</u></p> <p><u>(2) Acquisition or disposal of real property or right-of-use assets thereof held for business use.</u></p> <p>4. When reported to the Board for discussion in accordance with the paragraph referred to above, should fully consider the views of the independent directors. The objections or reservations of independent directors, if any, should be stated in the minutes of the Board meeting.</p>	<p>4. When reported to the Board for discussion in accordance with the paragraph referred to above, should fully consider the views of the independent directors. The objections or reservations of independent directors, if any, should be stated in the minutes of the Board meeting.</p>	
<p>Article 12 Evaluation on reasonable cost of transactions</p> <p>1. The Company should assess the reasonableness of the transaction costs for the acquisition of real property <u>or right-of-use assets</u> from the related party in accordance with the following methods:</p> <p>(1) Based on the transactions price of the related party plus the necessary funds interest cost and buyer's cost by law The so-called necessary capital interest cost is calculated in accordance with the weighted average interest rate of the loans in the year the assets are acquired by the Company; however, it may not be higher than the non-financial industry maximum loan interest rate as announced by the Ministry of Finance.</p> <p>(2) If the related party has the underlying subject used as</p>	<p>Article 12 Evaluation on reasonable cost of transactions</p> <p>1. The Company should assess the reasonableness of the transaction costs for the acquisition of real property from the related party in accordance with the following methods:</p> <p>(1) Based on the transactions price of the related party plus the necessary funds interest cost and buyer's cost by law The so-called necessary capital interest cost is calculated in accordance with the weighted average interest rate of the loans in the year the assets are acquired by the Company; however, it may not be higher than the non-financial industry maximum loan interest rate as announced by the Ministry of Finance.</p> <p>(2) If the related party has the underlying subject used as</p>	<p>With reference to the amendment to the "Regulations Governing the Acquisition and Disposal of Assets by Public Companies" by the Financial Supervisory Commission Letter Jin-Guan-Zheng-Fa -Zhi No. 10703410725 dated November 26, 2018.</p>

Clauses after the amendment	Original clause	Remark
<p>collateral for a loan from financial institutions, the financial institutions are to assess the gross lending value of the subject matter. However, the actual accumulated lending value of the subject matter granted by the financial institutions should reach over 70% of the assessed gross lending value for a lending period over one year. However, it is not applicable if the financial institution and the counterparty are related to one another.</p> <p>2. For the combined purchase <u>or lease</u> of the same underlying land and house, the transaction costs of land and house can be assessed by any of the methods referred to above.</p> <p>3. When acquiring real property <u>or its right-of-use assets</u> from a related party, the Company shall assess the fairness of the transaction cost with respect to the previous paragraphs and ask a CPA for a review and specific opinion.</p> <p>4. When any one of the following circumstances exists while acquiring real property <u>or its right-of-use assets</u> from a related party, the Company shall acquire such property with respect to Article 11, and the above three paragraphs shall not apply.</p> <p>(1)The related party acquired the real property <u>or right-of-use</u> assets thereof</p>	<p>collateral for a loan from financial institutions, the financial institutions are to assess the gross lending value of the subject matter. However, the actual accumulated lending value of the subject matter granted by the financial institutions should reach over 70% of the assessed gross lending value for a lending period over one year. However, it is not applicable if the financial institution and the counterparty are related to one another.</p> <p>2. For the combined purchase of the same underlying land and house, the transaction costs of land and house can be assessed by any of the methods referred to above.</p> <p>3. When acquiring real property from a related party, the Company shall assess the fairness of the transaction cost with respect to the previous paragraphs and ask a CPA for a review and specific opinion.</p> <p>4. When any one of the following circumstances exists while acquiring real property from a related party, the Company shall acquire such property with respect to Article 11, and the above three paragraphs shall not apply.</p> <p>(1)The related party acquired the real property thereof through inheritance or as a</p>	

Clauses after the amendment	Original clause	Remark
<p>through inheritance or as a gift.</p> <p>(2) Related party's contracting for the acquisition of real estate <u>or its right-of-use assets</u> is over five years from the date of the trade contract signed.</p> <p>(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.</p> <p>(4) <u>The real property right-of-use assets for business use are acquired by the company with its subsidiaries, or by its subsidiaries in which it directly or indirectly holds 100 percent of the issued shares or authorized capital.</u></p>	<p>gift.</p> <p>(2) Related party's contracting for the acquisition of real estate is over five years from the date of the trade contract signed.</p> <p>(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.</p>	
<p>Article 13 Exceptions to the Evaluation of Transactions Where Costs are Lower than the Transaction Price</p> <p>1. If the results of the evaluation conducted under the foregoing Article are lower than the transaction price, the Company shall enforce Article 14. However, as a result due to the following circumstances and with the objective evidence presented and an appraisal report collected from the professional real estate appraiser and a reasonable opinion issued by the CPAs, it is not subject to the limitations:</p>	<p>Article 13 Exceptions to the Evaluation of Transactions Where Costs are Lower than the Transaction Price</p> <p>1. If the results of the evaluation conducted under the foregoing Article are lower than the transaction price, the Company shall enforce Article 14. However, as a result due to the following circumstances and with the objective evidence presented and an appraisal report collected from the professional real estate appraiser and a reasonable opinion issued by the CPAs, it is not subject to the limitations:</p>	<p>With reference to the amendment to the "Regulations Governing the Acquisition and Disposal of Assets by Public Companies" by the Financial Supervisory Commission Letter Jin-Guan-Zheng-Fa -Zhi No. 10703410725 dated November 26, 2018.</p>

Clauses after the amendment	Original clause	Remark
<p>(1) Related party that has obtained prime land or rental land for construction must submit the proof of complying with the following conditions:</p> <p>a. The prime land is assessed in accordance with the methods referred to above. House is assessed in accordance with the sum of the construction costs and a reasonable profit exceeding the actual transaction price. The term “reasonable construction profit” is based on the average gross profit rate in the last three years of the related party’s construction department or the latest gross profit rate of the construction industry announced by the Ministry of Finance whichever is lower.</p> <p>b. The <u>transaction terms</u> and the area of premises on other floors in the same property or in the neighborhood in transactions completed by other unrelated parties within the previous year are similar as assessed based on the reasonable price difference by floor or by location in accordance with property <u>transaction or lease</u> practices.</p>	<p>(1) Related party that has obtained prime land or rental land for construction must submit the proof of complying with the following conditions:</p> <p>a. The prime land is assessed in accordance with the methods referred to above. House is assessed in accordance with the sum of the construction costs and a reasonable profit exceeding the actual transaction price. The term “reasonable construction profit” is based on the average gross profit rate in the last three years of the related party’s construction department or the latest gross profit rate of the construction industry announced by the Ministry of Finance whichever is lower.</p> <p>b. The <u>successful trade</u> of other floors of the same underlying house and land or the successful trade of the unrelated party in the neighborhood within one year with the similar floor area; also, the trade conditions are assessed to be equivalent in accordance with the reasonable floors or regional spread in general practice of real estate trade.</p>	

Clauses after the amendment	Original clause	Remark
<p>(2) Where the Company acquiring real property, <u>or obtaining real property right-of-use assets through leasing</u>, from a related party provides evidence that the terms of the <u>transaction</u> 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.</p> <p>2. Transactions in the neighborhood as claimed in the preceding paragraph, refer, in principle, to <u>transactions</u> of real property in the same or neighboring block and within less than 500 meters radius from the premises or with a close assessed value. “Similar area” as claimed in the preceding paragraph refers, in principle, to the area of property in transactions completed by unrelated parties not less than fifty percent (50%) of the property for <u>transaction</u>. “Within the previous year” as claimed in</p>	<p><u>c. The lease of other floors of the same underlying house and land or the lease of the unrelated party within one year are assessed to be equivalent in accordance with the reasonable floors or spread in general practice of real estate lease.</u></p> <p>(2) Where the Company acquiring real property from a related party provides evidence that the terms of the <u>transaction</u> 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.</p> <p>2. Transactions in the neighborhood as claimed in the preceding paragraph, refer, in principle, to <u>transactions</u> of real property in the same or neighboring block and within less than 500 meters radius from the premises or with a close assessed value. “Similar area” as claimed in the preceding paragraph refers, in principle, to the area of property in transactions completed by unrelated parties not less than fifty percent (50%) of the property for <u>transaction</u>. “Within the previous year” as claimed in</p>	

Clauses after the amendment	Original clause	Remark
the preceding paragraph refers to the one year before the date of acquisition of the real property <u>or its right-of-use assets</u> .	the preceding paragraph refers to the one year before the date of acquisition of the real property.	
<p>Article 14 Procedures for handling transaction prices below the evaluated costs</p> <p>1. When acquiring real property <u>or its right-of-use assets</u> from a related party and the results of appraisals conducted in accordance with the preceding two articles are uniformly lower than the transaction cost, the following steps shall be taken:</p> <p>(1)A special reserve shall be set aside with respect to paragraph 1 of Article 41 of the Securities and Exchange Act against the difference between the transaction price and the appraised cost of real property <u>or its right-of-use assets</u>, without being distributed or used for capital increase or issuance of bonus shares. If the investors that have an investment in the Company valued in accordance with the Equity Method are public companies, a special reserve should be appropriated proportionally to the appropriated amount in accordance with Article 41 Paragraph 1 of the Securities and Exchange Act.</p> <p>(2)The Audit Committee shall</p>	<p>Article 14 Procedures for handling transaction prices below the evaluated costs</p> <p>1. When acquiring real property from a related party and the results of appraisals conducted in accordance with <u>Article 12 and Article 13</u> are uniformly lower than the transaction cost, the following steps shall be taken:</p> <p>(1)A special reserve is to be appropriated in respect of the spread between the transaction price and the evaluation costs of the real estate in accordance with Article 41 Section 1 of the Securities and Exchange Act; also, the special reserve may not be distributed or capitalized for stock dividend. If the investors that have an investment in the Company valued in accordance with the Equity Method are public companies, a special reserve should be appropriated proportionally to the appropriated amount in accordance with Article 41 Paragraph 1 of the Securities and Exchange Act.</p> <p>(2)The Audit Committee shall</p>	<p>With reference to the amendment to the “Regulations Governing the Acquisition and Disposal of Assets by Public Companies” by the Financial Supervisory Commission Letter Jin-Guan-Zheng-Fa -Zhi No. 10703410725 dated November 26, 2018.</p>

Clauses after the amendment	Original clause	Remark
<p>have it handled in accordance with Article 218 of the Company Act.</p> <p>(3) The results of handling according to the preceding paragraph shall be reported to the meeting of shareholders, and the details of transaction shall be disclosed in the annual report and the prospectus.</p> <p>2. The company that has set aside a special reserve under the preceding paragraph may not utilize the special reserve until it has recognized a loss on decline in market value of the assets it purchased <u>or leased</u> at a premium, or they have been disposed of, <u>or the leasing contract has been terminated</u>, or adequate compensation has been made, or the status quo ante has been restored, or there is other evidence confirming that there was nothing unreasonable about the transaction, and the FSC has given its consent.</p> <p>3. With acquiring real property <u>or its right-of-use assets</u> from a related party, the Company shall comply with the preceding two paragraphs if there is other evidence indicating that the acquisition was not an arm's length transaction.</p>	<p>have it handled in accordance with Article 218 of the Company Act.</p> <p>(3) The results of handling according to the preceding paragraph shall be reported to the meeting of shareholders, and the details of transaction shall be disclosed in the annual report and the prospectus.</p> <p>2. The company that has set aside a special reserve under the preceding paragraph may not utilize the special reserve until it has recognized a loss on decline in market value of the assets it purchased at a premium, or they have been disposed of, or adequate compensation has been made, or the status quo ante has been restored, or there is other evidence confirming that there was nothing unreasonable about the transaction, and the FSC has given its consent.</p> <p>3. With acquiring real property from a related party, the Company shall comply with the preceding two paragraphs if there is other evidence indicating that the acquisition was not an arm's length transaction.</p>	
<p>Article 16 Risk Management Measures</p> <p>1. Scope of risk management</p> <p>(1) Management over credit risks</p> <p>The transaction party shall</p>	<p>Article 16 Risk Management Measures</p> <p>1. Scope of risk management</p> <p>(1) Management over credit risks</p> <p>The transaction party shall</p>	<p>With reference to the amendment to the "Regulations Governing the Acquisition and Disposal of Assets</p>

Clauses after the amendment	Original clause	Remark
<p>be a bank that has existing business with the Company, and is capable of providing professional information.</p> <p>(2)Market Price Risk Management Derivatives shall be limited only to foreign currency contracts with banks; futures are unavailable at this point.</p> <p>(3)Liquidity risk management To ensure liquidity, the transaction bank must have enough equipment, information, and transaction ability, and be able to transact in any market.</p> <p>(4)Cash flow risk management To ensure a stable cash flow of the Company’s working capital, the Company shall use its own capital to conduct derivatives transaction.</p> <p>(5)Operational risk management The Company must comply with the authorized limit and procedures to avoid any procedural risks.</p> <p>(6)Legal risk management Any bank documents must be reviewed by the legal department or legal counsel before officially executed to avoid any legal risks.</p> <p>2. The personnel involved in derivative instrument transactions shall not simultaneously perform trade confirmation or settlement.</p> <p>3. Personnel involved in risk</p>	<p>be a bank that has existing business with the Company, and is capable of providing professional information.</p> <p>(2)Market Price Risk Management Derivatives shall be limited only to foreign currency contracts with banks; futures are unavailable at this point.</p> <p>(3)Liquidity risk management To ensure liquidity, the transaction bank must have enough equipment, information, and transaction ability, and be able to transact in any market.</p> <p>(4)Cash flow risk management To ensure a stable cash flow of the Company’s working capital, the Company shall use its own capital to conduct derivatives transaction.</p> <p>(5)Operational risk management The Company must comply with the authorized limit and procedures to avoid any procedural risks.</p> <p>(6)Legal risk management Any bank documents must be reviewed by the legal department or legal counsel before officially executed to avoid any legal risks.</p> <p>2. The personnel involved in derivative instrument transactions shall not simultaneously perform trade confirmation or settlement.</p> <p>3. Personnel involved in risk</p>	<p>by Public Companies” by the Financial Supervisory Commission Letter Jin-Guan-Zheng-Fa -Zhi No. 10703410725 dated November 26, 2018.</p>



Clauses after the amendment	Original clause	Remark
<p>assessment, monitoring and control shall be allocated to departments that are different from those mentioned above, and shall report to the Board of Directors or to senior managers who are not responsible for making decisions on transactions or positions.</p> <p>4. Hedging transactions shall be evaluated at least twice a month. Non-hedging transactions shall be evaluated at least once per week. The evaluation report shall be submitted to the senior officer authorized by the Board of Directors.</p> <p>5. Other important risk management measures</p>	<p>assessment, monitoring and control shall be allocated to departments that are different from those mentioned above, and shall report to the Board of Directors or to senior managers who are not responsible for making decisions on transactions or positions.</p> <p>4. Hedging transactions shall be evaluated at least twice a month. Non-hedging transactions shall be evaluated at least once per week. The evaluation report shall be submitted to the senior officer authorized by the Board of Directors.</p> <p>5. Other important risk management measures</p>	
<p>Article 22 Retention of Written Records; Disclosure and Filing</p> <p>1. When engaging in a merger, demerger, transfer of shares or acquisition of another company, the Company shall document the following records and retain them for five years for future reference:</p> <p>(1) Personnel information: including the title, name, and identity card number (or passport number for foreigners) of the personnel involved in a merger, spins-off, acquisition, or assignment of shares, or, the plan executor.</p> <p>(2) Date of significant events: including the date of signing a letter of intent or memorandum,</p>	<p>Article 22 Retention of Written Records; Disclosure and Filing</p> <p>1. When engaging in a merger, demerger, transfer of shares or acquisition of another company, the Company shall document the following records and retain them for five years for future reference:</p> <p>(1) Personnel information: including the title, name, and identity card number (or passport number for foreigners) of the personnel involved in a merger, spins-off, acquisition, or assignment of shares, or, the plan executor.</p> <p>(2) Date of significant events: including the date of signing a letter of intent or memorandum,</p>	<p>With reference to the amendment to the “Regulations Governing the Acquisition and Disposal of Assets by Public Companies” by the Financial Supervisory Commission Letter Jin-Guan-Zheng-Fa -Zhi No. 10703410725 dated November 26, 2018.</p>

Clauses after the amendment	Original clause	Remark
<p>commissioning a financial or legal adviser, signing a contract, and convening a board meeting.</p> <p>(3) Important documents and minutes of meeting: including the documents of the merger, spins-off, acquisition, or assignment of shares plans, letters of intent or memorandum, important contracts, minutes of board meeting.</p> <p>2. The Company shall file the data under subparagraphs 1 and 2 of the foregoing paragraph with the FSC in the specified format through the online information system within 2 days from the resolution of the Board meeting.</p> <p>3. 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 the preceding two paragraphs.</p>	<p>commissioning a financial or legal adviser, signing a contract, and convening a board meeting.</p> <p>(3) Important documents and minutes of meeting: including the documents of the merger, spins-off, acquisition, or assignment of shares plans, letters of intent or memorandum, important contracts, minutes of board meeting.</p> <p>2. The Company shall file the data under subparagraphs 1 and 2 of the foregoing paragraph with the FSC in the specified format through the online information system within 2 days from the resolution of the Board meeting.</p> <p>3. 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 the preceding paragraphs.</p>	

**Attachment 7. The comparison table of the  
“Operational Procedures for Loaning of Company  
Funds” before and after amendments**

Clauses after the amendment	Original clause	Remark
<p>Article 2 Fund Borrowers and Total Loan Amount; Amount Limit of a Single Borrower</p> <p>1. Pursuant to Article 15 of the Company Act, the Company shall not lend any funds to a shareholder or any party except to:</p> <p>(1) A company or firm that has existing business with the Company; said “existing business” shall mean the sales or purchase with the Company.</p> <p>(2) A company or firm that requires short-term financing facility from the Company. The Company shall directly or indirectly hold more than 50% of the voting rights of such company or firm, and the short-term financing facility must be made only to the extent required for a business purpose. The lending amount shall mean the accumulated balance of the Company’s short-time financing, and shall not exceed 40% of the Company’s net worth. The terms "short-term" refers to a period of one year or one business cycle (whichever the longer).</p> <p>2. Total and Individual Loan Limits The total amount loaned by the Company to other parties shall</p>	<p>Article 2 Fund Borrowers and Total Loan Amount; Amount Limit of a Single Borrower</p> <p>1. Pursuant to Article 15 of the Company Act, the Company shall not lend any funds to a shareholder or any party except to:</p> <p>(1) A company or firm that has existing business with the Company; said “existing business” shall mean the sales or purchase with the Company.</p> <p>(2) A company or firm that requires short-term financing facility from the Company. The Company shall directly or indirectly hold more than 50% of the voting rights of such company or firm, and the short-term financing facility must be made only to the extent required for a business purpose. The lending amount shall mean the accumulated balance of the Company’s short-time financing, and shall not exceed 40% of the Company’s net worth. The terms "short-term" refers to a period of one year or one business cycle (whichever the longer).</p> <p>2. Total and Individual Loan Limits The total amount loaned by the Company to other parties shall</p>	<p>Pursuant to the modifications of the “Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies” in the Financial Supervisory Commission Letter Jin-Guan-Zheng-Shen-Zhi No. 1080304826 dated March 7, 2019.</p>

Clauses after the amendment	Original clause	Remark
<p>not exceed 50% of the net worth. Among the others:</p> <p>(1) Where loan is granted to businesses that the Company has business dealing with, the sum of loans granted across all borrowers shall not exceed 20% of the Company's net worth, whereas the sum of loans granted to individual borrowers shall not exceed the value of business transactions between the two parties in the most recent year. Value of business transaction refers to the amount of purchase or sale between two parties, whichever the higher.</p> <p>(2) Where loan is granted for short-term liquidity, the sum of loans granted across all borrowers shall not exceed 40% of the Company's net worth, whereas the sum of loans granted to individual borrowers shall not exceed 40% of the Company's net worth.</p> <p>If the borrower is a foreign company of which the Company fully owns, directly or indirectly, the voting rights, the total loan shall not exceed 100% of the Company's net worth. The amount loaned to a single party shall not exceed 100% of the Company's net worth.</p> <p><u>If the borrower is a foreign company of which the Company fully owns,</u></p>	<p>not exceed 50% of the net worth. Among the others:</p> <p>(1) Where loan is granted to businesses that the Company has business dealing with, the sum of loans granted across all borrowers shall not exceed 20% of the Company's net worth, whereas the sum of loans granted to individual borrowers shall not exceed the value of business transactions between the two parties in the most recent year. Value of business transaction refers to the amount of purchase or sale between two parties, whichever the higher.</p> <p>(2) Where loan is granted for short-term liquidity, the sum of loans granted across all borrowers shall not exceed 40% of the Company's net worth, whereas the sum of loans granted to individual borrowers shall not exceed 40% of the Company's net worth.</p> <p>If the borrower is a foreign company of which the Company fully owns, directly or indirectly, the voting rights, the total loan shall not exceed 100% of the Company's net worth. The amount loaned to a single party shall not exceed 100% of the Company's net worth.</p>	

Clauses after the amendment	Original clause	Remark
<p><u>directly or indirectly, the voting rights, the total loan shall not exceed 100% of that foreign company's net worth and the loan period shall not exceed three years.</u></p> <p><u>The amount loaned to a single party shall not exceed 100% of that foreign company's net worth and the loan period shall not exceed three years.</u></p> <p><u>The Company's responsible person shall assume the joint responsibility of return with the borrower in case of a violation of paragraph 1 and shall be liable for any damage incurred by the Company.</u></p>		
<p>Article 11 Implementation and Amendment</p> <p>These <u>Procedures</u>, as well as the amendment thereof, shall be, subject to the consent of more than one half of the Audit Committee, resolved by the Board meeting, and submitted to the shareholders meeting for approval. If any director has made any objection in the minutes, or in writing, such written objection shall be submitted to the Audit Committee and reported to the shareholders meeting for discussion. The same procedure will apply to any amendments thereof.</p> <p>If the Company has independent directors in place and has submitted the procedures for discussion among</p>	<p>Article 11 Implementation and Amendment</p> <p>These Procedures shall be effective upon, subject to the prior consent of more than one half of the Audit Committee, the resolution of the Board meeting, and the approval of the shareholders meeting. If any director has made any objection in the minutes, or in writing, such written objection shall be submitted to the Audit Committee and reported to the shareholders meeting for discussion. The same procedure will apply to any amendments thereof.</p>	<p>Pursuant to the modifications of the “Regulations Governing the Loaning of Funds and Making of Endorsements/Guarantees by Public Companies” in the Financial Supervisory Commission Letter Jin-Guan-Zheng-Shen-Zhi No. 1080304826 dated March 7, 2019.</p>

Clauses after the amendment	Original clause	Remark
<p>the Board of Directors, the opinions of the independent directors shall be fully taken into consideration. <u>Any objections or qualified opinions made by independent directors shall be shown in Board of Directors meeting minutes.</u></p> <p>If approval of more than half of all audit committee members as required in the Paragraph 1 is not obtained, the procedures may be implemented if approved by more than two-thirds of all directors, and the resolution of the audit committee shall be recorded in the minutes of the board of directors meeting.</p> <p>The terms "all audit committee members" in <u>Paragraph 1</u> and "all directors" in the preceding paragraph shall be counted as the actual number of persons currently holding those positions.</p>	<p>If approval of more than half of all audit committee members as required in the Paragraph 1 is not obtained, the procedures may be implemented if approved by more than two-thirds of all directors, and the resolution of the audit committee shall be recorded in the minutes of the board of directors meeting.</p> <p>The terms "all audit committee members" and "all directors" in the preceding paragraph shall be counted as the actual number of persons currently holding those positions.</p> <p>If the Company has independent directors in place and has submitted the <u>procedures</u> for discussion among the Board of Directors, the opinions of the independent directors shall be fully taken into consideration. <u>Any opinions regarding the consents or objections made by independent directors shall be shown in board meeting minutes.</u></p>	

**Attachment 8. The comparison table of the  
“Operational Procedures for Endorsements and  
Guarantees” before and after amendments**

Clauses after the amendment	Original clause	Remark
<p>Article 9 Timeline and Content of Required Disclosure and Filing:</p> <p>I. The Company shall announce and report the previous month's balance of endorsements/guarantees of itself and its subsidiaries by the 10th day of each month.</p> <p>II. If the balance of the Company's endorsements and guarantees meets any of the following criteria, the Company shall make disclosure and reporting within two days from the date of such event:</p> <p>1. The aggregate balance of endorsements/guarantees by the company and its subsidiaries reaches 50 percent or more of the public company's net worth as stated in its latest financial statement.</p> <p>2. The balance of endorsements/guarantees by the company and its subsidiaries for a single enterprise reaches 20 percent or more of the public company's net worth as stated in its latest financial statement</p> <p>3. The balance of endorsements/guarantees by the company and its subsidiaries for a single enterprise reaches NT\$10</p>	<p>Article 9 Timeline and Content of Required Disclosure and Filing:</p> <p>I. The Company shall announce and report the previous month's balance of endorsements/guarantees of itself and its subsidiaries by the 10th day of each month.</p> <p>II. If the balance of the Company's endorsements and guarantees meets any of the following criteria, the Company shall make disclosure and reporting within two days from the date of such event:</p> <p>1. The aggregate balance of endorsements/guarantees by the company and its subsidiaries reaches 50 percent or more of the public company's net worth as stated in its latest financial statement.</p> <p>2. The balance of endorsements/guarantees by the company and its subsidiaries for a single enterprise reaches 20 percent or more of the public company's net worth as stated in its latest financial statement</p> <p>3. The balance of endorsements/guarantees by the company and its subsidiaries for a single enterprise reaches NT\$10</p>	<p>Pursuant to the modifications of the “Regulations Governing the Loaning of Funds and Making of Endorsements/Guarantees by Public Companies” in the Financial Supervisory Commission Letter Jin-Guan-Zheng-Shen-Zhi No. 1080304826 dated March 7, 2019.</p>

Clauses after the amendment	Original clause	Remark
<p>millions or more and the aggregate amount of all endorsements/guarantees for, <u>book value of investment accounted for using equity method</u>, and balance of loans to, such enterprise reaches 30 percent or more of public company's net worth as stated in its latest financial statement.</p> <p>4. The amount of new endorsements/guarantees made by the company or its subsidiaries reaches NT\$30 million or more, and reaches 5 percent or more of the company's net worth as stated in its latest financial statement.</p> <p>III.If a subsidiary is not a domestic public company, the Company shall make the disclosure and reporting for such subsidiary in the event of subparagraph 4 of the foregoing paragraph.</p>	<p>millions or more and the aggregate amount of all endorsements/guarantees for, investment of a long-term nature in, and balance of loans to, such enterprise reaches 30 percent or more of public company's net worth as stated in its latest financial statement.</p> <p>4. The amount of new endorsements/guarantees made by the company or its subsidiaries reaches NT\$30 million or more, and reaches 5 percent or more of the company's net worth as stated in its latest financial statement.</p> <p>III.If a subsidiary is not a domestic public company, the Company shall make the disclosure and reporting for such subsidiary in the event of subparagraph 4 of the foregoing paragraph.</p>	
<p>Article 12 Implementation and Amendment:</p> <p>These <u>Procedures</u>, as well as the amendment thereof, shall be, subject to the consent of more than one half of the Audit Committee, resolved by the Board meeting, and submitted to the shareholders meeting for approval. If any director has made any objection in the minutes, or in writing, such written objection shall be submitted to the Audit Committee and reported to the</p>	<p>Article 12 Implementation and Amendment:</p> <p>These Procedures shall be effective upon, subject to the prior consent of more than one half of the Audit Committee, the resolution of the Board meeting, and the approval of the shareholders meeting. If any director has made any objection in the minutes, or in writing, such written objection shall be submitted to the Audit Committee and reported to the shareholders meeting for</p>	<p>Pursuant to the modifications of the “Regulations Governing the Loaning of Funds and Making of Endorsements/Guarantees by Public Companies” in the Financial Supervisory Commission Letter Jin-Guan-Zheng-Shen-Zhi No. 1080304826 dated</p>



Clauses after the amendment	Original clause	Remark
<p>shareholders meeting for discussion. The same procedure will apply to any amendments thereof.</p> <p>If the Company has independent directors in place and has submitted the procedures for discussion among the Board of Directors, the opinions of the independent directors shall be fully taken into consideration. <u>Any objections or qualified opinions made by independent directors shall be shown in Board of Directors meeting minutes.</u></p> <p>If approval of more than half of all audit committee members as required in the Paragraph 1 is not obtained, the procedures may be implemented if approved by more than two-thirds of all directors, and the resolution of the audit committee shall be recorded in the minutes of the board of directors meeting.</p> <p>The terms "all audit committee members" in <u>Paragraph 1</u> and "all directors" in the preceding paragraph shall be counted as the actual number of persons currently holding those positions.</p>	<p>discussion. The same procedure will apply to any amendments thereof.</p> <p>If approval of more than half of all audit committee members as required in the Paragraph 1 is not obtained, the procedures may be implemented if approved by more than two-thirds of all directors, and the resolution of the audit committee shall be recorded in the minutes of the board of directors meeting.</p> <p>The terms "all audit committee members" and "all directors" in the preceding paragraph shall be counted as the actual number of persons currently holding those positions.</p> <p>If the Company has independent directors in place and has submitted the procedures for discussion among the Board of Directors, the opinions of the independent directors shall be fully taken into consideration. <u>Any opinions</u></p>	<p>March 7, 2019.</p>

Clauses after the amendment	Original clause	Remark
	<u>regarding the consents or objections made by independent directors shall be shown in board meeting minutes.</u>	

## **Appendix 1. Memorandum and Articles of Association**

---

THE COMPANIES LAW (AS AMENDED)  
COMPANY LIMITED BY SHARES  
**EIGHTH AMENDED AND RESTATED MEMORANDUM OF ASSOCIATION**  
**OF**  
**Lemtech Holdings Co., Limited**

(as adopted by a Special Resolution passed on 28 December, 2018)

---

1. The name of the company is Lemtech Holdings Co., Limited.
2. (1) The Registered Office of the Company shall be at the offices of McGrath Tonner Corporate Services Limited, Genesis Building, 5th Floor, Genesis Close, PO Box 446, Cayman Islands, KY1-1106 or at such other place within the Cayman Islands as the Board may from time to time decide.  
(2) The Company may set up branch offices as deemed necessary for its business operations.  
(3) The establishment, dissolution and change of status of branches as referred to in the preceding paragraph shall be decided by the Board from time to time.
3. Subject to the following provisions of this Memorandum of Association, the objects for which the Company is established are unrestricted.
4. Subject to the following provisions of this Memorandum of Association, the Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided by Section 27(2) of the Companies Law of the Cayman Islands (as amended from time to time).
5. Nothing in this Memorandum of Association shall permit the Company to carry on a business for which a licence is required under the laws of the Cayman Islands unless duly licenced.
6. The Company shall not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands; provided that nothing in this clause shall be construed as to prevent the Company effecting and concluding contracts in the Cayman Islands, and exercising in the Cayman Islands all of its powers necessary for the carrying on of its business outside the Cayman Islands.
7. The liability of each member is limited to the amount from time to time unpaid on such member's shares.
8. The share capital of the Company is NT\$1,000,000,000 divided into 100,000,000 ordinary shares of a nominal or par value of NT\$10 each.
9. The Company may invest in other enterprises as deemed necessary for its business operations, and may, upon the approval of the Board, act as a shareholder with limited liability of another

company, and its total amount of investments in other enterprises may exceed 40% of the amount of its own paid-up capital without being subject to the requirement set out in Paragraph 2, Article 13 of Company Act of the R.O.C..

---

THE COMPANIES LAW (AS AMENDED)  
COMPANY LIMITED BY SHARES  
**EIGHTH AMENDED AND RESTATED ARTICLES OF ASSOCIATION**  
**OF**  
**Lemtech Holdings Co., Limited**

(as adopted by a Special Resolution passed on 28 December, 2018)

---

**INTERPRETATION**

1. The Regulations contained or incorporated in Table A of the First Schedule of the Companies Law (as amended) of the Cayman Islands (as amended from time to time) shall not apply to this Company.
2. (1) In these Articles the following terms shall have the meanings set opposite unless the context otherwise requires:

Applicable Listing Rules	the relevant laws, regulations, rules and code as amended, from time to time, applicable as a result of the original and continued trading or listing of any Shares on any Taiwan stock exchange or securities market, including, without limitation the relevant provisions of Securities and Exchange Act of the R.O.C., Company Act of the R.O.C., the Acts Governing Relations Between Peoples of the Taiwan Area and the Mainland Area of the R.O.C., or any similar statute and the rules and regulations of the R.O.C. authorities thereunder, and the rules and regulations promulgated by the Financial Supervisory Commission, the Taipei Exchange or the Taiwan Stock Exchange;
Articles	these Articles of Association of the Company, as amended or substituted from time to time by Special Resolution;
Audit Committee	has the meaning set forth in Article 69;
Remuneration Committee	has the meaning set forth in Article 65-1;
Board	the board of Directors of the Company comprising all the Directors;
Business Day	means a day (other than a Saturday or Sunday) on which

	banks are generally open in Taiwan for normal business;
Capital Reserve	means (1) the Share Premium Account, (2) income from endowments received by the Company and (3) other items required to be treated as Capital Reserve pursuant to the Applicable Listing Rules;
Chairman	has the meaning given thereto in Article 63;
Class or Classes	any class or classes of Shares as may from time to time be issued by the Company;
Commission	Financial Supervisory Commission of the R.O.C. or any other authority for the time being administering the Securities and Exchange Act of the R.O.C.;
Company	Lemtech Holdings Co., Limited;
Consolidation	the combination of two or more constituent companies into a consolidated company and the vesting of the undertaking, property and liabilities of such companies in the consolidated company within the meaning of the Law and the Applicable Listing Rules;
Director	a director of the Company for the time being who collectively form the Board, and “Directors” means 2 or more of them;
Electronic	has the meaning given to it in the Electronic Transactions Law (as amended) of the Cayman Islands and any amendment thereto or re-enactments thereof for the time being in force and includes every other law incorporated therewith or substituted therefore;
Electronic Communication	means transmission to any number, address or internet website or other electronic delivery methods as otherwise decided and approved by not less than two-thirds (2/3) of the vote of the Board;

Emerging Market	the emerging market board of the Taipei Exchange in the R.O.C.;
Financial Statements	has the meaning set out in Article 98;
Taipei Exchange or TPEX	the Taipei Exchange in the R.O.C.;
Independent Director	those Directors appointed as "Independent Directors" pursuant to the requirements of the Applicable Listing Rules;
Juristic Person	a firm, corporation, union, association, government agency or other organization which is recognised by the Law and the Applicable Listing Rules as a legal entity;
Law	the Companies Law (as amended) of the Cayman Islands and any amendment or other statutory modification thereof and every other act, order, regulation or other instrument having statutory effect (as amended from time to time) for the time being in force in the Cayman Islands applying to or affecting the Company, the Memorandum of Association and/or these Articles, and where in these Articles any provision of the Law is referred to, the reference is to that provision as modified by any law for the time being in force;
Member or Shareholder	a Person who is duly registered as the holder of any Share or Shares in the Register and includes each subscriber to the Memorandum of Association pending entry in the Register of such subscriber and "Members" or "Shareholders" means 2 or more of them;
Memorandum of Association	the memorandum of association of the Company, as amended or substituted from time to time;
Merger	the merging of two or more constituent companies and the vesting of their undertaking, property and liabilities in one of such company as the surviving company within the meaning of the Law;

Month	a calendar month;
NT\$	New Taiwan Dollars;
Ordinary Resolution	a resolution passed by a simple majority of the Members present at a general meeting who represent more than one-half of the total outstanding Shares of the Company;
Person	any natural person, firm, company, joint venture, partnership, corporation, association or other entity (whether or not having a separate legal personality) or any of them as the context so requires;
Preferred Shares	has the meaning given thereto in Article 4;
Private Placement	an offer by the Company of its securities to specific persons pursuant to the Applicable Listing Rules;
Register	the register of Members of the Company to be maintained at such place within or outside the Cayman Islands;
Registered Office	the registered office of the Company for the time being as required under the Law;
Relevant Period	the period commencing from the date on which any of the securities of the Company registered in the Emerging Market or first become listed on the TPEX, TWSE or any Taiwan stock exchange or securities market to and including the date immediately before the day on which none of such securities are so listed (and so that if at any time listing of any such securities is suspended for any reason whatsoever and for any length of time, they shall nevertheless be treated, for the purpose of this definition, as listed);
R.O.C. or Taiwan	the Republic of China, its territories, its possessions and all areas subject to its jurisdiction;
R.O.C. Courts	the Taiwan Taipei District Court or any other competent



	courts in the R.O.C.;
R. O. C. Laws	the laws and regulations of the R.O.C., including without limitation to the Applicable Listing Rules;
Seal	the common seal of the Company;
Secretary	any Person for the time being appointed by the Directors to perform any of the duties of the secretary of the Company and including any assistant, deputy, acting or temporary secretary;
Share	a share in the capital of the Company. All references to "Shares" herein shall be deemed to be Shares of any or all Classes as the context may require. For the avoidance of doubt in these Articles the expression "Share" shall include a fraction of a Share;
Share Premium Account	the share premium account established in accordance with these Articles and the Law;
Shareholders' Service Agent	the agent licensed by the R.O.C. authorities and having its offices in the R.O.C. to provide shareholder services, in accordance with the Applicable Listing Rules, to the Company;
signed	includes representation of a signature affixed by mechanical means or an electronic symbol or process;
Special Reserve	has the meaning set out in Article 91;
Special Resolution	a special resolution of the Company passed in accordance with the Law, being a resolution passed by a majority of not less than two-thirds of Members as, being entitled to do so, vote in person or by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given, and such general meeting attended by the Members

representing more than one-half of the outstanding shares of the Company.

A Special Resolution shall be effective for any purpose for which an Ordinary Resolution is expressed to be required under any provision of these Articles;

**Spin-off** an act wherein a transferor company transfers all of its independently operated business or any single independently operated business to an existing or a newly incorporated company as consideration for that existing transferee company or newly incorporated transferee company to issue new shares to the transferor company or to shareholders of the transferor company;

**Subordinate Company** companies (i) of which a majority of the total outstanding voting shares or the total amount of the capital stock is held by the Company; (ii) in which the Company has a direct or indirect control over the management of the personnel, financial or business operation of that company; (iii) of which a majority of directors in such company are contemporarily acting as directors in the Company; or (iv) of which a majority of the total outstanding voting shares or the total amount of the capital stock of such companies and the Company are held by the same Members; and

**TWSE** the Taiwan Stock Exchange Corporation.

- (2) Unless the context otherwise requires, expressions defined in the Law and used herein shall have the meanings so defined.
- (3) In these Articles unless the context otherwise requires:
- (a) words importing the singular number shall include the plural number and vice-versa;
  - (b) words importing the masculine gender shall include the feminine gender and neuter genders;
  - (c) a notice provided for herein shall be in writing unless otherwise specified and all reference herein to "in writing" and "written" shall include printing, lithography, photography and other modes of representing or reproducing words in permanent visible form; and
  - (d) "may" shall be construed as permissive and "shall" shall be construed as imperative.

- (4) Headings used herein are intended for convenience only and shall not affect the construction of these Articles.

## SHARES

3. Subject to the Law and these Articles, the Board may, in respect of all Shares for the time being unissued:
- (1) offer, issue, allot and dispose of such Shares to such Persons, in such manner, on such terms and having such rights and being subject to such restrictions as they may from time to time determine; and
  - (2) grant options with respect to such Shares and issue warrants or similar instruments with respect thereto, in accordance with the provisions of the Law and the Applicable Listing Rules; and, for such purposes, the Board may reserve an appropriate number of Shares for the time being unissued.
- 3-1. The Directors may authorise the division of Shares into any number of Classes and the different Classes shall be authorised, established and designated (or re-designated as the case may be) and the variations in the relative rights (including, without limitation, voting, dividend and redemption rights), restrictions, preferences, privileges and payment obligations as between the different Classes (if any) shall be fixed and determined by Directors.
4. The Company, subject to these Articles including by approval of a Special Resolution adopted at a general meeting in accordance with Article 5, may issue Shares of different classes with rights which are preferential or inferior to those of ordinary Shares issued by the Company (“**Preferred Shares**”) with the approval of a majority of the Board present at a meeting attended by two-thirds or more of the total number of the Directors.
5. Prior to the issuance of any Preferred Shares approved pursuant to the preceding Article, these Articles shall be amended to set forth the rights and obligations of the Preferred Shares, including but not limited to the following terms, and the same shall apply to any variation of rights of Preferred Shares:
- (a) the total number of Preferred Shares that have been authorized to be issued and the numbers of the Preferred Shares already issued;
  - (b) the order, fixed amount or fixed ratio of allocation of dividends and bonus on Preferred Shares;
  - (c) the order, fixed amount or fixed ratio of allocation of surplus assets of the Company;
  - (d) the order of or restriction on the voting right(s) (including declaring no voting rights whatsoever) of Members of Preferred Shares;
  - (e) other matters concerning rights and obligations incidental to Preferred Shares; and
  - (f) the conditions and method by which the Company is authorized or compelled to redeem the Preferred Shares, or a statement that redemption rights shall not apply.

6. The issue of new ordinary Shares in the Company shall be approved by a majority of the Directors present at a meeting attended by two-thirds or more of the total number of the Directors. The issue of new Shares shall at all times be subject to the sufficiency of the authorised capital of the Company. The Company shall not issue any unpaid Shares or partial paid-up Shares.
7. The Company may issue Shares without printing share certificates. Any share certificate of the Company, if any, shall not be the bearer certificate.
8. During the Relevant Period, if at anytime the Board resolves to issue new Shares :
  - (a) Upon each issuance of new Shares, the Board may reserve not more than fifteen percent (15%) of the new Shares for subscription by the employees of the Company, as determined by the Board in its reasonable discretion;
  - (b) The Company, unless otherwise resolved by Ordinary Resolution, shall after reserving the portion of Shares for subscription by its employees and for public offering in the R.O.C. pursuant to these Articles, first offer such remaining new Shares, by a public announcement according to the Applicable Listing Rules and a written notice to each existing Member for their subscription in proportion to the number of Shares held by it;
  - (c) The Company shall state in such written notice that if any Member fails to confirm his subscription in writing or by way of paying off the subscribed Shares within the assigned deadline, his right shall be forfeited;
  - (d) Where any fractional Share held by a Member is insufficient to subscribe for one new Share, the fractional Shares being held by several Members may be combined for joint subscription of one or more integral new Shares or for subscription of new Shares in the name of a single Member;
  - (e) New Shares left unsubscribed by existing Members may be offered for public issuance or the Board may be authorised to offer such Shares for subscription by specific Persons through negotiation; and
  - (f) The right to subscribe for new Shares, except those reserved for subscription by employees, may be separated from the rights in original Shares and transferable independently.
9. The employees' and Members' right to subscribe for new Shares prescribed under the preceding Article shall not apply in the event that new Shares are issued for the following purpose:
  - (a) in connection with a Merger/Consolidation, the Spin-off of the Company, or pursuant to any reorganization of the Company;
  - (b) in connection with meeting the Company's obligation under Share subscription warrants and/or options granted to the employees;
  - (c) in connection with meeting the Company's obligation under corporate bonds which are convertible bonds or vested with rights to acquire Shares;
  - (d) in connection with meeting the Company's obligation under Share subscription warrant or

- Preferred Shares vested with rights to acquire Shares;
- (e) in connection with any share swap arrangement entered into by the Company, or
  - (f) in connection with any other limitation, prohibition, restriction or exemption under the Applicable Listing Rules.
10. During the Relevant Period, where the Company increases its issued share capital in cash, the Company shall allocate 10% of the total amount of the new Shares to be issued for offering in the R.O.C. to the public unless the Commission, or the TPEX or the TWSE considers the aforementioned public offering unnecessary or inappropriate for the Company to conduct. Provided however, if a percentage higher than the aforementioned 10% is approved by an Ordinary Resolution to be offered, the percentage determined by such resolution shall prevail.
11. Subject to the Applicable Listing Rules, the Company may, upon adoption of a resolution by a majority of the Board present at a meeting of the Board attended by two-thirds or more of the total number of Directors, enter into a share subscription right agreement with its employees whereby the employees may subscribe, within a specific period of time, for a specific number of Shares of the Company. Upon execution of the said agreement, the Company shall issue to each employee a share subscription warrant. The share subscription warrant obtained by any employee of the Company shall be non-assignable, except to the heir(s) of the said employee.
12. (1) The Company may by a Special Resolution reduce its share capital in the manner authorised, and subject to any conditions prescribed, by the Law and the Applicable Listing Rules. During the Relevant Period, a capital reduction shall be effected based on the percentage of shareholding of the Members pro rata, unless otherwise provided for in the Law or the Applicable Listing Rules.
- (2) The Company shall, upon adoption of such resolution of capital reduction, prepare a balance sheet and an inventory of property, and then give a notice to each creditor of the Company as well as a public notice of such resolution, and shall fix a time limit of not less than thirty (30) days within which the creditors may raise their objections, if any, to such resolution.
- (3) The Company may reduce its share capital by using property, in addition to cash, to return capital contributions; the returned property and the offsetable amount for the returned property shall be decided by Ordinary Resolution, and approved by the Member(s) receiving such Property.
- (4) During the Relevant Period, the Board shall have the value of the returned property and the offsetable amount referred to in the preceding paragraph audited and certified by a certified public accountant in Taiwan prior to the general meeting.

13. During the Relevant Period, any issuance, conversion, capitalisation or cancellation of the Shares or any other equity securities (including but not limited to warrants, options or bonds) shall comply with the Applicable Listing Rules and the Law.
14. During the Relevant Period, the shareholder services of the Company should comply with the Regulations Governing the Administration of Shareholder Services of Public Companies of the R.O.C.

### **MODIFICATION OF RIGHTS**

15. Whenever the share capital of the Company is divided into different classes of shares, including where Preferred Shares are issued, in addition to a Special Resolution, the special rights attached to any class shall be varied or abrogated with the sanction of a Special Resolution passed at a separate general meeting of the holders of the shares of such class. To every such separate general meeting and all adjournments thereof, all the provisions of these Articles relating to general meetings of the Company and to the proceedings thereat shall mutatis mutandis apply.
16. The rights conferred upon the holders of the Shares of any Class issued with preferred or other rights shall not, unless otherwise expressly provided by the terms of issue of the Shares of that Class, be deemed to be materially adversely varied or abrogated by, inter alia, the creation, allotment or issue of further Shares ranking pari passu with or subsequent to them or the redemption or purchase of Shares of any Class by the Company.

### **REGISTERS**

17. The Board shall cause to be kept the Register and, during the Relevant Period, there shall be entered therein the particulars required under the Law and the Applicable Listing Rules, and the Register shall be made available at its Shareholders' Service Agent's office in the R.O.C.

### **DELIVERY OF SHARES**

18. (1) During the Relevant Period, the Company shall deliver, or shall cause its Shareholders' Service Agent to deliver Shares by book-entry transfer to the subscribers within thirty (30) days from the date such Shares may be issued or delivered pursuant to the Law and the Applicable Listing Rules. The Company shall make a public announcement in accordance with the Applicable Listing Rules prior to the delivery of such Shares.
- (2) For the new Shares to be issued by the Company, the Company may print a consolidated share certificate representing the total number of the new Shares to be issued at the same time of issue, in accordance with the Law, provided that the share certificate to be issued shall be placed under the custody of a centralized securities custody enterprise.

## **REPURCHASE OF SHARES**

19. (1) Upon the approval of a majority of the Board present at a Board meeting attended by two-thirds or more of Directors, the Company may repurchase its own Shares in the manner authorised by the Law and the Applicable Listing Rules. Any Shares so repurchased shall be deemed cancelled immediately.
- (2) The conditions, methods and procedures for repurchase of Shares by the Company according to the preceding Article shall comply with the Law and the Applicable Listing Rules.

## **TREASURY SHARES**

- 19-1. Subject to the Law, the Applicable Listing Rules and these Articles, the Company is authorized to issue shares which are to be redeemed or are liable to be redeemed at the option of the Company or a Shareholder. For so long as the Shares are registered in the Emerging Market or listed on the Taipei Exchange or TWSE, the repurchase of the Shares by the Company shall be subject to the Applicable Listing Rules and the Cayman Islands law.
- 19-2. The Company is authorised to make payments in respect of the redemption of its shares out of the funds lawfully available (including out of capital) in accordance with the Law and the Applicable Listing Rules.
- 19-3. The redemption price of a redeemable Share, or the method of calculation thereof, shall be fixed by the Directors at or before issue of such Share. Subject to these Articles, every share certificate representing a redeemable share shall indicate that the share is redeemable.
- 19-4. Subject to the Applicable Listing Rules and Articles, and with the sanction of an Ordinary Resolution authorising the manner and terms of purchase, the Directors may on behalf of the Company purchase any share in the Company (including a redeemable share) by agreement with the Shareholder or pursuant to the terms of the issue of the share and may make payments in respect of such purchase in accordance with the Law, the Applicable Listing Rules and the Ordinary Resolution authorizing the manner and terms of purchase.
- 19-5. The redemption price or repurchase price may be paid in any manner authorised by the Law and these Articles. A delay in payment of the redemption price or repurchase price shall not affect the redemption or repurchase but, in the case of a delay of more than thirty (30) days, interest shall be paid for the period from the due date until actual payment at a rate which the Directors, after due enquiry, estimate to be representative of the rates being offered by Class A banks in the Cayman Islands for thirty day deposits in the same currency.

19-6. The Company shall be entered into the Register as the holder of the Treasury Shares provided that:

- (a) the Company shall not be treated as a member for any purpose and shall not exercise any right in respect of the Treasury Shares, and any purported exercise of such a right shall be void;
- (b) a Treasury Share shall not be voted, directly or indirectly, at any meeting of the Company and shall not be counted in determining the total number of issued Shares at any given time, whether for the purposes of these Articles or the Law.

### **FRACTIONAL SHARES**

19-7. Subject to these Articles, the Directors may issue fractions of a Share and, if so issued, a fraction of a Share shall be subject to and carry the corresponding fraction of liabilities (whether with respect to nominal or par value, premium, contributions, calls or otherwise), limitations, preferences, privileges, qualifications, restrictions, rights (including, without prejudice to the generality of the foregoing, voting and participation rights) and other attributes of a whole Share. If more than one (1) fraction of a Share of the same Class is issued to or acquired by the same Shareholder such fractions shall be accumulated.

### **TRANSFER AND TRANSMISSION OF SHARES**

20. (1) Subject to the Law and the Applicable Listing Rules, Shares issued by the Company shall be freely transferable, provided that any Share subscribed by the employees of the Company may be subject to transfer restrictions for the period no longer than two years as the Board may determine in their discretion.
- (2) The Company may restrict its employees from transferring the Shares purchased by the Company and transferred to such employees for a specific period of time, but in no event shall such period exceed two (2) years.
- (3) The issuance of restricted Shares to employees by the Company shall be approved by one-half of the Members who are entitled to vote, at a general meeting attended by at least two-thirds of the total issued and outstanding Shares of the Company. In the event that the total number of shares present at such general meeting is less than the quorum specified in the preceding sentence, such issuance may be approved by Special Resolution.
- (4) In the event that the Company issues new Shares during the Relevant Period pursuant to the preceding paragraph, the number of Shares to be issued, the issuing price, the conditions of the issuance, and other related matters shall comply with the Applicable Listing Rules.



21. The Company shall not be obligated to recognize any transfer or assignment of Shares unless the name/title and residence/domicile of the transferor and transferee have been recorded in the Register.
- 21-1. The legal personal representative of a deceased sole holder of a Share shall be the only Person recognised by the Company as having any title to the Share. In the case of a Share registered in the name of two (2) or more holders, the survivors or survivor, or the legal personal representatives of the deceased, shall be the only Person recognised by the Company as having any title to the Share.

### **CLOSING REGISTER OR FIXING RECORD DATE**

22. (1) The Board may fix in advance the record date(s) for (a) determining the Members entitled to receive any dividend, distribution or issue; (b) determining the Members entitled to receive notice(s) of, to attend at and to vote at any general meeting(s) (or any adjournment thereof) in person, by proxy, in writing or by way of electronic transmission; and (c) for any other reason needing to ascertain shareholders ◦
- (2) During the Relevant Period, the Register shall be closed at least for a period of sixty (60) days before the date of each annual general meeting, thirty (30) days before the date of each extraordinary general meeting and five (5) days before the target date for a dividend, bonus or other interest distribution. For the purpose of calculating the abovementioned period, the respective convening date of general meeting or the applicable target date shall be included.
- (3) With respect to the foregoing target dates, the Board shall make public announcement on the website designated by the Commission and the TPEX or TWSE ◦

### **GENERAL MEETINGS**

23. The Company shall in each year hold a general meeting as its annual general meeting within six months after close of each financial year. The annual general meeting shall be convened by the Board.
24. All general meetings other than annual general meetings shall be called extraordinary general meetings. The Board may, whenever they think fit, convene an extraordinary general meeting of the Company.
25. During the Relevant Period, all general meetings shall be held in the R.O.C.. If a general meeting is to be convened outside Taiwan per the resolution of the Board, the Company shall within two (2) days after the Board adopts such resolution, or, in the event of an extraordinary general meeting convened pursuant to Article 26, after the relevant Shareholders obtained the approval from the competent authority, apply for the approval of the Taipei Exchange or the TWSE.

26. Any Member(s) holding at least three percent (3%) of the outstanding Shares of the Company for a period of one consecutive year or a longer time may, by depositing the requisition notice specifying the proposals to be resolved and the reasons, request the Board to convene an extraordinary general meeting. If the Board does not give notice to Members to convene such meeting within fifteen (15) days after the date of the requisition notice, the proposing Member(s) may, after obtaining an approval from the competent authority, convene the general meeting.
27. The Company shall engage a Shareholders' Service Agent within the R.O.C. to handle the administration of such general meeting, including but not limited to, the voting matters.

### **NOTICE OF GENERAL MEETING**

28. (1) At least thirty (30) days notice in writing prior to the scheduled date of any annual general meetings and fifteen (15) days notice in writing prior to the scheduled date of any extraordinary general meeting shall be given to each Member. Every notice shall be exclusive of the day on which it is given and of the day on which the general meeting is to be held. Such notice shall specify the place, the day and the time of meeting and the agenda and the proposals to be resolved at the general meeting. The notice for a general meeting may be given by means of electronic communication if the Company obtains prior consent from each Member or as permitted by the Law and the Applicable Listing Rules.
  - (2) The meeting notices, proxy forms, information pertaining to the proposals for adoption or discussion, or for the election or dismissal of the Director(s), and other matters shall be published thirty (30) days prior to the date of the scheduled general meeting or fifteen (15) days prior to the date of the scheduled extraordinary general meeting.
  - (3) If the voting rights at the meeting will be exercised in writing, a printed copy of the materials referred to in the preceding paragraph and a printed ballot shall be delivered to the Members.
29. The following matters shall be specified in the notice of a general meeting with the description of their major content, and shall not be proposed as ad hoc motions:
  - (a) election or discharge of Directors;
  - (b) amendments to the Memorandum of Association and/or these Articles;
  - (c) winding-up, Merger/Consolidation or Spin-off of the Company;
  - (d) entering into, amendment to, or termination of any contract for lease, management by others, or regular joint operation with others of its business in whole;
  - (e) the transfer of the whole or any material part of its business or assets; and
  - (f) taking over another's whole business or assets, which will have a material effect on the business operation of the Company;
  - (g) carrying out a Private Placement of equity securities;

- (h) granting a waiver to the Director's non-competition obligation;
  - (i) distributing part or all of its dividends or bonus by way of issuance of new Shares; and
  - (j) capitalization of the Legal Reserves and capitalization of the Capital Reserve of the Company, the Share Premium Account of the Company and/or the income from endowments received by the Company as Capital Reserve, by issuing new Shares to its existing Members in proportion to the number of Shares being held by each of them.
30. Except for matters prescribed in the preceding Article, a Member of the Company may raise a proposal for resolution as ad hoc motions at a general meeting, provided that the proposed ad hoc motion shall be limited to a matter directly related to the matters specified in the notice of such general meeting.
31. During the Relevant Period, the Company shall prepare a manual for each general meeting and the relevant materials, which will be made available to all Members, and shall be published on the website designated by the Commission, the TPEX or the TWSE twenty-one (21) days prior to the scheduled date of the relevant annual general meeting and fifteen (15) days prior to the scheduled date of the relevant extraordinary general meeting pursuant to the Applicable Listing Rules.

#### **PROCEEDINGS AT GENERAL MEETING**

32. No business shall be transacted at any general meeting unless a quorum of Members is present at the time when the meeting proceeds to business. Save as otherwise provided by these Articles, the Members representing more than one-half of all total outstanding Shares present in person or by proxy and entitled to vote shall be a quorum for all purposes.
33. (1) The Member(s) holding one percent (1%) or more of the total outstanding Shares of the Company may submit a proposal for resolution at an annual general meeting; provided that only one matter shall be allowed in each proposal, and in case a proposal contains more than one matter, such proposal shall not be included in the agenda.
- (2) Prior to the relevant record date, the Company shall give a public notice announcing the place and the period for the Members to submit proposals; and the period for accepting such proposals shall not be less than ten (10) days.
- (3) The number of words of a proposal to be submitted by a Member shall be limited to not more than three hundred (300) words, and any proposal containing more than 300 words shall not be included in the agenda of the general meeting. The Member who has submitted a proposal shall attend, in person or by a proxy, such general meeting whereat his proposal is to be discussed and shall take part in the discussion of such proposal.
- (4) Under any of the following circumstances, the Board may exclude the proposal submitted by a Member from the agenda:
- (a) Where the subject (the issue) of the said proposal cannot be settled or resolved by a general meeting;

- (b) Where the number of shares of the Company held by the proposing Member is less than one percent (1%) of the total outstanding Shares on the relevant record date; or
  - (c) Where the said proposal is submitted on a day beyond the deadline fixed and announced by the Company for accepting Members' proposals.
- (5) The Company shall, prior to sending the notice of the general meeting, inform all the proposing Members of whether their proposals are accepted or not, and shall list in the notice of general meeting the accepted proposals. With regard to the proposals submitted by Members but not included in the agenda of the meeting, the cause of exclusion of such proposals and explanation shall be made by the Board at such general meeting.
34. The Chairman shall preside as chairman at every general meeting of the Company convened by the Board. For a general meeting convened by any Person other than the Board, such Person shall act as the chairman of that meeting; provided that if there are two or more Persons jointly convening such meeting, the chairman of the meeting shall be elected from those Persons.
35. If at any general meeting the Chairman is not present at the general meeting or is unwilling to act as chairman, he shall designate one of the Directors to act on his behalf. In the absence of such designation, the attending Directors may choose one of them to be the chairman of such general meeting.
36. The Chairman of the general meeting may by Ordinary Resolution adjourn a general meeting from place to place within five (5) days, but no business shall be transacted at any adjourned meeting other than the business left unfinished at the meeting from which the adjournment took place. When a general meeting is adjourned for more than five (5) days, notice of the time and location of the adjourned meeting shall be given as in the case of an original meeting.
37. At any general meeting, a proposal for resolution shall be decided on a poll. The number or proportion of the votes in favour of, or against, that resolution shall be recorded in the minutes of the meeting.
38. Unless otherwise expressly required by the Law, the Applicable Listing Rules or these Articles, any matter which has been presented for resolution by the Members at any general meeting shall be passed by an Ordinary Resolution.
- 38-1. In the case of an equality of votes, the chairman of the meeting shall not be entitled to a second or casting vote. Subject to these Articles and the Applicable Listing Rules, the Company shall additionally comply with the Procedural Rules of General Meetings.
39. The Company may by a Special Resolution:
- (a) enter into, amend, or terminate any contract for lease, management by others, or regular joint operation with others of its business in whole;
  - (b) transfer the whole or any material part of its business or assets;

- (c) acquire another's whole business or assets, which will have a material effect on the business operation of the Company;
  - (d) distribute part or all of its dividends or bonus by way of issuance of new Shares;
  - (e) effect any Spin-off or winding-up of the Company;
  - (f) carry out a Private Placement;
  - (g) grant a waiver to the Directors' non-competition obligation;
  - (h) change its name;
  - (i) alter or amend the Memorandum of Association or these Articles;
  - (j) reduce its share capital and any fund of the capital redemption reserve in any manner authorised by the Law and the Applicable Listing Rules; and
  - (k) appoint an inspector to examine the affairs of the Company under the Law.
40. (1) In the event any of the resolutions with respect to the paragraph (a), (b) or (c) of the preceding Article is adopted by general meeting, any Member who has notified the Company in writing of his objection to such proposal prior to such meeting and subsequently raised his objection at the meeting may request the Company to purchase all of his Shares at the then prevailing fair price; provided, however, that no Member shall have the abovementioned appraisal right if the general meeting resolves on the dissolution of the Company after the completion of transfer of business or assets under the paragraph (b) of the preceding Article. The abovementioned appraisal right shall be exercised in writing, stating therein the kinds and number of shares, within twenty (20) days after the adoption of resolutions with respect to the paragraph (a), (b) or (c) of the preceding Article.
- (2) In the event any part of the Company's business is involved in any Spin-Off or Merger/Consolidation, the Member, who has forfeited his right to vote on such matter and expressed his dissent therefor, in writing or verbally with a record before or during the meeting, in accordance with the Law and these Articles, may request the Company to buy back all of his Shares at the then prevailing fair price in accordance with the Law.
- (3) In case an agreement on the price of shares is reached between the shareholder and the company, the company shall pay for the shares within ninety days from the date on which the resolution was adopted. Without prejudice to the Law, in the event the Company fails to reach such agreement with the Member within a sixty (60) day period commencing from the resolution date, the Member may, within thirty (30) days after such sixty day (60) period, file a petition to Taiwan Taipei District Court for a ruling on the appraisal price.
41. A plan of Merger or Consolidation involving the Company shall be authorised by each constituent company by-
- (a) a Members' resolution by majority in number representing seventy-five per cent in value of the Members voting together as one class; and

(b) if the shares to be issued to each Member in the consolidated or surviving company are to have the same rights and economic value as the shares held in the constituent company, a Special Resolution of the Members voting together as one class, and in either case a Member shall have the right to vote regardless of whether the Shares that he holds otherwise give him voting rights.

- 41-1. If the trading of shares listed on TWSE is terminated as a result of a Merger/Consolidation in which the company will dissolve, general transfer, share swap or Spin-off and the shares of the surviving company in the Merger/Consolidation, the transferee company in the general assumption or the existing company or newly-incorporated company in the share swap or Spin-off will not be listed on TPEx or TWSE, the resolution of the general meeting shall be adopted by two-thirds or more of the votes of the shareholders who represent the total number of issued shares of the Company.
42. In case the procedure for convening a general meeting or the method of adopting resolutions is in violation of the Law, the Applicable Listing Rules or these Articles, a Member may, within thirty (30) days from the date of the resolution, submit a petition to the Taiwan Taipei District Court or the competent court in Cayman Islands, as applicable, for an appropriate remedy, including but not limited to, requesting the court to invalidate and cancel the resolution adopted therein.

#### **VOTES OF MEMBERS**

43. Subject to any rights and restrictions for the time being attached to any Share, every Member who is present in person (or in the case of a Member being a corporation, by its duly authorised representative) and every Person representing a Member by proxy shall have one vote for each Share.
44. (1) In the case of joint Members, the joint Members shall select a representative among them to exercise their voting powers.
- (2) If a Member holds Shares for others, such Member may advocate to exercise the voting rights separately.
- (3) The eligibility criteria, scope of application, manner of exercise, operating procedures, and other matters relating to the separate exercise of voting rights pursuant to the preceding paragraph shall comply with the Applicable Listing Rules during the Relevant Period.
45. (1) No vote may be exercised with respect to any of the following Shares:
- (a) the Shares held by any Subordinate Companies, of which a majority of the total outstanding voting shares or the total amount of capital stock are held by the Company; or
- (b) the Shares held by other companies, of which a majority of the total outstanding voting shares or the total amount of the capital stock are held by the Company and its

- holding/Subordinate Companies; or
- (c) the share(s) of a company that are held by the issuing company itself in accordance with the laws.
- (2) Subject to the Law and these Articles, the Shares held by any Member having no voting rights shall not be counted in the total number of the outstanding Shares while adopting a resolution at a general meeting.
- (3) A Member cannot exercise his own vote or by proxy on behalf of another Member in respect of any matter or proposed matter or arrangement if he may be interested therein and may cause damage to the Company's interests. Such Shares shall not be counted in determining the number of votes of the Members present at the said meeting.
46. To the extent permitted by the Law, votes may be exercised in writing or by way of electronic transmission. The way of electronic transmission shall be one of the voting methods at the general meeting. If the Board resolves to hold a general meeting outside Taiwan, the Company must allow the Shareholders to exercise the votes and cast the votes in writing or by way of electronic transmission.
47. If a written instrument or electronic transmission for voting is proposed to be used, the relevant methods and procedures will be specified in the notice of that meeting and complied with by such Members. A Member who exercises his votes in writing or by way of electronic transmission shall be counted towards the quorum, but shall be deemed to have waived his votes in respect of any ad hoc motions and the amendments to the contents of the original proposals at such general meeting.
- 47-1. A Shareholder shall deliver his declaration about the votes in writing or by way of electronic transmission to the Company no later than 2 days prior to the scheduled meeting date of the general meeting; whereas if two or more declarations are delivered to the Company, the first declaration shall prevail unless an explicit statement to revoke the previous declaration is made in the declaration which comes later.
48. Subject to Article 54, in case a Member who has casted his votes in writing or by way of electronic transmission intends to attend the general meeting in person, he shall, at least 2 days prior to the meeting, revoke his previous votes by serving a separate notice in the same manner as such Member casted his votes. In the absence of a timely revocation of the previous declaration of intention, the votes exercised in writing or by way of electronic transmission shall prevail.
49. For the avoidance of doubt, a Shareholder who exercises his voting power as set forth in Articles 46, 47, 48 and 54 in accordance with the R.O.C. Laws and these Articles shall be deemed to have attended and voted in person at the general meeting for the purposes of these Articles and the Law.
50. The proceedings regarding the general meeting and the voting in the general meeting not covered by these Articles shall be governed by the internal rules of the Company, as adopted

and amended by an Ordinary Resolution of Members from time to time, which shall be in compliance with the Law, the Applicable Listing Rules and the Rules Governing the Conduct of Shareholders Meetings by Public Companies.

### **PROXY**

51. A Member may appoint a proxy to attend a general meeting on his behalf by executing a proxy form prepared by the Company stating therein the scope of power authorized to the proxy. A proxy need not be a Member.
52. A Member may only execute one proxy form and appoint one proxy for each general meeting and shall serve such written proxy to the Company no later than five (5) days prior to the meeting date. In case the Company receives two or more written proxies from one Member, the first one received by the Company shall prevail unless an explicit statement to revoke the previous written proxy is made in the subsequent proxy, provided this subsequent proxy is received no later than five (5) days prior to the meeting date.
53. Where a Member has served a proxy and intends to attend the general meeting in person or exercise the voting rights in writing or by way of electronic transmission, a proxy revocation notice shall be made to the Company at least two (2) days prior to the scheduled date of the general meeting; otherwise, the voting power exercised by the appointed proxy at the meeting shall prevail.
54. In case a Member has exercised his voting power in writing or by way of electronic transmission in accordance with Article 48, and has also authorized a proxy to attend the general meeting on his behalf, then the voting power exercised by the authorized proxy for the said Member shall prevail.
55. The instrument appointing a proxy shall be expressed to be for a particular meeting only<sup>1</sup>. Instruments of proxy shall be in the form approved by the Company and will include at least the following information: (a) instructions on how to complete such proxy, (b) the matters to be voted upon pursuant to such proxy, and (c) basic identification information relating to the relevant Member, the proxy, and proxy solicitor (if any). To the extent permitted by the Law, the form of proxy instrument shall be provided together with the notice for the relevant general meeting, either through post or by electronic transmission, as the case maybe, to all Members on the same day.
56. Except for trust enterprises duly licensed under the Applicable Listing Rules or Shareholders' Service Agencies approved by the R.O.C. competent authorities, where a Person acts as the proxy for two or more Members, the number of votes represented by him shall not exceed three percent (3%) of the total number of votes of the Company and the portion of excessive votes represented by such proxy shall not be counted.



56-1. For so long as the Shares are registered in the Emerging Market or listed in the Taipei Exchange or TWSE, where a general meeting is to be held outside Taiwan, the Company shall engage a designated institute (i.e., Shareholders' Service Agent located in Taiwan) approved by the Commission and the TPEX or the TWSE to handle the administration of such general meeting (including but not limited to the voting for Shareholders of the Company).

57. The use of proxies and solicitation shall be subject to the Law, the relevant R.O.C. Laws, the relevant Applicable Listing Rules and in particular the Regulations Governing the Use of Proxies for Attendance at Shareholder Meetings of Public Companies of the R.O.C.

#### **CORPORATIONS ACTING BY REPRESENTATIVES AT MEETING**

58. Any corporation which is a Member of the Company may, by resolution of its board or other governing body, authorise such natural person as it thinks fit to act as its representative at any general meeting or at any meeting of a Class of Members of the Company.

#### **DIRECTORS AND BOARD**

59. (1) Unless otherwise determined by the general meeting, the number of Directors shall be a minimum of five (5) and a maximum of ten (10).

(2) A Director can be a natural person or a Juristic Person. Where a Director is a Juristic Person, it shall designate a natural person as its authorized representative to exercise, on its behalf, the duties of a director. Any natural person designated as an authorized representative by the corporate Director may be replaced by another natural person to be authorized by the corporate Director from time to time so as to fulfil the remaining term of the office of the predecessor.

(3) Where a Juristic Person acts as a Member, its authorized representative(s) may be nominated as a Director(s) provided such nomination is in accordance with these Articles.

(4) Directors shall be elected by the Members in general meeting. Notwithstanding any other provision of these Articles, the principle of cumulative voting shall apply in any election of Directors pursuant to this Article. Each Member entitled to vote in such election shall have a number of votes equal to the product of (i) the number of votes conferred by such Member's shares and (ii) the number of Directors to be elected at the general meeting. Each Member may divide and distribute such Member's votes, as so calculated, among any one or more candidates for the directorships to be filled, or such Member may cast such Member's votes for a single candidate. At such election, the candidates receiving the highest number of votes, up to the number of Directors to be elected, shall be elected.

(5) The proceedings and the voting regarding the election of Directors not covered by these Articles shall be governed by the internal rules of the Company, as adopted and amended by an Ordinary Resolution of the Members from time to time, which shall be in

compliance with the Law and the relevant Applicable Listing Rules.

(6) The qualification, formation, appointment, discharge, exercise of authority and other compliance of Directors shall be subject to and governed by the Applicable Listing Rules.

60. The Company shall adopt a candidate nomination mechanism for election of Directors which is in compliance with the Law and the Applicable Listing Rules. Subject to the Law and the Applicable Listing Rules, the Board shall establish detailed rules and procedures for such candidate nomination.

61. The term for which a Director will hold office shall be three years; thereafter he may be eligible for re-election. In case no election of new Directors is effected after expiration of the term of office of the existing Directors, the term of office of such Directors shall be extended until the time new Directors are elected and assume their office.

62. A Director may be discharged at any time by a Special Resolution adopted at a general meeting. If a Director is discharged during the term of his/her office as a director without good cause, such Director may make a claim against the Company for any and all damages sustained by him/her as a result of such discharge.

63. The Board shall have a chairman (the “**Chairman**”) elected and appointed in term by a majority of the Directors present at the Board meeting the quorum of which shall be two-thirds of all of the Directors then in office. The Chairman shall externally represent the Company and internally preside as Chairman at every meeting of the Board and general meeting convened by the Board. To the extent the Chairman is not able to be present at a meeting of the Board, he shall designate one of the Directors to act on his behalf. In the absence of such designation, the attending Directors may choose one of them to be the chairman of the meeting of the Board.

64. A Director shall not be required to hold any Shares in the Company.

65. The remuneration of a Director may differ from other Directors, and shall be determined by the Board, regardless of the Company profits or losses of such year, in accordance with (i) the extent of a Director's involvement with the business operations of the Company, (ii) the contribution of a Director to the Company, (iii) the prevailing industry standard and (iv) such other relevant factors.

65-1. (1) During the Relevant Period, the Board shall comply with the Applicable Listing Rules to establish a remuneration committee, which shall be composed of no less than three (3) members, of which one (1) member shall be an Independent Director (the “Remuneration Committee”).

(2) The professional qualifications of the Remuneration Committee members, the exercise of their powers, and other related matters shall comply with the Applicable Listing Rules.

(3) Upon the establishment of the Remuneration Committee, the Board shall adopt a

charter for such Remuneration Committee, which shall comply with the Applicable Listing Rules.

66. When the number of Directors falls below five (5) due to a Director ceasing to act for any reason, the Company shall hold an election for Directors at the next general meeting. When the number of Directors falls short by one-third of the total number of Directors of the same term elected pursuant to these Articles, the Company shall convene an extraordinary general meeting within sixty (60) days of the occurrence of that fact to hold an election for Directors.

#### **INDEPENDENT DIRECTORS AND THE AUDIT COMMITTEE**

67. During the Relevant Period, the number of Independent Directors of the Company shall not be less than three (3) or not less than one-fifth of the total number of Directors, whichever is higher, one (1) of whom shall be domiciled in the R.O.C. (such domicile being registered with the government authorities). When an Independent Director ceases to act, resulting in a number of Independent Directors lower than the minimum number required by these Articles, an election for an Independent Director shall be held at the next general meeting. When all Independent Directors cease to act, the Company shall convene an extraordinary general meeting to hold an election of Independent Directors within sixty (60) days from the date on which the situation arose.
68. Independent Directors shall possess professional knowledge and there shall be restrictions on their shareholding and the positions they may concurrently hold. They shall maintain independence within the scope of their directorial duties, and may not have any direct or indirect interest in the Company. The professional qualifications, formation, appointment, discharge, exercise of authority, restrictions on shareholdings and concurrent positions held will be taken into account in assessing the independence of the Independent Directors, in compliance with the Applicable Listing Rules.
- 68-1. The election of Independent Directors shall be held pursuant to the Nomination System for the Candidates of Independent Directors and the Independent Directors shall be elected out of the nominated candidates. For so long as the Shares are registered in Emerging Market or listed on the Taipei Exchange or TSE, the Company shall adopt a candidate nomination mechanism for the purpose of the appointment of Independent Directors in accordance with the Applicable Listing Rules. The rules and procedures for such candidate nomination shall be in accordance with policies approved by the Directors and by an Ordinary Resolution from time to time, which policies shall be in accordance with the Law, these Articles and the Applicable Listing Rules. Subject to these Articles and the Applicable Listing Rules, the Company shall additionally comply with the Guidelines Governing Election of Directors.
69. (1) The Company shall establish an Audit Committee.  
(2) Where the Company has established an Audit Committee pursuant to these Articles, the

Audit Committee shall comprise of all the Independent Directors. It shall not be fewer than three (3) Persons in number, one of whom shall be the convenor, and at least one of whom shall have accounting or financial expertise.

(3) A resolution of the Audit Committee shall be approved by a majority of all Audit Committee members.

(4) The qualification, formation, appointment, discharge, exercise of authority and other compliance of the Audit Committee shall be subject to and governed by the Applicable Listing Rules.

70. (1) Where the Company has established an Audit Committee pursuant to these Articles, the following matters shall be subject to the approval of the Audit Committee and be submitted to the Board for a resolution:

(a) the adoption or amendment of an internal control system;

(b) the assessment of the effectiveness of the internal control system;

(c) the adoption of or amendment to handling procedures for financial or operational actions of material significance, such as the acquisition or disposal of assets, derivatives trading, monetary loans to others, or endorsements or guarantees for others;

(d) a matter bearing on the personal interest of a Director;

(e) a transaction relating to material asset or derivatives trading;

(f) the granting or provision of a material monetary loan, endorsement, or provision of guarantee;

(g) the offering, issuance, or Private Placement of any equity-type securities;

(h) the engagement or dismissal of an attesting chartered public accountant, or the compensation given thereto;

(i) the appointment or discharge of a financial, accounting, or internal auditing officer; and

(j) annual and semi-annual financial reports.

(2) With the exception of subparagraph (j), any other matters under the preceding paragraph (1) of this Article that has not been approved by the Audit Committee may be undertaken upon the approval of two-thirds or more of all Directors, and the resolution of the Audit Committee shall be recorded in the minutes of the meeting of the Board.

### **POWERS AND DUTIES OF THE BOARD**

71. Subject to the Law, these Articles, the Applicable Listing Rules and to any resolutions passed in a general meeting, the business of the Company shall be managed by the Board in such manner as it shall think fit, which may pay all expenses in connection with business management, including but not limited to expenses incurred in setting up and registering the Company and may exercise all powers of the Company.

72. The Board may from time to time appoint any Person to hold such office in the Company as the Board may think necessary for the management of the Company, including but not limited to general manager and other managers, and for such term and at such remuneration as the Board may think fit. Any Person so appointed by the Board may be removed by the Board and shall have the power to perform such duties as may be delegated to them by the Board in accordance with the applicable internal rules of the Company, as adopted and amended by the Board.
73. The Board may appoint a Secretary (and if need be an assistant Secretary or assistant Secretaries) who shall hold office for such term, at such remuneration and upon such conditions and with such powers as the Board thinks fit. Any Secretary or assistant Secretary so appointed by the Board may be removed by the Board. The Secretary shall attend all general meetings and shall keep correct minutes of such meetings. He shall perform such other duties as are prescribed by the Law or as may be prescribed by the Board.
74. The Directors from time to time and at any time may establish any committees for managing any of the affairs of the Company; the Board may delegate any of their powers to committees consisting of such member or members of their body as the Board thinks fit; any committee so formed shall in the exercise of the powers so delegated conform to any regulations that may be imposed on it by the Board.
- 74-1. (1) The Directors shall exercise the duty of loyalty, with the due care of a good administrator, in conducting the business of the Company. If any violation of this Article causes the Company to suffer damages, such Director shall be liable for any such damages incurred. If the conduct in violation of this Article is for the benefit of the Director(s) or other(s), the earnings derived from such conduct may be deemed the earnings of the Company by an Ordinary Resolution adopted at the general meeting.
- (2) If, in the course of conducting the business of the Company, the Director violates any applicable laws and regulations, which causes damages to another person, such Director and the Company shall be jointly and severally liable for any damages incurred by such person.
- (3) The managers of the Company shall have the same liability for damages as the Directors when acting within the scope of his or her duties.
- 74-2. A Director (exclusive of any Independent Directors) who does anything for himself or on behalf of another person that is within the scope of the Company's business shall declare the essential contents of such behaviour to the general meeting of the Shareholders and be approved by Special Resolution. Failure in obtaining such approval shall cause the Director being so interested be liable to account to the Company for any profit realised by any such behaviour if the general meeting so resolves by an Ordinary Resolution within one (1) year from such behaviour.

- 74-3. Subject to the Applicable Listing Rules, any Director may appoint another Director to be his or her alternate and to act in such Director's place at any Board meeting. Every such alternate Director shall be entitled to attend and vote at the Board meeting as the alternate of the Director appointing him or her and where he or she is a Director to have a separate vote in addition to his or her own vote.
- 74-4. Subject to the Applicable Listing Rules, the appointment of the alternate Director referred in the preceding article shall be in writing under the hand of the appointing Director and shall be in any usual or common form or such other form as the Directors may approve, and must be lodged with the chairman of the meeting of the Directors at which such appointment is to be used, or first used, prior to the commencement of the Board meeting.

### **DISQUALIFICATION AND CHANGES OF DIRECTORS**

75. The office of Director shall be vacated, if such Director:
- (a) commits a felony (including but not limiting to an offence under Statute for Prevention of Organizational Crimes of the R.O.C.) and has been adjudicated guilty by a final judgment, and the time elapsed after he has served the full term of the sentence is less than five (5) years;
  - (b) has been sentenced to imprisonment for a term of more than one year for commitment of fraud, breach of trust or misappropriation, and the time elapsed after he has served the full term of such sentence is less than two (2) years;
  - (c) has been adjudicated guilty by a final judgment for misappropriating company or public funds during the time of his public service, and the time elapsed after he has served the full term of such sentence is less than two (2) years;
  - (d) becomes bankrupt under the laws of any country and has not been reinstated to his rights and privileges; or makes any arrangement or composition with his creditors generally;
  - (e) has been dishonored for unlawful use of credit instruments, and the term of such sanction has not expired yet;
  - (f) loses all or part of legal capacity as defined under the Applicable Listing Rules;
  - (g) dies or is found to be or becomes of unsound mind or a patient for any purpose of any statute or applicable law relating to mental health and the Directors resolved that his office is vacated;
  - (h) if he ceases to be a Director by virtue of, or becomes prohibited from being a Director by reason of, an order made under any provisions of any law or enactment;
  - (i) resigns his office by notice in writing to the Company;
  - (j) is removed from office pursuant to these Articles; or
  - (k) has been ordered to be discharged by the R.O.C. Courts on the grounds that such Director has, in the course of performing his duties, committed serious violations of the Law, Applicable Listing Rules or these Articles, or acts resulting in material damage to

the Company, upon a petition by the Company or Member(s) to the R.O.C. Courts for remedies including the discharge of such Director, in accordance with the requirements of the Applicable Listing Rules or these Articles.

75-1. (1) A Director will be automatically discharged if, during his/her/its tenure, such Director transfers more than one half of the Shares held by him/her/it at the time of election; a Director will also be automatically discharged if the aggregated number of Shares transferred by such Director prior to and after the amendment of these Articles is more than one half of the Shares held by him/her/it at the time of election.

(2) If, after he/she/it is elected, a Director transfers more than one half of the Shares held by him/her at the time of election before he/she/it assumes office, or transfers more than one half of the total number of Shares held by him/her/it during the period prior to the general meeting where share transfer registration is suspended, the election of such Director shall become invalid.

75-2. If a Director creates a pledge on Shares exceeding one half of the Shares held by such Director at the time of election, the votes of the Shares in excess of such amount shall not be exercised or included in the votes at the general meeting.

76. Except as approved by the TPEX or the TWSE or the Commission, the following relationships shall not exist among more than half of the Company's Directors: (1) a spousal relationship; or (2) a familial relationship within the second degree of kinship as defined under the Applicable Listing Rules. If any of the foregoing relationships exist among the elected Directors, the election with respect to the one who received the lowest number of votes among those Directors shall be deemed invalid and void; if he has held the office of a Director, he shall cease to act as a Director.

76-1. (1) In the event of a complete re-election of the Board prior to the expiration of the Directors' terms of office pursuant to the Applicable Listing Rules, such Directors, absent a resolution that the existing Directors will not be discharged until the expiry of their present terms of office, will be deemed to be discharged in advance.

(2) The general meeting for the re-election of the Board referred to in the preceding paragraph shall be attended by more than one-half of the total issued and outstanding Shares of the Company.

77. In case a Director has, in the course of performing his duties, committed any act resulting in material damages to the Company or in serious violation of applicable laws and/or regulations, but not discharged by a resolution of the general meeting, the Members(s) holding three percent (3%) or more of the total number of outstanding Shares of the Company may, within thirty (30) days after that general meeting, institute a lawsuit in the court for a judgment in respect of such matter and may choose Taiwan Taipei District Court as the court of first instance.

77-1. (1) Member(s) who holds three percent (3%) or more of the total issued and outstanding

Shares of the Company for more than one year may submit a written request to the Independent Director on the Audit Committee to institute a lawsuit on behalf of the Company against the Director(s) and may choose Taiwan Taipei District Court as the court of first instance.

- (2) If the Independent Director on the Audit Committee fails to institute a lawsuit within thirty (30) days of receiving the request pursuant to the preceding paragraph, such Member(s) may institute a lawsuit on behalf of the Company and may choose Taiwan Taipei District Court as the court of first instance.

### **PROCEEDINGS OF BOARD**

78. During the Relevant Period, for the dispatch of business, the Directors shall convene and hold Board meetings (either within or without the Cayman Islands) at least once each quarter. In convening a meeting of the Board, a notice setting forth therein the subject(s) to be discussed at the meeting shall be given to each Director no later than seven (7) days prior to the scheduled meeting date. However, in the case of emergency, as determined by the Board, the Board meetings may be convened at any time where this has been agreed to by a majority of Directors.
79. A Director may participate in any meeting of the Board, or of any committee appointed by the Board of which such Director is a member, by means of visual communication equipment by way of which all Persons participating in such meeting can see and communicate with each other simultaneously and instantaneously, and such participation shall be deemed to constitute presence in person at the meeting.
80. A Director may appoint another Director as his proxy to attend a meeting of the Board, provided that the appointer shall deliver, with regard to each meeting, a power of attorney and state therein the scope of authority with reference to the subjects to be discussed at such meeting. However, no Director may act as proxy for two or more other Director.
81. Unless otherwise provided in these Articles, the quorum necessary for any Board meeting shall be more than one-half of the Directors. A Director represented by proxy at any meeting shall be deemed to be present for the purposes of determining whether or not a quorum is present.
82. Unless otherwise provided in these Articles, the Law or the Applicable Listing Rules, matters arising at any meeting shall be decided by a majority of the Directors present at a Board meeting.
83. During the Relevant Period, no matters may be decided by the Board by ways of written resolution.



84. (1) A Director who is in any way, whether directly or indirectly, interested in a contract or proposed contract with the Company shall declare the nature of his interest at a meeting of the Directors.
- (2) For the purposes of previous paragraph, a general notice to the Board by a Director to the effect that:
- (a) he is a member or officer of a specified company or firm and is to be regarded as interested in any contract or arrangement which may after the date of the notice be made with that company or firm; or
- (b) he is to be regarded as interested in any contract or arrangement which may after the date of the notice be made with a specified person who is connected with him; shall be deemed to be a sufficient disclosure of personal interest under this Article in relation to any such contract or arrangement, provided that no such notice shall be effective unless either it is given at a meeting of the Board or the Director takes reasonable steps to secure that it is brought up and read at the next Board meeting after it is given.
- (3) A Director cannot exercise his own vote or by proxy on behalf of another Director in respect of any matter or proposed matter or arrangement if he may be interested therein and may cause damage to the Company's interests. The voting right of such Director who cannot vote or exercise any voting right as prescribed above shall not be counted in the number of votes of Directors present at the Board meeting but shall still be counted in the quorum for such meeting.
85. Subject to these Articles, a Director other than an Independent Director may hold any other office or place of profit under the Company in conjunction with his office of Director for such period and on such terms (as to remuneration and otherwise) as the Board may determine, and no Director or intending Director shall be disqualified by his office from contracting with the Company either with regard to his tenure of any such other office or place of profit nor shall any Director so contracting or being so interested be liable to account to the Company for any profit realised by any such contract or arrangement by reason of such Director holding that office or of the fiduciary relation thereby established.
86. Subject to these Articles, a Director other than an Independent Director may act by himself or his firm in a professional capacity for the Company, and he or his firm shall be entitled to remuneration for professional services as if he were not a Director.
87. The Board shall cause all minutes to be duly entered in the books provided for the purpose of recording:
- (a) all appointments of officers made by the Directors;
- (b) the names of the Directors present at each meeting of the Board and of any committee of the Board; and
- (c) all resolutions and proceedings of all general meetings and of the Board and of

committees of Directors.

88. Subject to these Articles, the continuing Directors may act notwithstanding any vacancy in their body but if and for so long as their number is reduced below the number fixed by or pursuant to these Articles as the necessary quorum of Directors, the continuing Directors may act for summoning a general meeting of the Company, but for no other purpose.
89. The meetings and proceedings of any committee shall be governed by the provisions contained in these Articles for regulating the meetings and proceedings of the Board so far as the same are applicable and are not superseded by any directions imposed by the Board.
- 89-1. Subject to the Applicable Listing Rules, when the chairman of a meeting of the Directors signs the minutes of such meeting the same shall be deemed to have been duly held.
- 89-2. A committee appointed by the Directors may meet and adjourn as it thinks proper. Subject to the Applicable Listing Rules and any regulations imposed on it by the Directors, questions arising at any meeting shall be determined by a majority of votes of the committee members present.
- 89-3. The Board shall be entitled to release or disclose to any regulatory or judicial authority any information in its possession, custody or control regarding the Company or its affairs to any of its Shareholder including, without limitation, information contained in the Register of Members and transfer books of the Company.
90. The proceedings regarding Board meetings not covered by these Articles shall be governed by the internal rules of the Company, as consented by the Board and reported to a general meeting from time to time, which shall be in compliance with the Law and the Applicable Listing Rules, particularly the Regulations Governing Procedure for Board of Directors Meetings of Public Companies. The Board may be authorized to amended the proceedings regarding Board meetings.

#### **RESERVE**

91. Subject to the Law, the Company may, after paying all taxes and duties, by Ordinary Resolution, set aside certain amount of its surplus profits as a special reserve (the "**Special Reserve**") for such purposes as may be approved by the shareholders by way of Ordinary Resolution.
92. Unless otherwise provided in the Law, the Applicable Listing Rules and these Articles, the Capital Reserve shall not be used except for offsetting the losses of the Company. The Company shall not use the Capital Reserve to offset its capital losses unless the Special Reserve is insufficient to offset such losses.

#### **DIVIDENDS AND BONUSES**

93. Subject to the Law and these Articles, the Company may declare dividends or bonuses in any currency to be paid to the Members when there is any surplus profit at the end of each quarter or the financial year.
- 93-1. Subject to the Law, any rights and restrictions for the time being attached to any Shares and these Articles, the Company by Ordinary Resolution may declare dividends and other distributions on Shares in issue and authorise payment of the same out of the funds of the Company lawfully available therefor.
- 93-2. Subject to Article 93-1, the Directors may, before recommending any dividend, set aside out of the funds legally available for distribution such sums as they think proper as a reserve or reserves which shall, in the discretion of the Directors be applicable for meeting contingencies, or for equalising dividends or for any other purpose to which those funds may be properly applied and pending such application may in the absolute discretion of the Directors, either be employed in the business of the Company or be invested in such investments as the Directors may from time to time think fit.
- 93-3. Any dividend may be paid by cheque sent through the post to the registered address of the Shareholder or Person entitled thereto, or in the case of joint holders, to the representative of such joint holders at his registered address or to such Person and such address as the Shareholder or Person entitled, or such joint holders as the case may be, may direct. Every such cheque shall be made payable to the order of the Person to whom it is sent or to the order of such other Person as the Shareholder or Person entitled, or such joint holders as the case may be, may direct.
- 93-4. Subject to any rights and restrictions for the time being attached to any Shares, all dividends shall be declared and paid according to the number of the Shares held by the Shareholders.
94. Subject to the preceding Article, the Law and the Applicable Listing Rules, the Company if has profits, shall distribute employee bonus and Director bonus according to the following percentages, and the proposal of the distribution of employee bonus and Director bonus shall be reported to the general meeting. In the event that the Company still has accumulated deficit, the profits, to the extent of such deficit, shall be set aside to make up the deficit
- (a) no less than zero point five percent (0.5%) for bonuses to employees. When the employee bonuses will be paid in the form of new shares issued by the Company, the employees entitled to such share bonuses may include employees of Subordinate Companies satisfying certain criteria. The criteria shall be promulgated and amended by the Board from time to time;
  - (b) up to two percent (2%) for bonuses of Directors; and
- 94-1. (1) Subject to the Law and the Applicable Listing Rules, the Company may distribute its surplus profits and offset losses at the end of each quarter. The business report, the financial statements and the proposal relating to profit distribution and/or loss offsetting

of the preceding three quarters shall be submitted to the Board for a resolution after being audited by Independent Directors who are members of the Audit Committee.

- (2) When distributing surplus profits pursuant to the preceding paragraph, the Company shall estimate and reserve the tax payable and offset its losses in accordance with the laws.
- (3) Where surplus profits are distributed pursuant to the preceding paragraph (1) of this Article, the Company, subject to the Law and the Applicable Listing Rules, may by Special Resolution have the whole or a part of the surplus profit distributable as dividends or bonuses distributed in the form of new shares for such purpose; any fraction of such newly issued shares shall be paid in cash. The whole or a part of the distributable dividends or bonuses, may, upon the approval of the Board, be paid in cash.
- (4) When the Company distributes its surplus profits or offsets its losses pursuant to the preceding three paragraphs of this Article, such profit distribution or loss offsetting shall be based on financial statements audited or reviewed by a certified public accountant.

94-2. In the event that there is earnings surplus per the annual accounting result, such surplus shall first be used to pay tax, offset losses of previous years, and then be set aside as Special Reserve (if required), and the remainder, aside from the amount which the Board resolved not to distribute and be reserved as retained earnings, shall be distributed to Members as cash dividend and/or stock dividend, pursuant to the distribution proposal made by the Board and to be approved by the general meeting.

The dividend policy of the Company is in consideration of the stable development, sustainable development, funding needs, sound financial structure and protection of shareholder interests of the Company and therefore the ratio of dividends to Members shall not be less than 10% of the distributable earnings surplus, and the distribution can be made in cash or in stock where the amount of cash dividends distributed thereupon shall not be less than 50% of the total amount of dividends. In the event that the Company has no accumulated loss, the Company may consider the finance, business and operation aspects of the Company and distribute all or part of the Legal Reserve and Capital Reserve pursuant to the Law and regulations prescribed by the competent authorities.

95. (1) Where dividends or bonuses are declared in accordance with the preceding Article, the Company, subject to the Law and the Applicable Listing Rules, may by Special Resolution have the whole or a part of the surplus profit distributable as dividends or bonuses distributed in the form of new shares for such purpose; any fraction of such newly issued shares shall be paid in cash.
- (2) Where dividends or bonuses are declared in accordance with the preceding Article, the Company may, upon the approval of a majority of the Board present at a Board meeting attended by two-thirds or more of Directors, have the whole or a part of the

surplus profit distributable as dividends or bonuses paid in cash; and in addition thereto a report of such distribution shall be submitted to the general meeting.

#### **ACCOUNTS, AUDIT, AND ANNUAL RETURN AND DECLARATION**

96. The books of account relating to the Company's affairs shall be kept in such manner as may be determined from time to time by the Board.
97. The books of account shall be kept at the Registered Office or at such other place or places as the Board thinks fit, and shall always be open to the inspection of each Director.
98. After the end of each financial year, the Board shall prepare and submit: (1) the business report; (2) the financial statements and accompanying documents, as required by the Law and the Applicable Listing Rules (the "**Financial Statements**"); and (3) any proposal relating to profit distribution and/or loss offsetting in accordance with these Articles for adoption by the annual general meeting. Upon adoption at the annual general meeting, the Board shall distribute to each Member copies of the Financial Statements and the resolutions relating to profit distribution and/or loss offsetting.

The Company may notify Members by way of a public announcement of the statements and resolutions mentioned in the previous paragraph.

99. The documents prepared by the Board in accordance with the preceding Article shall be made available at its Shareholders' Service Agent's office in the R.O.C. before ten (10) days of the annual general meeting, and any Members is entitled to inspect such documents during normal business hours of such service agent.
100. The Board shall keep copies of this Memorandum of Association, these Articles, the minutes of every general meeting, the Financial Statements, the Register and the counterfoil of corporate bonds issued by the Company at its Shareholders' Service Agent's office in the R.O.C.. Any Member may request at any time, by submitting evidentiary document(s) to show his interests involved and indicating the scope of requested matters, access to inspect and to make copies of the above documents.
101. The accounts relating to the Company's affairs shall only be audited in such manner and with such financial year end as may be determined from time to time by the Board, or required by the Law or the Applicable Listing Rules.
- 101-1. Subject as otherwise provided in these Articles, the Directors shall from time to time determine whether and to what extent and at what times and places and under what conditions or regulations the accounts and books of the Company or any of them shall be open to the inspection of Shareholders not being Directors, and no Shareholder (not being a Director) shall have any right of inspecting any account or book or document of the Company except as conferred by law or authorised by the Directors or by Ordinary Resolution.

102. The Board in each year shall prepare, or cause to be prepared, an annual return and declaration setting forth the particulars required by the Law and deliver a copy thereof to the Registrar of Companies in the Cayman Islands.

### **CAPITALISATION OF RESERVE**

103. Subject to the Law, where the Company incurs no loss, it may, by a Special Resolution, capitalize the Legal Reserves and the Capital Reserve specified below, in whole or in part, by issuing new, fully paid shares to the Members in proportion to the number of shares held by each of them:

(a) Share Premium Account.

(b) income from endowments received by the Company.

Where the Legal Reserve is distributed by issuing new shares, only the portion of Legal Reserve which exceeds 25 percent of the paid-in capital may be distributed.

104. Subject to the requirements of the Law, the Board may make any arrangements it thinks fit to resolve a difficulty arising in the distribution of a Capitalised Reserve, including without limitation, Shares distributable in fractions.

104-1. Subject to the Applicable Listing Rules and the Law, the Company may, with the authority of Special Resolution :

(a) resolve to capitalise an amount standing to the credit of reserves or other capital reserves (including a share premium account, capital redemption reserve, revenue, profit and loss account, Capital Reserves, Legal Reserves and Special Reserves), whether or not available for distribution;

(b) appropriate the sum resolved to be capitalised to the Shareholders in proportion to the number of Shares held by them respectively and apply that sum on their behalf in or towards paying up in full unissued Shares or debentures of a nominal amount equal to that sum, and allot the Shares or debentures, credited as fully paid, to the Shareholders (or as they may direct) in those proportions, or partly in one way and partly in the other;

(c) make any arrangements it thinks fit to resolve a difficulty arising in the distribution of a capitalised reserve and in particular, without limitation, where Shares or debentures become distributable in fractions the Directors may deal with the fractions as they think fit; and

(d) generally do all acts and things required to give effect to any of the actions contemplated by these Articles.

### **TENDER OFFER**

105. During the Relevant Period, within seven (7) days after the receipt of the copy of a tender offer application form and relevant documents referred to in the Applicable Listing Rules by the Company or its litigation or non-litigation agent appointed pursuant to the Applicable Listing Rules, the Board shall resolve to recommend to the Members whether to accept or object to the tender offer and make a public announcement of the following:
- (a) the types, numbers and amount of the Shares held by the Directors and the Members holding more than ten percent (10%) of the outstanding Shares in its own name or in the name of other Persons;
  - (b) the recommendations to the Members on the tender offer, which shall set forth the names of the Directors who abstain or object to the tender offer and the reason(s) therefore;
  - (c) whether there is any material change in the financial condition of the Company after the submission of the latest financial report and an explanation of the change, if any; and
  - (d) the types, numbers and amount of the Shares of the tender offeror or its affiliates held by the Directors and the Members holding more than ten percent (10%) of the outstanding Shares held in its own name or in the name of other Persons.

#### **WINDING UP**

106. Subject to the Law, the Company may be wound up by a Special Resolution passed by the Members. If the assets available for distribution amongst the Members shall be insufficient to repay the whole of the share capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the Members in proportion to the number of the Shares held by them. If in a winding up the assets available for distribution amongst the Members shall be more than sufficient to repay the whole of the share capital at the commencement of the winding up, the surplus shall be distributed amongst the Members in proportion to the number of the Shares held by them at the commencement of the winding up. This Article is without prejudice to the rights of the holders of Shares issued upon special terms and conditions.
107. Subject to the Law, if the Company shall be wound up, the liquidator may, with the sanction of a Special Resolution and any other sanction required by the Law, divide amongst the Members in specie or kind the whole or any part of the assets of the Company (whether they shall consist of property of the same kind or not) and may, for such purpose set such value as he deems fair upon any property to be divided as aforesaid and may determine how such division shall be carried out as between the Members or different Classes. The liquidator may, with the like sanction, vest the whole or any part of such assets in trustees upon such trusts for the benefit of the Members as the liquidator shall think fit, but so that no Member shall be compelled to accept any asset whereon there is any liability.

108. The Company shall keep all statements, records of account and documents for a period of ten (10) years from the date of the completion of liquidation, and the custodian thereof shall be appointed by the liquidator or the Company by Ordinary Resolution.

## NOTICES

109. Subject to the Law and except as otherwise provided in these Articles, any notice or document may be served by the Company to any Member either personally, or by facsimile, or by sending it through the post in a prepaid letter or via a recognised courier service, fees prepaid, addressed to such Member at his address as appearing in the Register, or, to the extent permitted by the Law and the Applicable Listing Rules, by posting it on a website designated by the Commission or the TPEX or the TWSE or the Company's website, or by electronic means by transmitting it to any electronic mail number or address such Member may have positively confirmed in writing for the purpose of such service of notices. In the case of joint Members, all notices shall be given to that one of the Members whose name stands as their representative in the Register in respect of the joint holding.

110. Any Member present, either personally or by proxy, at any meeting of the Company shall for all purposes be deemed to have received due notice of such meeting including the purpose for which such meeting was convened.

111. Any notice or other document, if served by:

- (a) post, shall be deemed to have been served five (5) days after the time when the letter containing the same is posted or delivered to the courier;
- (b) facsimile, shall be deemed to have been served upon production by the transmitting facsimile machine of a report confirming transmission of the facsimile in full to the facsimile number of the recipient;
- (c) courier service, shall be deemed to have been served forty-eight (48) hours after the time when the letter containing the same is delivered to the courier service; or
- (d) electronic mail, shall be deemed to have been served immediately upon the time of the transmission by electronic mail, subject to the Law.

112. Any notice or document delivered or sent by post to or left at the registered address of any Member in accordance with the terms of these Articles shall notwithstanding that such Member be then dead or bankrupt, and whether or not the Company has notice of his death or bankruptcy, be deemed to have been duly served in respect of any Share registered in the name of such Member as sole or joint Member.

113. Notice of every general meeting of the Company shall be given to all Members holding Shares with the right to receive notice as at the record date and who have supplied to the Company an address for the giving of notices to them. No other Person shall be entitled to receive notices of general meetings.



## **OFFICES OF THE COMPANY**

114. The Registered Office of the Company shall be at such address in the Cayman Islands as the Board shall from time to time determine. The Company, in addition to its Registered Office, may establish and maintain an office in the Cayman Islands or elsewhere as the Board may from time to time determine.

## **CORPORATE GOVERNANCE**

115. (1) During the Relevant Period, the proceedings regarding acquisition and disposal of assets of the Company (including financial derivatives trading), loan of funds and making of endorsement/guarantees shall be governed by the internal rules of the Company, which shall be in compliance with the Law and the Applicable Listing Rules. The enactment and amendment of such internal rules shall be approved by an Ordinary Resolution of Members.

(2) During the Relevant Period, the proceedings regarding related party transactions shall be governed by the internal rules of the Company, as adopted and amended by the Board from time to time, which shall be in compliance with the Law and the Applicable Listing Rules.

116. During the Relevant Period, the internal control system will be established by the Board which shall be in compliance with the Law and the relevant Applicable Listing Rules.

## **FINANCIAL YEAR**

117. Unless the Board otherwise prescribes, the financial year of the Company shall end on December 31st in each year and shall begin on January 1st in each year.

## **SEAL**

118. The Company shall have one or more Seals, as the Board may determine. No Seal shall be used without the authority of the Board or of a committee of the Board authorised by the Board in that behalf. Subject as otherwise provided in these Articles, any instrument to which a Seal is affixed shall be signed by one Director or the Secretary or by such other person or persons as the Board may appoint, either generally or in any particular case, save that as regards any certificates for shares or debentures or other securities of the Company the Board may by resolution determine that such signatures or either of them shall be dispensed with or affixed by some method or system of mechanical signature.

## Appendix 2. Rules of Procedure for Shareholders' Meetings

Article 1 The rules for compliance are stipulated in accordance with Article 5 of the "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies" for establishing the Company's excellent meeting of shareholders governance system, substantiating supervisory function, and enhancing management functions.

Article 2 The Rules of Procedure for Shareholder Meetings is processed in accordance with the Rules, unless otherwise provided by law or Company Corporate Charter (Articles of Incorporation).

Article 3 The Company's shareholders' meetings, unless otherwise provided by the law and regulations, should be convened by the Board of Directors.

The Company shall have the Annual Meeting of Shareholders notice, proxy and the proposal and information on admission, discussions and directors and supervisors election and dismissal compiled into electronic files and uploaded to the MOPS thirty days prior to the annual meeting of shareholders or fifteen days prior to the extraordinary meeting of shareholders. Also, the *Annual Meeting Handbook* and the supplementary information are compiled into electronic files and uploaded to the MOPS twenty-one days prior to the Annual Meeting of Shareholders or fifteen days prior to the extraordinary meeting of shareholders. The Annual Meeting Handbooks and the supplementary information are made available to shareholders fifteen days prior to the annual meeting of shareholders; also, on display at the Company's and its Stock Agent's and distributed to shareholders at the meeting place.

The election or dismissal of directors, supervisors, amendments to the Company Corporate Charter (Articles of Incorporation), dissolution, merger, division or the clauses of Article 185 Paragraph 1 of the Company Law, the matters stated in Article 26-1 and Article 43-6 of the Stock Exchange Act shall be stated in the reasons for convening the meeting not in the motion.

Shareholders who have over 1% shareholdings in the Company's total number of shares issued may propose to the Company in writing to convene the Annual Meeting of Shareholders. But it is limited to one proposal and the additional proposals will not be included in the meeting agenda. The board of directors may not have the proposals presented by shareholders that fall in the scope of Article 172-1 Section 4 of the Company Act included for discussion.

The Company shall announce the proposals admitted, the premises and the admission period before the stock stop-transfer date prior to the Annual Meeting of Shareholders is convened; also, the admitting period may not be less than 10 days. Motion proposed by shareholders is limited to three hundred words. A proposed motion of more than three hundred words will not be included in the proposal. The proposing shareholders must attend the Annual Meeting of Shareholders in person or by proxy and must participate in the proposal discussion.

The Company shall have the proposing shareholder notified about the proposal results before the date of the meeting notice and must have the proposals in compliance with this provision included in the meeting notice. The Board shall state the reasons for not including the proposal of shareholders in the meeting agenda.

Article 4 Shareholders may issue a proxy printed by the Company with the scope of authorization defined to attend the shareholders' meeting.

It is limited to one proxy per shareholder and one proxy only that should be served to the Company five days prior to the meeting of shareholders. When the proxy is issued in duplicate, whichever is served first shall prevail. The proxy referred to above that was announced to be revoked is not subject to this restriction.

If the shareholders wish to exercise the balloting right by attending the meeting in person after the proxy is received by the Company, the shareholders shall have the Company informed in writing two days prior to the shareholders' meeting date to revoke the proxy. The balloting right exercised by the representative shall prevail if the proxy is not revoked before the deadline.

Article 5 (Venue and Time of Shareholder Meetings)

The shareholders meeting must be held at a location that is suitable and convenient for shareholders to attend. The meeting must not commence anytime earlier than 9AM or later than 3PM. Independent Directors' opinions must be fully taken into consideration when deciding the time and venue of the meeting.

Article 6 (Preparation of sign-in registry and related documents)

The Company should have the attendance registry ready for the signature of the attending shareholders or the shareholder's representative (hereinafter referred to as the Shareholders), or the attending shareholders may have the signature card submitted as an alternative to the signature.

The Company should have the *annual meeting handbook*, annual reports, attendance pass, speech slip, voting ballots, and other meeting materials delivered to the attending shareholders; also, the electoral ballots should be distributed for the election of directors and supervisors, if applicable.

Shareholders should attend the meeting of shareholders with the presentation of the attendance pass, attendance card or other attendance documents. Proxy solicitors should have identity documents with them for examination.

When the government or juridical person is a shareholder, the shareholder attending the meeting by proxy is not limited to one representative. The juridical person that has attended the meeting of shareholder by proxy can authorize only one representative to attend the meeting.

Article 7 (Chairperson and Participants)

If the meeting of shareholders is convened by the Board, the Chairman of the Board is to chair the meeting. If the Chairman is on leave or is unable to exercise his powers for certain reasons, the Vice Chairman is to chair the meeting. If a Vice Chairman is not appointed or the Vice Chairman is also on leave or is unable to perform his duties for certain reasons, the Chairman is to appoint one of the general directors to chair the meeting. If a general director is not appointed, one of the directors is appointed to chair the meeting. If a representative is not appointed by the Chairman, one of the general directors or directors should be elected among the board members to chair the meeting.

It is preferable if there is a majority of the board directors attending the shareholders' meeting that is convened by the board of directors.

If the shareholders' meeting is convened by any authorized party other than the Board of Directors, the convener will act as the meeting chairman. If there are two or more conveners, they shall appoint one among themselves to chair the meeting.

The Company may assign the appointed attorney, CPA, or responsible personnel to attend the meeting of the shareholders.

Article 8 (Video and Audio Recording of Shareholder Meeting)

The Company should have the entire meeting of shareholders taped in audio or video recording and stored for at least one year. However, for the litigation filed by the shareholders in accordance with Article 189 of the Company Law, it should be reserved until the end of the proceedings.

Article 9 The attendance of the shareholders' meeting is counted by the shareholding. The shareholding attendance is based on the attendance registry or the signature cards submitted, plus the votes exercised in writing or by electronic means.

The chairperson shall announce the commencement of meeting as soon as it is due. However, if attendants represent less than half of the Company's outstanding shares, the chairperson may announce to postpone the meeting up to two times, for a period totaling no more than one hour. If the shareholding of the attending shareholders remaining do not constitute more than one third of the total number of shares issued after the two postponements, the Chairman may announce to have the meeting aborted.

If the shareholdings of the attending shareholders are not more than half of the total number of shares issued after two postponements but more than one third of the total number of shares issued, a pseudo-resolution can be resolved in accordance with Paragraph 1, Article 175 of the Company Act; also, shareholders should be informed regarding the pseudo-resolution with another meeting of shareholders to be convened within one month.

If the shareholdings of the attending shareholders are more than one half of the total number of shares issued before the end of the meeting, the Chairman may have the pseudo-resolution presented again in the next meeting of the shareholders for resolution in accordance with Article 174 of the Company Law.

Article 10 (Discussion of Meeting Agenda)

If the meeting of shareholders is convened by the Board, the agenda is scheduled by the Board; also, the meeting should be conducted in accordance with the agenda scheduled and it may not be amended without the resolution reached in the meeting of shareholders.

If the meeting of shareholders is convened by an authorized person other than the Board, the provision referred to above is applicable.

The Chairman may not have the meeting adjourned at his discretion before the proposals (including motions) resolved in the two agendas referred to above. If the Chairman has the meeting adjourned in violation of the Rules of Procedure for Shareholder Meetings, the other Board members shall promptly assist the attending shareholders in accordance with the legal procedures to have one shareholder elected as the Chairman with the majority votes of the attending shareholders to continuously chair the meeting.

The Chairman must give the proposal or the amendment and motion proposed by the shareholders an opportunity to be explained and discussed sufficiently until it is ready for balloting and then stop the discussion for balloting.

Article 11 (Shareholders' Opinions)

Shareholders who wish to speak during the meeting must produce a Speak Request Form detailing the topics and the shareholder's name and account number (or the attendance ID serial). The order of shareholders' comments will be determined by the meeting chairman.

Attending shareholders who have speech slips submitted but not speak shall be deemed as silent shareholders. If there is a discrepancy found between the text of the speech and the speech slip submitted, the contents of the speech shall prevail.

Each shareholder may not speak more than twice on the same motion for 5 minutes each time without the consent of the Chairman. However, the Chairman may have the speaking shareholders who violate the rules or speak beyond the scope of those issues silenced.

Attending shareholders may not interfere with the speaking shareholders without the consent of the Chairman and the speaking shareholders. The Chairman will have the violating shareholders stopped.

If the juridical person shareholder has more than two representatives assigned to attend the meeting of shareholders, only one of the two representatives may speak on the same proposal.

The Chairman may reply to the speaking shareholders personally or by the designated personnel.

Article 12 (Calculation of Voted Shares and Avoidance of Conflicting Interests)

Resolutions of the meeting of shareholders should be based on their shareholdings.

For the resolutions in the meeting of shareholders, the shares of the shareholders without votes are not included in the calculation of outstanding shares.

Shareholders who have a conflict of interest with the proposals that are detrimental to the Company's interests shall not vote, and cannot vote by proxy on behalf of the other shareholders.

The shares without votes referred to above are not included in the calculation of the attending shareholders' votes.

Except for Trust agencies or stock agencies approved by the securities regulatory authorities, the votes of the representative delegated by two or more shareholders shall not exceed 3% of the total votes representing the total number of shares issued; also, the votes exceeding the threshold shall not be counted.

Article 13 Shareholders are entitled to one balloting right per share except for those restricted without any voting right granted or those without any voting according to Article 179 Paragraph 2 of the Company Act.

Voting rights can be exercised in writing or through the electronic method. Instructions for exercising voting rights in writing or through the electronic form must be clearly stated on the shareholders meeting advice. Shareholders who have their votes cast in writing or by electronic means are deemed as attending the meeting in person. However, with respect to motions and original proposal

amendments of the meeting of shareholders, it is deemed as a waiver.

For the votes exercised in writing or by electronic means referred to above, the intention should be delivered to the Company two days prior to the meeting of shareholders. For the intention expressed in duplicate, whichever is delivered first shall prevail. The intention referred to above that was announced to be revoked is not subject to this restriction.

If, after submitting a written or electronic vote, the shareholder wishes to attend the shareholders meeting in person, then a proper declaration of withdrawal must be issued using the same method as the original vote at least 2 day before the shareholders meeting. If the withdrawal is not received in time, then the written or electronic vote shall prevail. If the vote is exercised in writing or by electronic means and a representative is to attend the meeting of shareholders by proxy, the votes exercised by the representative in person shall prevail.

For the resolution of proposals, unless otherwise provided in the Company Law and the Company Corporate Charter (Articles of Incorporation), the consent of a majority vote of the attending shareholders shall prevail. The Chairman or the designated personnel are to announce the total number of balloting rights of the shareholders presented at the time of balloting.

If none is replied, the agenda is considered to have passed unanimously in favor. If objections are raised, the agenda shall be voted according to the rules outlined above. When there is an amendment or alternative for the same motion, the Chairman shall have the order of vote, including the original proposal, determined accordingly. If one of the motions has been passed, the other motions shall be deemed as rejected without the need for further resolution.

Chairman is to appoint the scrutineers and counting officers who must be shareholders.

Ballot counting should be held at the meeting place with the ballot counting result announced immediately and records kept.

#### Article 14 (Election)

The election of directors and supervisors held at the meeting of shareholders should be arranged in accordance with the Company's election specifications and with the election results announced immediately at the meeting place.

Electoral ballots referred to above shall be sealed and signed by the scrutineers and reserved for at least one year. However, for the litigation filed by the shareholders in accordance with Article 189 of the Company Law, it should be reserved until the end of the proceedings.

Article 15 The resolutions reached in the shareholders' meeting must be documented in the minutes of meeting for the signature or seal of the Chairman. The minutes of meeting must be distributed to the shareholders in 20 days. The preparation and distribution of the minutes of shareholders' meeting can be processed electronically. The Company's minutes of shareholders' meeting referred to above can be distributed by posting it on the MOPS.

The minutes of meeting should be prepared in accordance with the year, month, date, place, name of the Chairman, the resolution method, meeting procedure and the

results, and shall be permanently reserved throughout the duration of the Company. Any resolutions involving the chairman asking for objections from shareholders and receiving none in return must be remarked as "Passed without objections from any shareholders present in the meeting". If shareholders did raise any objections, then the resolution must be remarked to have passed through voting, with details on the number of passing votes.

Article 16 (Public Announcements)

The Company shall have the statistical report for the number of shares solicited by the solicitor and the number of shares by proxy prepared in the specific format during the meeting of the shareholders commencement date and disclosed in the meeting.

If the resolutions reached in the shareholders' meetings involving material information regulated by law and regulations and the ROC GTSM, the Company shall within the prescribed time have the material information uploaded to the MOPS.

Article 17 (Order in the Meeting)

The staff responsible for organizing the meeting of shareholders shall wear identification badges or armbands.

The Chairman may direct disciplinary personnel or security personnel to help keep the meeting place in order. The disciplinary personnel or security personnel that help keep the meeting place in order should wear an armband with "Marshal" affixed or an identification card.

When the meeting place is equipped with amplifying equipment, the Chairman may stop shareholders who do not use the speaking device provided by the Company from speaking.

The Chairman may instruct the disciplinary personnel or security personnel to have shareholders who violate the Rules of Procedure for Shareholder Meetings, disobey the instructions of the Chairman, intervene in the meeting proceedings and fail to comply with the disciplinary act escrowed to leave the meeting place.

Article 18 (Recess and Resumption of Meeting)

The Chairman may announce for recess in the course of the session. In the event of force majeure, the Chairman may announce for a suspension of the session and announce the time for resuming the session.

If the meeting place cannot be used continuously before the proposals (including motions) resolved in the agendas scheduled, it can be resolved to be continued in the meeting of shareholders to find another venue for the meeting.

The meeting of shareholders may, in accordance with Article 182 of the Company Law, resolve to have the meeting postponed or resumed in five days.

Article 19 These rules will be implemented after being approved in the shareholders' meeting, same as the amendment.

## **Appendix 3. Operational Procedures for Acquisition and Disposal of Assets**

### Article 1: Purpose

These Procedures are prescribed to protect investment, implement open information, and strengthen asset management.

### Article 2: Legal Ground

Prescribed pursuant to Article 36-1 of the Securities and Exchange Act, and the "Regulations Governing the Acquisition and Disposal of Assets by Public Companies" (hereinafter referred to as the "Regulations") published by the competent authority, Financial Supervisory Commission (hereinafter referred to as the "FSC").

### Article 3: Scope of Assets

1. Securities: shares, government bonds, corporate bonds, bank debentures, securities that represent fund entitlements, depository receipts, call/put options, beneficiary securities and asset-backed securities.
2. Real estate (including land, building, investment properties, land use rights, and construction inventory) and equipment.
3. Membership card
4. Intangible assets: patents, copyrights, trademarks, licenses and other intangible assets.
5. Claims (including receivables, foreign exchange purchase discount and loans, and delinquent loans) of financial institutions
6. Derivatives: Refers to the value of the forward contracts, options contracts, futures contracts, leveraged margin contracts, swap contracts and compound contracts of the aforementioned instruments derived from assets, interest rate, exchange rate, index or other benefits. The so-called forward contracts exclude insurance contracts, performance contracts, after-sale service contracts, long-term lease contracts and long-term purchases (sales) contracts.
7. The assets acquired or disposed of by legal merger, division, acquisition or transfer of shares: Refers to the assets acquired or disposed of through merger, division or acquisition in accordance with the Business Merger Act, Financial Holding Company Act, Financial Institution Merger Act or any other law; or the issuance of new shares in exchange for the stock shares of other companies in accordance with Article 156 Paragraph 8 of the Company Act (hereinafter referred to as "transfer of shares").
8. Other important assets

### Article 4: Terminology

1. Related party and subsidiaries: It should be recognized in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Firms.
2. Professional appraiser: Refers to real estate appraisers or other individuals engaged in property and equipment appraisal business in accordance with the governing laws.



3. Date of event: Refers to the transaction contract signing date, payment date, commission Closing Date, transfer date and the Board resolution date or the date the counterparty and transaction amount sufficiently determined whichever is earlier or sooner.

For investments that are subject to the approval of the competent authorities, one of the dates of event referred to above or the date of approval by the competent authorities whichever is earlier or sooner shall prevail.

4. Investment in Mainland China: Refers to the investments engaged in Mainland China approved by the Investment Commission of the Ministry of Economic Affairs Investment or conducted in accordance with the Technical Cooperation Licensing Requirements.
5. Total Assets: The total assets stated in the most recent parent company-only financial report prepared under the Regulations Governing the Preparation of Financial Reports by Securities Issuers.
6. "Latest financial statements": mentioned here shall refer to the Company's audited/auditor-reviewed financial statements that were published prior to acquiring or disposing the assets.

Article 5: Evaluation Process

The price of the acquisition or disposal of assets by the Company are determined as and with reference to the following:

1. The Finance Department or Management Department shall be responsible for the acquisition or disposal of assets by the Company, and shall evaluate the feasibility of the acquisition or disposal of assets, and obtain the approval according to the authority matrix in Article 6 before implementation.
2. The Company for the acquisition or disposal of securities shall obtain prior to the date of event the underlying company's most recent financial statements audited, attested or reviewed by CPAs as reference in assessing the transaction price. In addition, for a transaction amount exceeding 20% of the paid-in capital or NTD300 million, a CPA should be contracted prior to the date of the event to express an opinion on the reasonableness of the transaction price. The CPA that needs to adopt the report of an expert shall have it processed in accordance with the Statement of Auditing Standards (SFAS) No. 20 published by the Research and Development Foundation. However, exceptions are made if the marketable securities are with a quote in an active market or it is otherwise regulated by the Financial Supervisory Commission.
3. In the event that the transaction amount for acquiring or disposing of real property, equipment, reaches twenty percent (20%) of the paid-in capital or NT\$300 million or more, the Company shall obtain an appraisal report prior to the date of event occurrence from a professional appraiser and comply with the provisions below, except for 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 held for business use.
  - (1) If the transaction price is determined by referring to an attributive price, a specific price, or a special price for a good cause, the transaction should

be presented to the board of directors for resolutions. The changes in trading conditions should be processed the same.

- (2) The transaction amounted to NT\$1 billion or more should be appraised by two or more professional appraisers.
- (3) If the professional appraiser's appraisal result falls under one of the following circumstances, except for the valuation of the acquired asset is higher than the transaction amount or the valuation of the disposed asset is lower than the transaction amount, a CPA should be contracted to have it processed in accordance with the Statement of Auditing Standards (SFAS) No. 20 of the Accounting Research and Development Foundation with an opinion issued on the reasons for the difference and the adequacy of the transaction price:
  1. The spread between the appraisal result and the transaction amount exceeds 20%.
  2. The discrepancy between the appraisal results of two or more professional appraisers is 10 percent or more of the transaction amount.
- (4) Where a professional valuation is used, the valuer's report shall be dated no further than 3 months from the contract date. However, if the report pertains to the same government-declared value and is no more than six months old, the Company may still base its decisions on the report, provided that an opinion letter is obtained from the original valuer.
4. The Company's acquisition or disposal of membership card or intangible assets for an amount exceeding 20% of the paid-in capital or NTD300 million, except for transactions with government agencies, should have a CPA contracted to express an opinion on the reasonableness of the price prior to the date of the event. The CPA should have it processed in accordance with the Statement of Auditing Standards (SFAS) No. 20 published by the Research and Development Foundation.
5. The transactions amount should be calculated in accordance with Article 8 Paragraph 2 of the procedures. Also, the alleged "within one year" meant for the one year prior to the date of occurrence excluding the appraisal report issued by the professional appraiser or the CPA's opinions acquired in accordance with the procedures.
6. For the Company's acquisition or disposal of assets by the court auction process, the supporting documents issued by the court can be used instead of the appraisal report or CPA's opinions.
7. For the appraisal report or the opinions obtained from the CPAs, attorney, or security underwriter by the Company, the professional appraisers and their appraising personnel, CPAs, attorneys, security underwriters, and the trade parties must be not be related.
8. In addition to the foregoing requirements, the following procedures shall apply:
  - (1) For the acquisition and disposal of negotiable securities on the stock

exchange or securities brokerage, the price of equity, fund or bond is determined at the time.

- (2) When the Company acquires or disposes of any securities which are not for trading on the stock exchange market, or securities brokerage office, it shall consider the net value per share, technique and profitability, future development potential, market interest rate, bond coupon rate, debtor's credit, market value, and fund profitability rating, and negotiate the price with reference to the then-current strike prices.
- (3) When the Company acquires or disposes of any real estate, it shall negotiate the price with reference to the published current value, current value appraisal and the actual strike price of the adjacent real estate. If the real estate is purchased from a related party, it shall compute the price in the methods set forth in Chapter 2 of these Procedures to evaluate the reasonableness of the trading price.
- (4) When the Company acquires or disposes of any membership, it shall negotiate the price by considering the possible benefits, and with reference to the then-current strike prices.
- (5) When the Company acquires or disposes of any intangible assets, it shall negotiate the price with reference to the international or market course of dealings, usable years, and influence on the company's technology and business.
- (6) When the Company acquires or disposes of any equipment or other assets, it shall review the supplier quotations, and carry on by request for quotation, quotation comparison, price negotiation, or public tender.
- (7) When the Company engages in any derivatives transactions, it shall review the futures market transaction, exchange rate and interest rate tendency, and follow Chapter 3 of these Procedures.
- (8) When the Company conducts merger, spinoff, acquisition, or receipt of shares, it shall review the business characteristics, net value per share, asset value, technique and profitability, production capacity, and future development potential, and follow Chapter 4 of these Procedures.
9. The transactions with a related party, derivatives trading, merger, spinoff, acquisition, or receipt of shares by the Company shall be subject to the foregoing provisions, as well as Chapters 2 to 4 of these Procedures.

Article 6: Administration Process

The authorization limits, level of approval, and processing unit, and transaction procedures of the acquisition or disposal of assets by the Company are as below:

1. Authorization Limits and Level of Approval

The Company's Board of Directors has authorized the Chairman to approve the transactions not exceeding the limits set forth in Article 7 of the Procedures as follows:

- (1) When the Company acquires or disposes of any securities, real estate and equipment, or other assets
  1. If the transaction amount does not exceed NT\$50 million, the

Chairman authorizes the President to approve and report afterwards.

2. If the transaction amount does not exceed NT\$100 million, the Board of Directors authorizes the Chairman to grant the preliminary approval, and report to the nearest Board meeting for ratification.
  3. If the transaction amount exceeds NT\$100 million, the transaction shall be approved by more than one half of the Audit Committee, and submitted to the Board of Directors for resolution.
- (2) When the Company acquires or disposes of any membership
1. If the transaction amount does not exceed NT\$3 million, the Chairman authorizes the President to approve and report afterwards.
  2. If the transaction amount does not exceed NT\$6 million, The Board of Directors authorizes the Chairman to grant the preliminary approval, and report to the nearest Board meeting for ratification.
  3. If the transaction amount exceeds NT\$6 million, the transaction shall be approved by more than one half of the Audit Committee, and submitted to the Board of Directors for resolution.
- (3) When the Company acquires or disposes of any intangible assets
1. If the transaction amount does not exceed NT\$5 million, the Chairman authorizes the President to approve and report afterwards.
  2. If the transaction amount does not exceed NT\$10 million, the Board of Directors authorizes the Chairman to grant the preliminary approval, and report to the nearest Board meeting for ratification.
  3. If the transaction amount exceeds NT\$10 million, the transaction shall be approved by more than one half of the Audit Committee, and submitted to the Board of Directors for resolution.
- (4) When the Company engages in any derivatives transactions, it shall follow Chapter 3 of these Procedures.
- (5) When the Company conducts a merger, spinoff, acquisition, or receipt of shares, it shall follow Chapter 4 of these Procedures.
2. Processing Unit and Transaction Procedures
- The processing unit of the acquisition or disposal of assets by the Company shall be the Finance Department or Management Department. Upon the approval pursuant to the foregoing provisions, the processing unit will carry out the transaction procedures in accordance with the Company's internal control system.

#### Article 7: Transaction Limits

In addition to the acquisition of operating assets, the Company and each subsidiary may invest and purchase non-operating real estate or securities within the following trading limits:

1. For the acquisition of any non-operating real estate by the Company, the total amount shall not exceed 40 percent of the Company's net worth in the latest financial report.  
For the acquisition of any non-operating real estate by any subsidiary, the total amount shall not exceed 20 percent of the Company's net worth in the latest

financial report.

2. For the acquisition of securities by the Company, the total amount shall not exceed 200 percent of the Company's net worth in the latest financial report.  
For the acquisition of securities by any subsidiary, the total amount shall not exceed 150 percent of the Company's net worth in the latest financial report.
3. For the acquisition of a single security by the Company, the amount shall not exceed 150 percent of the Company's net worth in the latest financial report.  
For the acquisition of a single security by any subsidiary, the amount shall not exceed 100 percent of the Company's net worth in the latest financial report.

Article 8: Announcement and reporting procedures

1. The Company's acquisition or disposal of assets in any of the following circumstances. It should be announced and reported in the FSC website within two days from the date of the event in accordance with the nature and the prescribed format.
  - (1) The acquisition or disposal of real estate from and to the related party, or the acquisition or disposal of assets other than real estate from and to the related party for an amount exceeds 20% of the paid-in capital, 10% of the total assets, or NT\$300 million. However, bond trades, RP and RS bonds and purchase/repurchase of money market funds that are issued by domestic securities investment trust enterprises is not subject to such requirements.
  - (2) Process merger, spins-off, acquisition, or assignment of shares.
  - (3) Engaged in derivatives transaction with a loss up to the limit of the total or individual contract amount regulated in this procedure.
  - (4) The assets acquired or disposed of fall within the category of business equipment, and the counterparties in the transactions are not related parties and the amount of transactions meet any of the following requirements:
    1. For a public company whose paid-in capital is less than NT\$10 billion, the transaction amount reaches NT\$500 million or more.
    2. For a public company whose paid-in capital is NT\$10 billion or more, the transaction amount reaches NT\$1 billion or more.
  - (5) Acquisition or disposal by a public company in the construction business of real property or right-of-use assets thereof for construction use, and furthermore the transaction counterparty is not a related party, and the transaction amount reaches NT\$500 million.
  - (6) 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 the amount the company expects to invest in the transaction reaches NT\$500 million.
  - (7) Where an asset transaction other than any of those referred to in the preceding six 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. However, the following conditions are not subject to this restriction:

1. Bond trade.
  2. Where the company specializes in the investment profession, any securities traded through domestic and overseas exchange or through securities firms, or ordinary corporate bonds and ordinary bank debentures without equity attribute subscribed in the domestic primary market, or securities subscribed by a securities firm as part of its underwriting service or counseling service for Emerging Stock Market companies as regulated by Taipei Exchange.
  3. The trade of RP/RS bonds and purchase/repurchase of money market funds that are issued by domestic securities investment trust enterprises.
2. The transaction amount referred to above is calculated in accordance with the following methods:
    - (1) The amount of any individual transaction.
    - (2) The cumulative amount of the acquisition or disposal of the same underlying subject with the same counterparty within one year;
    - (3) The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of real property 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.
  3. “Within the previous year” as claimed in the preceding paragraph refers to the one year before the date of acquisition. The part disclosed according to these Procedures will be exempted.
  4. The Company should have the derivative transactions of the Company and the non-public domestic subsidiaries up to the end of the last month published in the FSC website monthly in accordance with the prescribed format before the 10<sup>th</sup> day of each month.
  5. When the items that are to be published by the Company in accordance with the regulations are found with errors or omissions at the time of publication, all the items should be published and reported again within 2 days from the date of learning of the discrepancy.
  6. The Public Company should have the contract, minutes of meeting, book, appraisal reports, the opinions of CPAs, attorneys, or underwriters related to the acquisition or disposal of assets ready at the Company’s premise for at least 5 years unless otherwise provided by law.
  7. If the transactions reported and announced by the Company in accordance with the provision referred to above be found with any of the following circumstances, the Company should have the related information announced

and reported on-line at the information network designated by the FSC within 2 days from the date of occurrence.

- (1) The originally signed trade contract is modified, terminated, or revoked.
- (2) Merger, spins-off, acquisition, or assignment of shares is not completed in accordance with the deadline stated in the contract signed.
- (3) Changes are made to the original announcement and report.

Article 9: The control procedure for the subsidiary's acquisition or disposal of assets

1. The Company shall urge its subsidiaries to prescribe and implement the "Procedures for the Acquisition and Disposal of Assets" pursuant to these Procedures.
2. The "Procedures for the Acquisition and Disposal of Assets" prescribed by a subsidiary or the amendment thereof shall conform to these Procedures, and must be submitted to each supervisors, and reported to the shareholders meeting for approval after the resolution of the Board meeting . If any of the director's objections is recorded or expressed in writing, the Subsidiary shall have the objections of the directors forwarded to each supervisor.

Where the position of independent director has been created in accordance with the regulations, when a transaction involving the acquisition or disposal of assets is submitted for discussion to the board of directors, it should fully consider the views of the independent directors. The objections or reservations of independent directors, if any, should be stated in the minutes of the Board meeting.

Where an audit committee has been established in accordance with the Act, when the procedures for the acquisition and disposal of assets are adopted or amended, they shall be approved by more than half of all audit committee members and submitted to the board of directors for a resolution.

If approval of more than half of all audit committee members as required in the preceding paragraph is not obtained, the procedures may be implemented if approved by more than two-thirds 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" and "all directors" in the preceding paragraph shall be counted as the actual number of persons currently holding those positions.

3. Unless otherwise prescribed in its policy, these Procedures may also be applied to the acquisition or disposal of assets by the subsidiary.
4. If the subsidiary is not a domestic public company, and the acquisition or disposal of assets are subject to the reporting under Article 8, the Company shall notify the shareholder service agency, and publish the announcement within days of such event on behalf of the subsidiary.
5. Referred to above regarding the announcement and reporting standard of reaching the limit of 20% of paid-in capital or 10% of the total assets that is applicable to the subsidiary is based on the Company's paid-in capital or total assets.

## **Chapter 2 Related party transactions**

### Article 10: Determination Basis

1. In addition to processing the related decision procedures and assessing the reasonableness of trade conditions in accordance with the provision referred to above and in this Article, the appraisal report issued by the professional appraiser or the CPA's opinions must be acquired in accordance with the guidelines referred to above for the acquisition or disposal of assets by the Company from the related party with a transaction amount over 10% of the Company's total assets.
2. The calculation of the transaction amount referred to in the preceding paragraph shall be made in accordance with Paragraph 2, Article 8 herein.
3. The legal form and the real relationship should be considered in determining whether the counterparty is a related party.

### Article 11: Resolution Process

1. If the Company acquires from or disposes of to a related party any real estate of a related party, or acquires from or disposes of any assets other than real estate to a related party, and the transaction amount exceeds 20% of the Company's paid-in capital, 10% of the total assets, or NT\$300 million, then except for the sales and purchase of domestic government bonds, callable or puttable bonds, subscription or repurchase of an MMF administered by a domestic securities/investment/ trust firm, the Company shall submit the following materials to the Audit Committee and obtain the consent of the majority of the Committee, then the approval of the Board of Directors must be obtained before signing the transaction contract and making the payments:
  - (1) The purpose, necessity, and expected benefits of the acquisition or disposal of assets.
  - (2) The reasons for selecting the related party as the counterparty.
  - (3) Assess the reasonableness of the planned trading conditions for the property acquired from the related party pursuant to Article 12 and Article 13.
  - (4) The matters of the related party's original acquisition date and price, counterparty, and the relationship with the Company and the related party.
  - (5) Expected monthly cash income and expense statement within one year from the contracted month, and assessing the necessity of the transactions and the reasonableness of the funds application
  - (6) Acquire the appraisal report from the professional appraisers or the opinions of the CPAs in accordance with the provisions referred to above.
  - (7) The restrictions and other important stipulations of the transaction.
2. The transaction amount in the foregoing paragraph shall be calculated according to Article 8.2. The term "within the preceding year" refers to the year preceding the date of the current transaction. Any proposal that has been approved by the majority of the Audit Committee and the Board of Directors according to these Procedures will not be counted for this purpose.



3. The Board of Directors authorizes the Chairman to grant the preliminary approval, and report to the nearest Board meeting for ratification, for any acquisition or disposal of any equipment held for operating purposes between the Company and its subsidiaries not exceeding NT\$50 million.
4. When reported to the Board for discussion in accordance with the paragraph referred to above, should fully consider the views of the independent directors. The objections or reservations of independent directors, if any, should be stated in the minutes of the Board meeting.

Article 12: Evaluation on reasonable cost of transactions

1. The Company should assess the reasonableness of the transaction costs for the acquisition of real property from the related party in accordance with the following methods:
  - (1) Based on the related party transaction price plus the necessary capital interest and the cost of the buyer. The so-called necessary capital interest cost is calculated in accordance with the weighted average interest rate of the loans in the year the assets are acquired by the Company; however, it may not be higher than the non-financial industry maximum loan interest rate as announced by the Ministry of Finance.
  - (2) If the related party has the underlying subject used as collateral for a loan from financial institutions, the financial institutions are to assess the gross lending value of the subject matter. However, the actual accumulated lending value of the subject matter granted by the financial institutions should reach over 70% of the assessed gross lending value for a lending period over one year. However, it is not applicable if the financial institution and the counterparty are related to one another.
2. For the combined purchase of the same underlying land and house, the transaction costs of land and house can be assessed by any of the methods referred to above.
3. The cost of the real estate acquired by the Company from the related party should be assessed in accordance with the preceding paragraph; also, a CPA should be commissioned to review and express an opinion.
4. The acquisition of real estate by the Company from the related parties that fell in one of the following situations should be handled in accordance with Article 11 instead of the provisions referred in the last three sections:
  - (1) The related party acquired the real property thereof through inheritance or as a gift.
  - (2) Related party's contracting for the acquisition of real estate is over five years from the date of the trade contract signed.
  - (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.

Article 13: Exceptions to Evaluation of Transactions Where Costs are Lower than Transaction Price

1. If the results of the evaluation conducted under the foregoing Article are lower

than the transaction price, the Company shall enforce Article 14. However, as a result due to the following circumstances and with the objective evidence presented and an appraisal report collected from the professional real estate appraiser and a reasonable opinion issued by the CPAs, it is not subject to the limitations:

- (1) Related party that has obtained prime land or rental land for construction must submit the proof of complying with the following conditions:
  1. The prime land is assessed in accordance with the methods referred to above. House is assessed in accordance with the sum of the construction costs and a reasonable profit exceeding the actual transaction price. The term “reasonable construction profit” is based on the average gross profit rate in the last three years of the related party’s construction department or the latest gross profit rate of the construction industry announced by the Ministry of Finance whichever is lower.
  2. The successful trade of other floors of the same underlying house and land or the successful trade of the unrelated party in the neighborhood within one year with the similar floor area; also, the trade conditions are assessed to be equivalent in accordance with the reasonable floors or regional spread in general practice of real estate trade.
  3. The lease of other floors of the same underlying house and land or the lease of the unrelated party within one year are assessed to be equivalent in accordance with the reasonable floors or spread in general practice of real estate lease.
- (2) The Company evidences that the trade terms of acquiring the real estate from the related parties are similar to the successful trade of the unrelated party in the neighborhood within one year with the similar floor area.
2. The alleged “successful trade” in the neighborhood referred to above meant for the underlying subject on the same street or an adjacent street/block within the 500m-radius or with the similar announced present value. The alleged “similar floor area” meant for the successful trade by other non-related party is for not less than 50% of the floor area of the underlying subject. The alleged “within one year” meant for the one year prior to the date of occurrence for the acquisition of real estate.

Article 14: Procedures for handling transaction prices below the evaluated costs

1. If the assessment result of the acquisition of real estate from the related party is lower than the transaction price in accordance with Article 12 and Article 13, the Company is to have the following matters processed:
  - (1) A special reserve should be appropriated based on the difference between the real estate trade price and the assessed cost in accordance with Article 41 Paragraph 1 of the Securities and Exchange Act. If the investors that have an investment in the Company valued in accordance with the Equity Method are public companies, a special reserve should be appropriated proportionally to the appropriated amount in accordance with Article

41 Paragraph 1 of the Securities and Exchange Act.

- (2) The Audit Committee shall have it handled in accordance with Article 218 of the Company Act.
  - (3) The results of handling according to the preceding paragraph shall be reported to the meeting of shareholders, and the details of transaction shall be disclosed in the annual report and the prospectus.
2. If the Company has a special reserve appropriated in accordance with the requirements stated in the preceding paragraph, such special reserve can be utilized with the consent of the Financial Supervisory Commission when the purchased assets with losses in valuation are recognized or are disposed of, or are compensated properly or restored to the original form, or there is evidence of them being free of any unreasonableness.
  3. The acquisition of real estate by the Company from the related party that is evidenced not in compliance with general business practices should be handled in accordance with the two sections referred to above.

### **Chapter 3 Engaged in derivative transactions**

#### Article 15: Transaction Rules and Guidelines

1. Transacted instrument  
The Company may engage in derivatives transactions, including forward contracts, options contracts, swap contracts, and any compound contract of the foregoing product portfolios. The transaction of any other products shall be subject to the consent of more than one half of the Audit Committee, and the resolution of the Board meeting.
2. Operating or hedging strategy  
The Company shall be risk-averse when conducting derivatives transactions, and shall prevent any risk generated from the business operation. In addition, the Company shall conduct the transaction with the banks that have existing business with the Company whenever possible to avoid credit risk.
3. Delineation of rights and obligations
  - (1) The persons designated by the Finance Department are respectively responsible for the transaction, confirmation, and closing of derivative transaction.
  - (2) Authorization Limits and Level of Approval
    1. The Company's Board of Directors authorize the officer of finance/accounting, and the President to approve the hedging transactions within the limits set forth in Article 15, Paragraph 5 of these Procedures as follows:

Approver	Authorization allowed per single transaction	Net cumulative position limit
Head of Finance/Accounting	NT\$35 million or below	NT\$100 million or below
President	NT\$100 million or below	NT\$500 million or below

2. Any transaction not for hedging purposes shall be reported to the

Board of Directors for approval.

4. Performance evaluation key points
  - (1) Performance is assessed based on the Company's cost exchange rate on-book and the amount of gains/losses incurred on derivatives.
  - (2) To more appropriately monitor and present valuation of the underlying transaction, gain/loss on derivative is assessed on a monthly basis.
5. Total contract price, and maximum loss per all and single contracts
  - (1) Contract sum

The total contract price for hedging and non-hedging transactions shall not exceed two-thirds of the total amount of foreign currency exposure positions.

    1. Hedging transaction

"Hedging" means, other than for a transaction purpose, using the fair value or cash flow change of one or more hedges to offset all or part of the fair value or cash flow change of a hedged position.
    1. Non-hedging transaction

The purpose is to carry out the transaction. The operational mode focuses on short-term sales or repurchase to obtain short-term profits, rather than preventing the risks. There is no hedging strategy, or defined hedged project. The account principles have specified, or the Account Research and Development Foundation has designated, such transaction unsuitable for hedging.
  - (2) Maximum loss per all and single contracts

The total loss for hedging and non-hedging transactions shall not exceed 15% of the total amount of the contracts. The maximum loss of a single contract shall not exceed 10% of the contract price.

#### Article 16: Risk Management Measures

1. Scope of risk management
  - (1) Management over credit risks

The transaction party shall be a bank that has existing business with the Company, and is capable of providing professional information.
  - (2) Market price risk management

Derivatives shall be limited only to foreign currency contracts with banks; futures are unavailable at this point.
  - (3) Liquidity risk management:

To ensure the liquidity, the transaction bank must have enough equipment, information and transaction ability, and is able to transact in any market.
  - (4) Cash flow risk management

To ensure a stable cash flow for the Company's working capital, the Company shall use its own capital to conduct derivatives transactions.
  - (5) Operational risk management

The Company must comply with the authorized limit and procedures to avoid any procedural risks.
  - (6) Legal risk management

Any bank documents must be reviewed by the legal department or legal counsel before being officially executed to avoid any legal risks.

2. The personnel involved in derivative instrument transactions shall not simultaneously perform trade confirmation or settlement.
3. Personnel involved in risk assessment, monitoring and control shall be allocated to departments that are different from those mentioned above, and shall report to the Board of Directors or to senior managers who are not responsible for making decisions on transactions or positions.
4. Hedging transaction shall be evaluated at least twice a month. Non-hedging transaction shall be evaluated at least once per week. The evaluation report shall be submitted to the senior officer authorized by the Board of Directors.
5. Other important risk management measures

Article 17: Regular assessment methods and nonconformity handling

1. The board of directors is to supervise and manage the Company's derivatives transactions in accordance with the following principles:
  - (1) Appoint the management to monitor and control the risk of derivative transactions at any time.
  - (2) Periodically evaluate the performance of the derivative transactions complying with the defined business strategy and the risks within the Company's tolerable range
2. The senior management authorized by the board of directors should have the derivative transactions managed in accordance with the following principles:
  - (1) Periodically evaluate the suitability of current risk management measures, and implement the processes according to the Regulations and Article 16 of the Procedures.
  - (2) Supervise transactions and profit and loss and report nonconformities upon identification with necessary responsive measures exercised; also, immediately report to the board of directors. The presence and comment of the independent directors at the board meeting is mandatory.
3. The Company shall authorize the relevant persons under Article 16 of the Procedures to conduct derivatives transactions and report to the nearest Board meeting.

Article 18: Establish a log book

In engaging in derivatives transactions, the Company shall establish a log book in which details of the types and amounts of derivatives transactions, board of directors' approval dates and the matters required to be carefully evaluated under the procedure shall be recorded in detail.

Article 19 Internal audit system

Internal audit personnel should examine periodically the adequacy of the derivative transactions internal control and audit the compliance with the procedures for derivatives trading of the Audit Office monthly with an audit report issued. The Audit Committee should be notified in writing for any serious nonconformity identified.

## **Chapter 4 Corporate merger, spins-off, acquisition, and assignment of shares**

## Article 20 Assessment and operating procedures

1. Decisions that involve merger, divestment, acquisition, or share exchange shall be consulted with lawyers, accountants and underwriters to determine the proper legal procedures and timeline. A special project team shall be assembled to execute the project. Before the consideration of the Board of Directors, the Company shall ask the accountant, lawyer, or securities brokerage to issue the opinion regarding the exchange ratio, subscription price, or reasonableness of the cash or other property distributed to the shareholders, and shall obtain the consent of more than one half of the Audit Committee, and submit to the Board meeting for discussion and resolution. The opinion from the experts on rationality as mentioned could be waived for the merger between the company and a subsidiary where the company directly or indirectly holds 100% of its stake or total capital, or between subsidiaries where the company directly or indirectly holds 100% of their stake or total capital.
2. A public document to shareholders detailing important contractual content and matters relevant to the merger, demerger or acquisition shall be prepared prior to the shareholders' meeting and be included along with the expert opinion under the previous paragraph and notice of the shareholders' meeting for reference in deciding whether to approve the merger, demerger or acquisition. However, the corporate merger, spins-off, or acquisition that does not have to be resolved in the shareholders' meeting according to other governing regulations is not subject to the requirement.
3. If any participant of the business merger, divestment, or takeover is unable to convene a shareholder meeting, produce a resolution, or if the motion is voted down by shareholders due to insufficient attendants, minimum votes, or other legal restrictions, then the participants of the business merger, divestment, or acquisition shall immediately announce to the public the causes of the discontinuance, their follow-up actions, and the estimated date of the next shareholder meeting.

## Article 21: Dates of the Board Meeting and Shareholders Meeting

1. For the merger, spins-off, or acquisition of a company, unless otherwise required by law or due to special factors must report to the FSC in advance, the board meeting and the shareholders' meeting should be convened in the same day to resolve the matters related to the corporate merger, spins-off, and acquisition.
2. For the assignment of shares of a company, unless otherwise required by law or due to special factors must report to the FSC in advance, the board meeting should be convened in the same day.

## Article 22: Retention of Written Records: Disclosure and Filing

1. When engaging in a merger, demerger, transfer of shares or acquisition of another company, the Company shall document the following records and retain them for five years for future reference:
  - (1) Personnel information: including the title, name, and identity card number

(or passport number for foreigners) of the personnel involved in a merger, spins-off, acquisition, or assignment of shares, or, the plan executor.

- (2) Date of significant events: including the date of signing a letter of intent or memorandum, commissioning a financial or legal adviser, signing a contract, and convening a board meeting.
  - (3) Important documents and minutes of meeting: including the documents of the merger, spins-off, acquisition, or assignment of shares plans, letters of intent or memorandum, important contracts, minutes of board meeting.
2. The Company shall file the data under subparagraphs 1 and 2 of the foregoing paragraph with the FSC in the specified format through the online information system within 2 days from the resolution of the Board meeting.
  3. 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 the preceding paragraphs.

Article 23: Written Commitment of Confidentiality

The personnel participate in or are aware of the merger, spins-off, acquisition, or assignment of shares plan shall issue a written commitment of confidentiality not to disclose the plan to any third party before it is made known to the public and not to purchase the stock or equity-type securities of the companies related to the merger, spins-off, acquisition, or assignment of shares in their own names or others'.

Article 24: Exchange Ratio or Subscription Price

For the Company's participating in the merger, spins-off, acquisition, or assignment of shares, the swap ratio or purchase price, except for in the following circumstances, shall not be changed arbitrarily; also, the tolerable changes of the swap ratio or purchase price should be detailed in the merger, spins-off, acquisition, or assignment of shares contract:

1. Process cash capital increase and issue convertible bonds, stock dividends, bonds with stock option, preferred shares with stock option, stock options certificate, and other equity-type securities.
2. Disposal of major assets that affects the Company's financial operations
3. The occurrence of significant disasters and major changes in technology that affects the Company's shareholders' equity or securities price.
4. The adjustment of treasury stock repurchased lawfully by any company that participates in the merger, spins-off, acquisition, or assignment of shares.
5. Changes in the entity or number of companies involved in the merger, spins-off, acquisition, or assignment of shares.
6. The other conditions for tolerable changes are defined in the contract and have been publicly disclosed.

Article 25: Required Contractual Provisions

The Company that participates in the merger, spins-off, acquisition, or assignment of shares should have the rights and obligations in the merger, spins-off, acquisition, or assignment of shares detailed in the contract, including the following information:

1. Event of default.
2. The principle for the process of the equity-type securities issued or treasury stock repurchased by the discontinued or spins-off company due to a merger.
3. The treasury stock to be repurchased lawfully by the involving company and the principle for its process after the base date for the calculation of stock swap ratio.
4. The process for the changes in the entity and the number of companies involved.
5. The expected progress of the project and the schedule of completion.
6. The process of convening a shareholders' meeting when the project is not completed on time.

**Article 26: Other Information**

After public disclosure of the information, if any company participating in the merger, demerger, acquisition or share transfer intends further to carry out a merger, demerger, acquisition or share transfer with another company, all of the participating companies shall carry out anew the procedures or legal actions that had originally been completed toward the merger, demerger, acquisition or share transfer, except 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 the matter anew.

For the company that is not a public company involved in a merger, spins-off, acquisition, or assignment of shares, it should have a contract signed with the Company in accordance with Article 22, Article 23, and Article 26.

### **Chapter 5 Other Important Information**

**Article 27: Investment in Subsidiaries**

The Company and its affiliates shall always hold directly or indirectly the majority of the voting shares or capital of Lemtech Precision Material China Co. Ltd. (originally, Kuanshan Lemtech Precision Material Co. Ltd.).

**Article 28: Penalties**

Any employee who violates these Procedures while carrying out the acquisition or disposal of assets shall be reported for evaluation, and will receive punishment according to the severity of the violation.

**Article 29: Creation and Amendment**

1. The "Procedures for the Acquisition and Disposal of Assets" prescribed by the Company or the amendment thereof shall conform to the Regulations, and subject to the consent of the majority of the Audit Committee, shall be submitted to the shareholders meeting for approval after the resolution of the Board meeting.
2. If approval of more than half of all audit committee members as required in the preceding paragraph is not obtained, the procedures may be implemented if approved by more than two-thirds of all directors, and the resolution of the audit committee shall be recorded in the minutes of the board of directors



meeting.

3. When the acquisition or disposal of assets is proposed to the Board of Directors for discussion referred to above, it should fully consider the views of the independent directors. The objections or reservations of the independent directors, if any, should be stated in the minutes of the Board meeting.
4. The terms "all audit committee members" and "all directors" shall be counted as the actual number of persons currently holding those positions.

Article 30: Miscellaneous

Any matter not prescribed in these Procedures shall be subject to the applicable laws.

## **Appendix 4. Operational Procedures for Loaning of Company Funds**

### Article 1. Purpose

Whenever the Company needs to lend any funds to another company (hereinafter referred to as a "Borrower") as required for a business purpose, the lending of funds shall be subject to these Procedures. Any matters not addressed in the procedures shall be governed by relevant laws.

### Article 2. Fund Borrowers and Total Loan Amount; Amount Limit of Single Borrower

1. Pursuant to Article 15 of the Company Act, the Company shall not lend any funds to a shareholder or any party except to:

- (1) A company or firm that has existing business with the Company. Said "existing business" shall mean sales or purchases with the Company.
- (2) A company or firm that requires short-term financing facility from the Company; the Company shall hold directly or indirectly more than 50% of the voting rights of such company or firm, and the short-term financing facility must be made only to the extent required for a business purpose.

The lending amount shall mean the accumulated balance of the Company's short-time financing, and shall not exceed 40% of the Company's net worth. The terms "short-term" refers to a period of one year or one business cycle (whichever the longer).

2. Total and Individual Loan Limits

The total amount loaned by the Company to other parties shall not exceed 50% of the net worth. Among others:

- (1) Where loan is granted to businesses that the Company has business dealing with, the sum of loans granted across all borrowers shall not exceed 20% of the Company's net worth, whereas the sum of loans granted to individual borrowers shall not exceed the value of business transactions between the two parties in the most recent year. Value of business transaction refers to the amount of purchase or sale between two parties, whichever the higher.
- (2) Where loan is granted for short-term liquidity, the sum of loans granted across all borrowers shall not exceed 40% of the Company's net worth, whereas the sum of loans granted to individual borrowers shall not exceed 40% of the Company's net worth.

If the lending of funds occurs between any foreign companies of which the Company fully owns, directly or indirectly, the voting rights, the total loan shall not exceed 100% of the Company's net worth. The amount loaned to a single party shall not exceed 100% of the Company's net worth.

### Article 3. Loan Tenor and Interest Accrual

1. In principle, the loan period shall not be longer than one year, or one operating cycle (whichever is longer) from the loan date. If the lending of funds occurs between the Company and a foreign company of which the Company fully

owns, directly or indirectly, the voting rights, the loan may be extended up to three years.

2. The interests of the loan shall be computed per annum. In principle, the loan interest rate shall be no less than the highest interest rate of the short-term loan taken out by the Company from a financial institution.

#### Article 4. Review Process

##### 1. Application procedure

- (1) The Borrower shall provide the basic information and financial data, fill out the application form and describe the purpose of the funds, loan period and amount, then submit the materials to the Company's Finance Department.
- (2) If the lending of funds is based on an existing business relationship, the case officer of the Finance Department shall evaluate whether the loan amount is comparable to the business relationship. If the loan is required for a short-term financing facility, the case officer shall specify the reasons and circumstances supporting such loan, evaluate and investigate, submit relevant materials and the proposed loan conditions to the supervisor of the Finance Department and the President. The proposal will be reported to the Board of Directors for resolution upon the consent of the majority of the Audit Committee.
- (3) The lending of funds between the Company and its subsidiary, or between the Company's subsidiaries shall be reported to the Board of Directors under the foregoing subparagraph. The Board of Directors may authorize the Chairman to approve each installment or revolving credit not exceeding the amount limit resolved by the Board of Directors for a period not longer than one year.  
The amount limit authorized for any lending of funds by the Company or a subsidiary to a single company in the foregoing paragraph shall not exceed 10% of the lender's net worth in its latest financial statement unless otherwise permitted by Article 2.2.
- (4) If the Company has appointed any independent director, the Company shall fully consider the opinion of each independent director about the lending of funds, and specify the specific consenting or dissenting opinions, and the reasons of dissent in the minutes of the Board meeting.

##### 2. Credit Check

- (1) A first-time Borrower shall provide the basic information and financial data, and apply in writing.
- (2) Upon the receipt of the application, the Company will cause the responsible department to review the necessity and reasonableness of the lending of fund, and consider the influence on the Company's operational risk, financial condition, and shareholder equity.

##### 3. Approval of Loan and Notification

- (1) If the Board of Directors has resolved not to approve the loan after evaluation and investigation, the case officer shall reply to the Borrower about the reasons of refusal as soon as possible.
  - (2) If the Board of Directors has resolved to approve the loan after evaluation and investigation, the case officer shall reply to the Borrower as soon as possible, and explain the loan conditions, including the limit, period, interest rate, collateral and guarantor, and ask the Borrower to execute the contract within a specified time.
4. Collateral Valuation and Creation of Rights  
If the loan is conditioned upon any collateral, the Borrower shall provide the collateral, and the process of creating the pledge or mortgage. The Company shall also evaluate the collateral to ensure the Company's creditors rights.
  5. Insurance  
Except for lands and securities, the pledged or mortgaged property shall be covered under a fire insurance or relevant policy. The insured amount shall be not less than the pledge or mortgage of the collateral. The Company shall be the named beneficiary on the policy. The name, quantity, storage location, insurance terms, and insurance endorsement specified in the policy shall be consistent with the loan conditions approved by the Company.

#### Article 5 Repayment and Outstanding Loan

Repayment: After the loan has been made, the Company shall remain aware of the Borrower and the Guarantor's financial, business, and credit status. If any collateral has been provided, the Company shall also remain aware of the change of the collateral's value, and notify the Borrower one month before the maturity to repay the principal and interests when due.

1. When the Borrower repays the loan upon maturity, the Company shall calculate the payable interests, and apply the repayment against the principal before canceling and returning the promissory note and acknowledgment of debt, or other proofs of claim to the Borrower.
2. If the Borrower requests to cancel the mortgage, the Company shall identify whether there is any balance on the loan before deciding on the request of canceling the mortgage.

Outstanding loan:

1. The Company may request the Borrower to propose a repayment schedule if the Borrower fails to repay the outstanding loan amount, or pay the interests on time.
2. The Company shall allocate sufficient allowance for bad debts according to the general accounting principles for any outstanding loan amount.

#### Article 6 Case Records and Retention

1. The Company shall maintain a registry of all loans granted. This registry will contain details such as the name of borrower, the amount of loan, the board's approval date, the disbursement date, and matters that are subject to due diligence assessment under this policy.

2. After the loan is made, the case officer shall keep the acknowledgment of debt, promissory note, and other proofs of claim for each loan application processed.

Article 7. Important notice of financing third parties

1. Before lending the Company's funds to a party, the Company shall carefully evaluate whether the requirements under these Procedures are met. The evaluation result shall be approved by the majority of the Audit Committee, then resolved by the Board of Directors. The authority cannot be delegated to other person.
2. The internal auditors of the Company shall conduct audit on the procedure for financing and the status of implementation at least once quarterly, and keep the findings on record. In the event of major nonconformity, report to the Audit Committee in writing at once.
3. If the proposed Borrower becomes unqualified under these Procedures, or the loan balance has exceeded the limit due to any change of circumstances, the Finance Department shall prepare the improvement plan, submit the plan to the Audit Committee and complete the improvements according to the timeline.
4. The case officer shall prepare the statement of the lending of funds to other companies in the previous month by the 10th of each month, and circulate the report through the level of authority.

Article 8. Control Procedures on Third Party Lending by Subsidiaries

1. The Company shall cause its subsidiaries to prescribe the procedures of the lending of funds according to the "Regulations Governing the Loaning of Funds and Making of Endorsements/Guarantees by Public Companies", and process the proposed loans, if any, according to such procedures.
2. Before the 10th calendar day (exclusive) of each month, subsidiaries are required to report to the Company the details of loans granted to third parties in the previous month.
3. Subsidiaries' internal auditors shall conduct audits on loans granted to third parties at least on a quarterly basis, and produce written reports of audit findings. Any major violations discovered shall be escalated immediately in writing to the Company's internal auditors, who then forward to the Audit Committee.
4. The Company's internal auditors shall investigate subsidiaries' lending activities to third parties when carrying out the annual audit plan. Any defects discovered shall be continually followed up for improvements and reported to the Audit Committee.

Article 9. Information disclosure

1. The Company shall collect all relevant information, and file the reporting of the lending of funds and balance made by the Company and its subsidiaries in the previous month by the 10th of each month.
2. If the balance of the Company's lending of funds meets any of the following criteria, the Company shall make disclosure and reporting within two days from the date of such event:

- (1) The aggregate balance of loans of funds to others by the company and its subsidiaries reaches 20 percent or more of the public company's net worth as stated in its latest financial statement.
  - (2) The balance of loans of funds to others by the company and its subsidiaries for a single enterprise reaches 10 percent or more of the public company's net worth as stated in its latest financial statement
  - (3) The amount of new loans of funds to others made by the company or its subsidiaries reaches NT\$10 million or more, and reaches 2 percent or more of the public company's net worth as stated in its latest financial statement.
3. The Company shall assess its loan portfolio and make adequate bad loan allowances. The Company shall also make appropriate disclosures of relevant information in its financial reports and provide certified public accountants with any information necessary to proceed with their audits.

#### Article 10. Penalties

Any manager or case officer who violates these Procedures shall be reported for evaluation, and will receive the punishment according to the severity of violation.

#### Article 11: Implementation and Amendment

These Procedures shall be effective upon, subject to the prior consent of more than one half of the Audit Committee, the resolution of the Board meeting, and the approval of the shareholders meeting. If any director has made any objection in the minutes, or in writing, such written objection shall be submitted to the Audit Committee and reported to the shareholders meeting for discussion. The same procedure will apply to any amendments thereof.

If approval of more than half of all audit committee members as required in the Paragraph 1 is not obtained, the procedures may be implemented if approved by more than two-thirds 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" and "all directors" in the preceding paragraph shall be counted as the actual number of persons currently holding those positions.

If the Company has independent directors in place and has submitted the procedures for discussion among the Board of Directors, the opinions of the independent directors shall be fully taken into consideration. Any opinions regarding the consents or objections made by independent directors shall be shown in board meeting minutes.

#### Article 12. Miscellaneous

Any matter not prescribed in these Procedures shall be subject to the applicable laws.

## **Appendix 5. Operational Procedures for Endorsements and Guarantees**

### Article 1. Purpose:

These Procedures are prescribed to provide the Company the guidance for making endorsements and guarantees. Any matters not addressed in the procedures shall be governed by relevant laws.

### Article 2. Scope of application:

The term "endorsements/guarantees" as used in these Regulations refers to the following:

1. The term "endorsements/guarantees" means bill discount financing, endorsement or guarantee made to meet the financing needs of another company, and issuance of a separate negotiable instrument to a non-financial enterprise as security to meet the financing needs of the Company.
2. Customs duty endorsement/guarantee: Meaning an endorsement or guarantee for the company itself or another company with respect to customs duty matters.
3. Other endorsements/guarantees: Meaning endorsements or guarantees beyond the scope of the above two subparagraphs.
4. Providing any movable property or real estate to create a pledge or mortgage for another party's loan, or making an endorsement or guarantee shall also be subject to these Procedures.

### Article 3. Qualified Guaranteed Parties:

The Company may make endorsements or guarantees for the following companies:

1. A company with which it does business.
2. A company in which the public company directly and indirectly holds more than 50 percent of the voting shares.
3. A company that directly and indirectly holds more than 50 percent of the voting shares in the public company.

The companies of which the Company fully owns, directly or indirectly, the voting rights, may make endorsements or guarantees for each other.

### Article 4. Amount Limit of Endorsements and Guarantees:

The total endorsement and guarantee made by the Company shall not exceed 300% of the Company's net worth of the current period. The total endorsement and guarantee made for one single company shall not exceed 120% of the Company's net worth of the current period. The total endorsement and guarantee made by the Company and its subsidiaries shall not exceed 300% of the Company's net worth of the current period. The total endorsement and guarantee made for one single company shall not exceed 120% of the Company's net worth of the current period.

Any endorsement or guarantee made under a business relationship shall not exceed the total amount of the transactions with the Company within the last one year (the sales or purchase amount, whichever is higher). The net worth should be based on the most recent financial statement, which is audited and attested by a certified public accountant.

The companies with over 90% shareholding held by the Company, directly and indirectly, may have endorsement and guarantee made with the Company for an amount not more than 10% net worth of the Company. However, the endorsement and guarantee with the Company's 100% owned companies, directly or indirectly, is not subject to the said restriction.

If the total endorsement and guarantee made by the Company and its subsidiaries reaches 50% of the Company's net worth or more, the Company shall explain the necessity and reasonableness at the shareholders meeting.

Article 5. Level of decision and authorization:

The permitted endorsements and guarantees by the Company shall be subject to the consent of the majority of the Audit Committee, and the resolution of the Board meeting. However, when time is of the essence, the Board of Directors may authorize the Chairman to grant the preliminary approval for the transactions not exceeding 30% of the net worth of the current period, and obtain the consent of the majority of the Audit Committee before report to the nearest Board meeting for ratification.

If the Company has appointed any independent director, the Company shall fully consider the opinion of each independent director about providing an endorsement or guarantee to a party, and specify the specific consenting or dissenting opinions, and the reasons for dissent in the minutes of the Board meeting.

Article 6. Procedures of Making Endorsement and Guarantee:

1. If the guaranteed company needs to draw upon the line of credit, it shall submit the basic information and financial data, and fill out the application form to apply with the Company's Finance Department. The Finance Department shall carefully evaluate, and perform credit check. The evaluation shall cover the necessity and reasonableness, whether the endorsement or guarantee amount is comparable to the value of the business relationship, any influence on the Company's operational risk, financial condition, and shareholder equity, whether to require the collateral, as well as the value of the collateral.
2. The Finance Department shall design the record sheet of endorsements and guarantees, which shall set forth the endorsed or guaranteed party, amount, date of the Board resolution or the Chairman's approval, date of making the endorsement or guarantee, prudent evaluations hereunder, description of the collateral and the valuation, conditions and date of release from the endorsement or guarantee liability.
3. Whenever it makes any repayment, the endorsed or guaranteed company shall notify the Company about the repayment information to discharge the Company from its liabilities under the guarantee, and the repayment shall be recorded in the record sheet of endorsements and guarantees.
4. The Finance Department shall periodically evaluate and recognize the potential loss of the endorsement or guarantee, and adequately disclose the endorsement or guarantee in its financial report. The Company shall provide the information to the auditors to allow them to perform the necessary audit process, and issue a fair audit report.



5. If the endorsed or guaranteed party is a subsidiary of which the net worth is less than half of the paid-in capital, the Company shall conduct the risk evaluation every month after making the endorsement or guarantee, and periodically submit the risk evaluation report to the Audit Committee and the Board of Directors. If the subsidiary's shares are issued without a par value, or at a par value other than NT\$10, the paid-in capital shall be the sum of the share capital, plus the capital reserve – issue premium.

Article 7. Keeping Stamps and Process:

The stamp used for making endorsements and guarantees shall be the specimen registered at the Ministry of Economic Affairs. The stamp shall be kept by a designated person, or his or her successor, as agreed by the Board of Directors. When making an endorsement or guarantee, the Company shall stamp, or issue the note according to the specified procedures. When making any guarantee for a foreign company, the Company shall cause the person authorized by the Board of Directors to sign the letter of guarantee.

Article 8. Important notice for the undertaking of Endorsements/Guarantees:

1. The internal auditors of the Company shall conduct audit on the procedure for undertaking endorsements/guarantees and the status of implementation at least once quarterly, and keep the findings on record. In the event of major nonconformity, report to the Audit Committee in writing at once.
2. If the proposed guaranteed party who had met Article 3 of the Procedures becomes unqualified under these Procedures due to any change of circumstances, or the endorsement or guarantee amount has exceeded the limit specified according to Article 4 of the Procedures due to any change of the calculation basis, the Finance Department shall eliminate the endorsement or guarantee amount or any excess of the limit by the expiration of the time specified in the contract or otherwise prescribed, submit the improvement plan to the Audit Committee, and complete the improvements according to the timeline.
3. If it is necessary for a business purpose to make an endorsement or guarantee exceeding the amount limit prescribed in these Procedures, and the requirements herein are met, the Company shall obtain the consent of the majority of the Audit Committee and the approval of the Board of Directors. The majority of the Directors shall be the named guarantors for any possible loss caused by the excess of the limit. These Procedures shall be amended, and reported to the shareholders meeting for ratification. In the event of the dissent of the shareholders meeting, the Company shall prepare a plan to eliminate the excess within a specified time. The Company may have established seats for Independent Directors, and shall fully consider the opinions of the Independent Directors in the discussion of Board session, and keep the opinions in favor of or against the motions and the reasons as an integral part of the minutes of meeting on record of the Board.
4. Before a subsidiary of which the Company owns, directly or indirectly, 90% of the voting shares makes any endorsement or guarantee pursuant to Paragraph 2, Article 5 of the “Regulations Governing Loaning of Funds and Making of

Endorsements/Guarantees by Public Companies,” the proposal shall be subject to the consent of the majority of the Audit Committee and the approval of the Board of Directors. However, the endorsement and guarantee with the Company's 100% owned companies, directly or indirectly, is not subject to the said restriction.

5. If the Company has appointed any independent director, the Company shall fully consider the opinion of each independent director about an endorsement or guarantee between the affiliates, and specify the specific consenting or dissenting opinions, and the reasons for dissent in the minutes of the Board meeting.

Article 9. Timeline and Content of the Required Disclosure and Filing:

1. The Company shall announce and report the previous month's balance of endorsements/guarantees of itself and its subsidiaries by the 10th day of each month.
2. If the balance of the Company's endorsement and guarantee meets any of the following criteria, the Company shall make disclosure and reporting within two days from the date of such event:
  - a. The aggregate balance of endorsements/guarantees by the company and its subsidiaries reaches 50 percent or more of the public company's net worth as stated in its latest financial statement.
  - b. The balance of endorsements/guarantees by the company and its subsidiaries for a single enterprise reaches 20 percent or more of the public company's net worth as stated in its latest financial statement
  - c. The balance of endorsements/guarantees by the company and its subsidiaries for a single enterprise reaches NT\$10 million or more and the aggregate amount of all endorsements/guarantees for, investment of a long-term nature in, and balance of loans to, such enterprise reaches 30 percent or more of public company's net worth as stated in its latest financial statement.
  - d. The amount of new endorsements/guarantees made by the company or its subsidiaries reaches NT\$30 million or more, and reaches 5 percent or more of the company's net worth as stated in its latest financial statement.
3. If a subsidiary is not a domestic public company, the Company shall make the disclosure and reporting for such subsidiary in the event of subparagraph 4 of the foregoing paragraph.

Article 10. Control Process of Endorsements and Guarantees Made by Subsidiaries

1. The Company shall cause its subsidiaries to prescribe the procedures of making endorsements or guarantees according to the "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies," and process the proposed endorsements and guarantees, if any, according to such procedures.
2. Each subsidiary shall prepare and submit the statement of endorsements and guarantees made for other parties in the previous month to the Company no later than the last day preceding the 10th of each month.
3. Subsidiaries' internal auditors shall conduct audits on Endorsement Guarantee Procedures at least on a quarterly basis, and produce written reports

of audit findings. Any major violations discovered shall be escalated immediately in writing to the Company's internal auditors, who then forward to the Audit Committee.

4. The Company's internal auditors shall investigate subsidiaries' Endorsement Guarantee Procedures when carrying out the annual audit plan. Any defects discovered shall be continually followed up for improvements and reported to the Audit Committee.

Article 11. Penalties:

Any manager or case officer who violates these Procedures shall be reported for evaluation, and will receive the punishment according to the severity of violation.

Article 12: Implementation and Amendment:

These Procedures shall be effective, subject to the prior consent of more than one half of the Audit Committee, upon the resolution of the Board meeting, and the approval of the shareholders meeting. If any director has made any objection in the minutes, or in writing, such written objection shall be submitted to the Audit Committee and reported to the shareholders meeting for discussion. The same procedure will apply to any amendments thereof.

If approval of more than half of all audit committee members as required in the Paragraph 1 is not obtained, the procedures may be implemented if approved by more than two-thirds 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" and "all directors" in the preceding paragraph shall be counted as the actual number of persons currently holding those positions.

If the Company has independent directors in place and has submitted the procedures for discussion among the Board of Directors, the opinions of the independent directors shall be fully taken into consideration. Any opinions regarding the consents or objections made by independent directors shall be shown in board meeting minutes.

## Appendix 6. Shareholdings of all Directors

### Lemtech Holdings Co., Limited

#### Shareholdings of all Directors

1. As of the halt date April 19, 2019 of this General Meeting, the Company's paid-in capital is NT\$395,638,460, and the total number of outstanding shares is 39,563,846.
2. Directors' shareholding as of the halt date April 19, 2019:

Title	Name	Date elected	Current number of shares held by each director	
			Quantity	Ratio of Shareholding
Chairman	Chi-Feng, Hsu	2018.6.11	6,033,000	15.25%
Vice Chairman	Chan Kim Seng Maurice	2018.6.11	4,278,500	10.81%
Director	Hang Ye	2018.6.11	4,167,000	10.53%
Director	Yong Tan	2018.6.11	1,744,000	4.41%
Independent director	Rui-Long, Yang	2018.6.11	0	0.00%
Independent director	Chi-Min, Yu	2018.6.11	0	0.00%
Independent director	Wei-Ming, Lee	2018.6.11	0	0.00%
Total Directors' shareholding			16,222,500	41.00%

Note 1: Article 26 of the Securities and Exchange Act is not applicable to the Company.

Note 2: The Company has set up the Audit Committee. The supervisors' shareholding does not apply.

## Appendix 7. Impact of Issuance of Stock Dividends on Business Performance, Earnings per Share, and Return on Equity

Unit: NT\$

Item	Year	2019 (Estimates)
Paid-in Capital at Beginning of Period		395,638,460
Stock Dividend in the current period (Note 1)	Cash dividend per share	2.5
	Number of Shares Distributed under Capitalization of Earnings	0.2 Shares
	Number of Shares Distributed under Capitalization of Surplus	0 Shares
Changes in business performance	Operating profit	Not applicable (Note 2)
	Proportion of change in the operating income from the same period of the previous year (%)	
	Income after taxation	
	Proportion of change in the after-tax net profit from the same period of the previous year (%)	
	Earnings per share	
	Proportion of change in EPS from the same period of the previous year (%)	
	Average Annual Return (reciprocal annual average P/E ratio)	
Pro forma EPS and P/E ratio	If the retained earnings for capitalization into new shares were switched to payment of a cash dividend in the full amount	Pro forma earnings per share (EPS)
		Pro forma annual average ROI
	If there was no capitalization of additional paid-in capital	Pro forma earnings per share (EPS)
		Pro forma annual average ROI
	Cash dividends if the capitalization of surplus and the capitalization of earnings are not realized	<i>Pro forma</i> earnings per share (EPS)
		<i>Pro forma</i> annual average ROI

Note 1: The distribution of earnings has been resolved by the Board of Directors on March 27, 2019, and is awaiting the approval of the 2019 General Meeting.

Note 2: Pursuant to the "Regulations Governing the Publication of Financial Forecasts of Public Companies", the Company is not required to disclose the financial forecast of 2019. There will be no forecast for 2019.