

Stock Code: 2312



**Kinpo Electronics, Inc.**

2017 Annual Meeting of Shareholders  
**Meeting Handbook**

June 23, 2017

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# **Meeting Procedure**

**Kinpo Electronics, Inc.**  
**Procedure for the 2017 Annual Meeting of Shareholders**

1. Call the Meeting to Order
2. Chairperson Remarks
3. Report Items
4. Ratification Items
5. Discussion Items
6. Incidental Motions
7. Adjournment

# Meeting Agenda

# **Kinpo Electronics, Inc.**

## **Agenda of 2017 Annual Meeting of Shareholders**

Time: June 23, 2017 (Friday), 9:00 AM

Place: No. 147, Beishen Rd. Sec. 3, Shenkeng District, New Taipei City

Report the attending shares. Call the meeting to order.

### **1. Chairperson Remark**

### **2. Report Items**

- (1) 2016 Business Report
- (2) 2016 Audit Committee's Review Report
- (3) Report on 2016 Distribution of Remunerations to Employees and Directors

### **3. Ratification Items**

- (1) 2016 Business Report and financial Statements of the Company
- (2) 2016 Earnings Distribution Proposal of the Company

### **4. Discussion Items**

- (1) Amendment to the "Procedures for Acquisition or Disposal of Assets" of the Company
- (2) Proposal for Release of the Prohibition on Directors from Participating in Competitive Business

### **5. Incidental Motions**

### **6. Adjournment**

# **Report Items**

## Report Item 1

Proposed by the Board

Subject: 2016 Business Report

Explanation:

### **Kinpo Electronics, Inc. 2016 Business Report**

Dear shareholders:

Under the global economic environment that was changing fast and uncertainly, Kinpo's operations team, based on the operational philosophy of "innovation, harmony and surpassing", continued the innovation through high strength of R&D, continually expanded the business scope of ODM/OEM, structured self-owned technology, product, brand, channel and customer service system, and led all employees to adapt to the environmental change, implemented the mission of corporate social responsibility, and therefore smoothly achieved the end of transformation of Kinpo in 2016.

At the moment, the signal of gradual recovery of global prosperity is brighter and brighter, and the opportunity to pass the tunnel portal is higher and higher. IMF forecasted that the financial and economic policies presented by Donald Trump would lift US and global economic growth. It is expected the global economic growth rate in 2017 would reach 3.4%, in which USA would rise to 2.2%, China would maintain 6.5%, Taiwan would have 1.87% and Japan would be 0.6%.

Kinpo's consolidated revenues for the year of 2016 were NT\$ 122,900 million, an increase of 198% over the previous year; and the consolidated net income after tax was NT\$1,720 million, a growth of 27% over the previous year. The overall financial performance grew steadily from 2015, indicating the effect of efforts of Kinpo toward new business has a preliminary result, and we believe such effect would be more significant in the future. We hereby explain to each shareholder the operating results for the year of 2016 and future outlook of Kinpo in respect of each business area:

Looking back over the year of 2016, Kinpo continually strengthened and integrated the core compactivity, of which the scope covered mainly industrial automation, mechanism design, manufacture management, supply chain and quality control. In the mean time, Kinpo imported new application area of cloud application, 3D printing, smarter healthcare, hand-holding or wearing devices etc., and continually innovated and focused on self-owned technology, product, brand, channel, and after service. In respect of expansion of R&D and investment in production capacity, as the second factory in Philippines was completed and launched, Kinpo not only formally stepped into smart household electrical industry, but also assured the sufficient supplies to customers, which fully showed the ability of Kinpo to provide integral solutions. In respect of the establishment of self-owned brand, Kinpo focused on 3D

printing technology, big data analytics and application, IOT technology and application, and innovative products, such as consumer desktop 3D color printers, HiMirror, service robots, smart garment, numeric algorithms, and industrial energy saving automatic production system etc., which combined smart manufacture and servitization to provide total solutions.

In the previous year, Kinpo launched HiMirror which was awarded the innovative award of CES 2017 smart household electrical products and the award of best product of Gadget Flow. In addition, the da Vinci series - da Vinci Nano of the investee XYZprinting was awarded the best selection award of technology media - Twice magazine in CES exhibition, its da Vinci series - da Vinci Color was awarded CES Innovative Award Honoree, and its da Vinci series - da Vinci Mini, Nobel Superfine and hand-holding scanners were also awarded the honor of Golden Pin Design Award. As can be learned from the above, the effects of Kinpo's ability to aggressively continue the innovation were outstanding and significantly raised the image and value of the self-owned brand of Kinpo.

Looking ahead in 2017, the global macroeconomic can be expected to be full of uncertainties caused by political events. In response to the changes of industrial and global markets, Kinpo will continue and concretely implement the operating mission of "innovation, harmony and surpassing", focus on the strategically policies for operations of self-owned technology, product, brand, channel, and after service, continue the promotion of product innovation to maximize profit, and continue to build the mold factory and the assembly factory in Philippines to explore new products that are required by customer and meet world trend on the steady basis with joint efforts with customers on a stable basis; and in the same time, expand the factory in State of Indiana, USA, to satisfy the ardent demands of global manufacturers for industrial 3D printers, smarter healthcare, smart home, factory automation and smart energy saving. By virtue of three competitive edges of Kinpo -advance technology, outstanding ODM design and manufacture, and world class EMS manufacturing capacity, we trust the smart household electrical products will become the stably growing profitable channel of Kinpo, and we expect the self-owned products integrating new technology will become the main momentum of continual growth of Kinpo in the future. In addition we deeply trust that the continual expansion of ODM/EMS business, the new multiple operating model of the self-branded NKG2.0 which has been deeply cultivated, and the XYZprinting 2.0-3D printing business will increasingly and significantly contribute to the overall performance of Kinpo, and will be blooming on world major markets.

The continual and steady growth of Kinpo is the effect resulted from long-term effects and solid implementation of all fellows of the Company. In the mean time, we would sincerely thank for the supports and affirmations given by customers, suppliers, shareholders and the public to Kinpo. The whole operations team of Kinpo will lead all fellows to stride forward to the strategic objectives, succeed to the new spirit of Kinpo Group, and perform our corporate social responsibilities. We shall show the strength

of new Kinpo Group by concrete results, enable Kinpo to continue the outstanding growth, consistently build the foundation of sustainable management, and continually create excellent operating performance and good returns to shareholders.

Finally, we wish you all the best.

Kinpo Electronics, Inc.

Chairman: Hsu, Sheng-Hsiung

President: Shen, Shyh-Yong

Chief Accountant: Yu Chien-Hui

## Report Item 2

Proposed by the Board

Subject: 2016 Audit Committee's Review Report

Explanations: The 2016 standalone and consolidated financial statements of the Company have been audited by CPAs who have issued the independent auditors' report thereon. We, as the audit committee of the Company, have completed the review of these financial statements, business reports and earnings distribution proposal, and therefore issue our review report as detailed in pages 7-17.

The CPA is requested for reading: Independent Auditors' Report

The convener of the audit committee is requested for reading: Audit Committee's Review Report

## INDEPENDENT AUDITORS' REPORT

### English Translation of a Report Originally Issued in Chinese

To: Kinpo Electronics, Inc.

#### **Opinion**

We have audited the accompanying parent company only balance sheets of Kinpo Electronics, Inc. (the "Company") as of December 31, 2016 and 2015, and the related parent company only statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2016 and 2015, and notes to the financial statements including a summary of significant accounting policies.

In our opinion, based on our audits and the reports of other auditors (please refer to the *Other Matter – Making Reference to the Audits of Component Auditors* section of our report), the parent company only financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2016 and 2015, and financial performance and its cash flows for the years ended December 31, 2016 and 2015, in conformity with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

#### **Basis for Opinion**

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China (the "Norm"), and we have fulfilled our other ethical responsibilities in accordance with the Norm. Based on our audits and the reports of other auditors, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of 2016 financial statements. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

#### Revenue Recognition

The operating revenue of the Company in 2016 was recognized at NTD 12,036,018 thousand. As the Company had a large number of customers and engaged in sales involving a variety of commercial terms, we have therefore considered the correctness and revenue recognition timing significant and is one of the key audit matters.

For the revenue recognition, we have conducted audit procedures including but not limited to evaluating and testing the internal controls with respect to the revenue cycle, selecting representative samples to test the operation of the designed controls and to examine supporting documents for actual sales transactions, and conducting analytical processes such as gross margin analysis and analysis of changes in the top-ten sales customers list. In addition, we reviewed credit notes the Company issued after the period end in confirmation of the timing and correctness of revenue recognition. We also considered the appropriateness of the disclosure in respect of operating revenue in Note 6 of the parent company only financial statement.

#### Investments accounted for under the equity method

As of December 31, 2016, the investment accounted for under the equity method amounted to NTD 19,104,243 thousand, which accounted for 63% of the total assets and was deemed significant to the parent company only financial statements. We reviewed whether the Company had substantive control over its investees. For those investees that the Company had substantive control over, we then reviewed if the investee had been deemed as a consolidated entity. For the long-term equity investments that the Company made significant impact on such investees, we reviewed if the investment was accounted for under the equity method. The appropriateness of the accounting treatment mentioned above had significant impact on the parent company only financial statements, and thus we considered this a key audit matter.

We have conducted audit procedures including but not limited to, obtaining the most recent group investment structure chart of the Company; reviewing the changes in the group structure and understanding the recognition basis and classification of investments accounted for under the equity method; analyzing the composition of the board of directors and management and the investment contracts to determine whether the investments of the Company were accounted for according to IFRS; verifying whether the Company had obtained audited financial statements when recognizing investment income and other comprehensive income under the equity method. In addition to understanding the impact the investees' significant events made on the Company's individual financial statements, we further evaluated whether the measurements of the investments accounted for under the equity method complied with IFRS and IAS. Meanwhile, we verified the existence and ownership of the investment by confirmation or physical count procedures. We also considered the appropriateness of the investments accounted for under the equity method disclosed in Note 6 of the parent company only financial statement.

#### Business Combination

The Company has recognized NTD 1,677,832 thousand of gain on bargain purchase from business combination in 2016. We considered the aforementioned amount significant and decided to include the business combination into key audit matters.

We have conducted audit procedures including but not limited to gathering evidence such as transaction agreement and the report for the purchase price allocation, assessing the rationality of the methods used by the management to identify the date of business combination, to recognize the consideration of business combination transaction and to evaluate the fair value of the identifiable assets and liabilities, and, furthermore, recalculating the correctness of the gain on bargain purchase. Under the assistance of the evaluation expert from Transaction Advisory Services department of Ernst & Young, we evaluated whether the fair value of the identifiable assets and liabilities listed in the purchase price allocation report is acceptable and reasonable. We also considered the appropriateness of the business combination information disclosed in

Note 6 of the parent company only financial statement.

### **Other Matter – Making Reference to the Audits of Component Auditors**

We did not audit the financial statements of certain associates and joint ventures accounted for under the equity method whose statements are based solely on the reports of other auditors. These associates and joint ventures under equity method amounted to NTD 4,662,351 thousand and NTD 4,815,406 thousand, representing 15% and 15% of the total assets as of December 31, 2016 and 2015, respectively. The related shares of profits from the associates and joint ventures under the equity method amounted to NTD 375,667 thousand and NTD 365,484 thousand, representing 25% and 23% of the net income before tax for the years ended December 31, 2016 and 2015, respectively, and the related shares of other comprehensive income from the associates and joint ventures under the equity method amounted to (NTD 189,470) thousand and (NTD 58,991) thousand, representing 14% and 5% of the other comprehensive income for the years ended December 31, 2016 and 2015, respectively.

### **Responsibilities of Management and Those Charged with Governance for the Parent company only Financial Statements**

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

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

Those charged with governance, including audit committee or supervisors, are responsible for overseeing the financial reporting process of the Company.

### **Auditor’s Responsibilities for the Audit of the Parent company only Financial Statements**

Our objectives are to obtain reasonable assurance about whether the parent company only financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or

in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these parent company only financial statements.

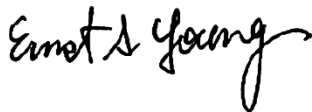
As part of an audit in accordance with auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of 2016 the parent company only financial statements and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The logo for Ernst & Young, featuring the company name in a stylized, cursive script.

Ernst & Young  
March 24, 2017

Taipei, Taiwan  
Republic of China

Notice to Readers

The accompanying financial statements are intended only to present the financial position, results of operations and cash flows in accordance with 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 financial statements are those generally accepted and applied in the Republic of China.

## INDEPENDENT AUDITORS' REPORT

### English Translation of a Report Originally Issued in Chinese

To: Kinpo Electronics, Inc.

#### **Opinion**

We have audited the accompanying consolidated balance sheets of Kinpo Electronics, Inc. (the “Company”) and its subsidiaries as of December 31, 2016 and 2015, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2016 and 2015, and notes to the consolidated financial statements, including the summary of significant accounting policies (collectively referred to “the consolidated financial statements”).

In our opinion, based on our audits and the reports of other auditors (please refer to the *Other Matter – Making Reference to the Audits of Component Auditors* section of our report), the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company and its subsidiaries as of December 31, 2016 and 2015, and their consolidated financial performance and cash flows for the years ended December 31, 2016 and 2015, in conformity with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards, International Accounting Standards, Interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee as endorsed by Financial Supervisory Commission of the Republic of China.

#### **Basis for Opinion**

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Company and its subsidiaries in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China (the “Norm”), and we have fulfilled our other ethical responsibilities in accordance with the Norm. Based on our audits and the reports of other auditors, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of 2016 consolidated financial statements. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

### Revenue Recognition

The operating revenue of the Company and its subsidiaries in 2016 was recognized at NTD 122,970,192 thousand. As the Company had a large number of customers and engaged in sales involving a variety of commercial terms, we have therefore considered the correctness and revenue recognition timing significant and is one of the key audit matters.

For the revenue recognition, we have conducted audit procedures including but not limited to evaluating and testing the internal controls with respect to the revenue cycle, selecting representative samples to test the operation of the designed controls and to examine supporting documents for actual sales transactions, and conducting analytical processes such as gross margin analysis and analysis of changes in the top-ten sales customers list. In addition, we reviewed credit notes the Company issued after the period end in confirmation of the timing and correctness of revenue recognition. We also considered the appropriateness of the disclosure in respect of operating revenue in Note 6 of the consolidated financial statement.

### Impairment of Trade Receivables

As at December 31, 2016, the net trade receivables of the Company and its subsidiaries was NTD 23,000,909 thousand, accounted 28% of the consolidated total assets. To determine the allowance for doubtful accounts in respect of trade receivables on account, the management needed to make judgement upon aging profile of outstanding debts, past collection history and the financial condition of the clients. Therefore, we consider the reasonableness of the impairment assessment as one of the key audit matters.

We have conducted audit procedures including but not limited to understanding the internal control in respect of determining allowance for trade receivables through inquiring, assessing the rationality of the assumptions and basis applied by management in determining such allowance for doubtful accounts. In addition, we conducted analytical procedures on collection periods and debtors movements. We further selected samples from the aging analysis provided by the management to test the correctness of the account and to identify and analyze the reason for occurrence of overdue. To assess the possibility of collecting receivables, we sent out confirmations and tested the subsequent collection for selected samples. We also considered the appropriateness of the disclosure in respect of trade receivables and relevant risk in Note 5 and Note 6 of the consolidated financial statement.

### Business Combination

The Company has recognized NTD 1,929,831 thousand of gain on bargain purchase from business combination in 2016. We considered the aforementioned amount significant and decided to include the business combination into key audit matters.

We have conducted audit procedures including but not limited to gathering evidence such as transaction agreement and the report for the purchase price allocation, assessing the rationality of the methods used by the management to identify the date of business combination, to recognize the consideration of business combination transaction and to evaluate the fair value of the identifiable assets and liabilities, and, furthermore, recalculating the correctness of the gain on bargain purchase. Under the assistance of the evaluation expert from Transaction Advisory Services department of Ernst & Young, we evaluated whether the fair value of the identifiable assets and liabilities listed in the purchase price allocation report is acceptable and reasonable. We also considered the appropriateness of the business combination information disclosed in Note 6 of the consolidated financial statement.

## **Other Matter – Making Reference to the Audits of Component Auditors**

We did not audit the financial statements of certain consolidated subsidiaries, which statements reflect total assets of NTD 4,917,615 thousand and NTD 2,136,718 thousand, constituting 6% and 5% of consolidated total assets as of December 31, 2016 and 2015, respectively, and total operating revenues of NTD 2,788,752 thousand and NTD 1,650,928 thousand, constituting 2% and 4% of consolidated operating revenues for the years ended December 31, 2016 and 2015, respectively. Those financial statements were audited by other auditors, whose reports thereon have been furnished to us, and our opinions expressed herein are based solely on the audit reports of the other auditors. We did not audit the financial statements of certain associates and joint ventures accounted for under the equity method whose statements are based solely on the reports of other auditors. These associates and joint ventures under equity method amounted to NTD 3,468,495 thousand and NTD 3,415,658 thousand, representing 4% and 8% of consolidated total assets as of December 31, 2016 and 2015, respectively. The related shares of profits from the associates and joint ventures under the equity method amounted to NTD 309,571 thousand and NTD 237,592 thousand, representing 13% and 13% of the consolidated net income before tax for the years ended December 31, 2016 and 2015, respectively, and the related shares of other comprehensive income from the associates and joint ventures under the equity method amounted to (NTD 149,893) thousand and (NTD 39,259) thousand, representing 8% and 3% of the consolidated other comprehensive income for the years ended December 31, 2016 and 2015, respectively.

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

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

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

Those charged with governance, including audit committee or supervisors, are responsible for overseeing the financial reporting process of the Company and its subsidiaries.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in the Republic of China will always detect a material

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

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

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

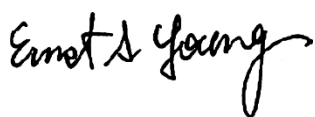
We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of 2016 consolidated financial statements and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### **Others**

We have audited and expressed an unqualified opinion on the parent company only financial statements of the Company as of and for the years ended December 31, 2016 and 2015.



Ernst & Young  
March 24, 2017

Taipei, Taiwan  
Republic of China

### Notice to Readers

The accompanying financial statements are intended only to present the financial position, results of operations and cash flows in accordance with 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 financial statements are those generally accepted and applied in the Republic of China.

## Audit Committee's Review Report

The 2016 standalone and consolidated financial statements of the Company prepared by the Board have been audited by CPAs Hsiao Tsui-Hui and Lin Su-Wen of Ernst & Young who have issued the independent auditors' report. These financial statements, business report and earnings distribution proposal have been reviewed by us, as the audit committee of the Company. We deem no discrepancy. Therefore, this report is presented in accordance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act for approval.

To:

The 2017 Annual Meeting of Shareholders of Kinpo Electronics, Inc.

Convener of Audit Committee:

Chiang Ping-Kun



May 12, 2017

## Report Item 3

Proposed by the Board

Subject: Report on 2016 Distribution of Remunerations to Employees and Directors

Explanations:

- (1) The 2016 remunerations to employees and directors were adopted by the resolution at the 2017 first meeting of the board on March 24, 2017. The 7.5% remunerations to employees amounting to NT\$127,714,630 will be provided, and the 1.5% remunerations to directors amounting to NT\$25,542,926 will be provided.
- (2) The remunerations will be paid by cash, and the chairman is authorized to conduct the payment with full powers to the extent of the remuneration amount so resolved.

# **Ratification Items**

## Ratification Item

Item 1

Proposed by the Board

Subject: The 2016 business report and financial statements are proposed for ratification.

Explanations:

- (1) The 2016 business report and financial statements (including consolidated and standalone financial statements) of the Company have been prepared and adopted by resolution of the Board, and have been submitted to and then have been reviewed by the audit committee (the earnings distribution proposal is itemized as Ratification Item 2).
- (2) The business report and consolidated financial statements (including standalone financial statements) as detailed in Report Item 1 (pages 3-4) and Attachment 1 (pages 24-33) are attached for ratification.

(For details of notes to financial statements in the Attachment 1, please go to the website <http://mops.twse.com.tw/mops/web/index> “Market Observation Post System” → basic information → electronic book → financial statements → company code: 2312, year: 2016 → search → year of information: Q4 of 2016, detailed explanation of information: IFRSs consolidated financial statements, IFRSs standalone financial statement → inquiry)

Resolution:

Subject: The 2016 earnings distribution proposal of the Company is submitted for ratification.

Explanations:

- (1) For the 2016 earnings distribution proposal, the Board has prepared the following earnings distribution table in accordance with relevant laws and the articles of incorporation.
- (2) It is proposed that NT\$430,369,264 be appropriated from the distributable earnings for the year of 2016 to distribute dividends, all of which be paid by cash dividend. Every share will be distributed NT\$0.3, and every thousand shares will be distributed NT\$300 of cash dividends without consideration. After the proposal is adopted at the annual meeting of shareholders, the shareholders' meeting is requested to authorize the Board to otherwise determine the basis date of ex-dividend. The distribution will be made according to the number of shares held by shareholders entered in the shareholders' registry at such basis date.
- (3) If subsequently the occurrence of any change of laws, any change approved by the competent authority, or any change of common shares of the Company (e.g. transfer or cancellation of the Company's shares repurchased, capital increase by cash, exercise of employees' stock warrants etc.) or other factors would affect the number of outstanding shares and, in turn, cause a change in dividend distribution ratio approved by the annual meeting of shareholders which would call for an correction, it is proposed that the shareholders' meeting would authorize the Board of Directors with full powers to make adjustment depending on the actual number of outstanding shares.
- (4) The cash dividend will be calculated to the whole number of dollar and the fraction less than one dollar will be discarded. The total of the fractional amounts distributed will be recognized in other income.

**Kinpo Electronics, Inc.**  
**Earnings Distribution Proposal For The Year 2016**

Unit: NT\$

Item	Amount
Unappropriated retained earnings of previous years	751,991,075
Add: Net income of 2016	1,176,493,588
Add: Other comprehensive income of 2016	4,214,070
Appropriated items:	
Less: 10% Legal reserve	117,649,359
Retained earnings available for distribution	1,815,049,374
Distributable items:	
Less: Cash dividend to shareholders (\$0.3 per share)	430,369,264
Unappropriated retained earnings	1,384,680,110

Resolution:

# **Discussion Items**

## Discussion Items

Item 1

Proposed by the Board

Subject: The proposal for amendment to the “Procedures for Acquisition or Disposal of Assets” of the Company is submitted for discussion and resolution.

Explanations:

- (1) Pursuant to the letter number Jin-guan-zheng-fa-zi #1060001296 of Financial Supervisory Commission dated February 9, 2017, the Company shall amend partial provisions of the “Procedures for Acquisition or Disposal of Assets” in response thereto.
- (2) For the comparison table of provisions of the “Procedures for Acquisition or Disposal of Assets” of the Company before and after amendment, please refer to Attachment 2, pages 33-46 of this handbook.

Resolution:

Subject: The proposal for release of the prohibition on directors from participation in competitive business is submitted for discussion and resolution.

Explanations:

- (1) Directors of the Company might invest in or operate other companies engaging in same or similar business of the Company. Without undermining the interest of the Company as the precondition, it is proposed to release the prohibition on them from participation in competitive business in accordance with Article 209 of the Company Act.
- (2) For the status of new concurrent positions at other companies held by the existing directors of the Company, please refer to Attachment 3, page 47 of this handbook. The proposal is submitted for discussion and resolution.

Resolution:

# **Incidental Motions**

# Adjournment

# **ANNEX**

KINPO ELECTRONICS, INC.  
PARENT COMPANY ONLY BALANCE SHEETS  
December 31, 2016 and 2015

(Expressed in thousands of New Taiwan Dollars)

Assets	Footnote	2016	%	2015	%	Liabilities and Equity	Footnote	2016	%	2015	%
Current asset						Current liabilities					
Cash and cash equivalents	4,6	\$920,076	3	\$1,338,366	4	Short-term loans	4,6	\$3,435,000	12	\$3,269,125	11
Financial assets at fair value through profit or loss-current	4,6	4,372	-	1,159	-	Short-term notes	6	1,603,388	5	1,323,545	4
Available-for-sale financial assets-current	4,6	195,376	1	167,417	1	Financial liabilities at fair value through profit or loss-current	4,6	2,330	-	1,500	-
Investments in debt instrument without active market-current	4,6	150,000	-	150,000	-	Notes payable		52	-	1,371	-
Notes receivable, net	4	729	-	-	-	Accounts payable		57	-	205	-
Notes receivable-related parties, net	4,7	-	-	36	-	Accounts payable-related parties	7	898,840	3	2,663,371	8
Accounts receivable, net	4,6	807,428	3	895,270	3	Other payables	6	480,794	2	271,897	1
Accounts receivable from related parties, net	4,6,7	832,316	3	1,096,555	3	Other payables-related parties	7	39,065	-	30,014	-
Other receivables	4	5,694	-	10,130	-	Current tax liabilities	4,5	73,932	-	-	-
Other receivables-related parties	4,7	546,703	2	483,443	2	Current provisions	4	14,509	-	9,539	-
Current tax assets	4	1,708	-	4,676	-	Other current liabilities		59,862	-	16,457	-
Inventories	4	2,335	-	-	-	Current portion of long term borrowings	4,6	75,000	-	1,930,000	6
Prepayments	4	23,410	-	9,267	-	Total current liabilities		<u>6,682,829</u>	<u>22</u>	<u>9,517,024</u>	<u>30</u>
Other current assets	4	7,583	-	8,203	-	Non-current liabilities					
Total current assets		<u>3,497,730</u>	<u>12</u>	<u>4,164,522</u>	<u>13</u>	Long-term loans	4,6	4,945,000	16	2,870,000	9
Non-current assets						Deferred tax liabilities	4,6	1,678,202	6	1,831,284	6
Available-for-sale financial assets-non-current	4,6	3,917,398	13	3,894,896	12	Other non-current liabilities		211	-	301	-
Financial assets at cost-non-current	4,6	32,552	-	38,513	-	Net defined benefit liabilities	4,6	549,689	2	564,026	2
Investments in debt instrument without active market-non-current	4,6	300,000	1	450,000	2	Total non-current liabilities		<u>7,173,102</u>	<u>24</u>	<u>5,265,611</u>	<u>17</u>
Investments accounted for using equity method	4,6	19,104,243	63	18,150,441	58	Total liabilities		<u>13,855,931</u>	<u>46</u>	<u>14,782,635</u>	<u>47</u>
Property, plant and equipment	4,6	1,233,334	4	1,263,869	4	Equity					
Intangible assets	4	2,571	-	2,241	-	Share capital	4,6	14,556,572	48	14,581,132	46
Deferred tax assets	4,6	2,084,604	7	2,220,959	7	Ordinary share					
Other non-current assets	6	169	-	1,295,396	4	Capital surplus	6	600,097	2	426,996	1
Total non-current assets		<u>26,674,871</u>	<u>88</u>	<u>27,316,315</u>	<u>87</u>	Retained earnings	6				
						Legal reserve		133,902	-	-	-
						Special reserve		255,058	1	255,058	1
						Unappropriated retained earnings		1,932,699	7	1,310,262	4
						Total retained earnings		<u>2,321,659</u>	<u>8</u>	<u>1,565,320</u>	<u>5</u>
						Other equity interest		118,933	-	1,437,468	5
						Treasury shares	4,6	(1,280,591)	(4)	(1,312,714)	(4)
						Total equity		<u>16,316,670</u>	<u>54</u>	<u>16,698,202</u>	<u>53</u>
						Total liabilities and equity		<u>\$30,172,601</u>	<u>100</u>	<u>\$31,480,837</u>	<u>100</u>

The accompanying notes are an integral part of financial statements.

KINPO ELECTRONICS, INC.

**PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE  
INCOME**

For the years ended December 31, 2016 and 2015

(Expressed in thousands of New Taiwan Dollars except for earnings per share)

Item	Footnote	2016	%	2015	%
Operating revenue	4,6,7	\$12,036,018	100	\$27,528,833	100
Operating costs	6,7	(11,285,897)	(94)	(26,701,672)	(97)
Gross profit from operations		750,121	6	827,161	3
Operating expenses	6				
Selling expenses		(199,105)	(2)	(234,578)	(1)
Administrative expenses		(318,090)	(2)	(351,743)	(1)
Research and development expenses		(207,790)	(2)	(186,358)	(1)
Total operating expense		(724,985)	(6)	(772,679)	(3)
Operating income		25,136	-	54,482	-
Non-operating income and expenses	6,7				
Other income		1,894,347	16	268,221	1
Other gains and losses		(713,635)	(6)	38,683	-
Finance costs		(129,280)	(1)	(143,574)	-
Share of gain of subsidiaries, associates and joint ventures accounted for using equity method		436,058	4	1,401,413	5
Total non-operating income and expenses		1,487,490	13	1,564,743	6
Income before tax		1,512,626	13	1,619,225	6
Income tax expense	4,6	(336,132)	(3)	(207,997)	(1)
Net income		1,176,494	10	1,411,228	5
Other comprehensive income (loss)	6				
Not to be reclassified to profit or loss in subsequent periods:					
Remeasurements on defined benefit plans		3,192	-	(30,268)	-
Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using equity method		3,163	-	(3,356)	-
Income tax relating to components of other comprehensive income		(2,141)	-	4,870	-
To be reclassified to profit or loss in subsequent periods:					
Unrealized gain (loss) on available-for-sale financial assets		56,024	-	(689,336)	(2)
Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using equity method		(1,652,416)	(14)	(675,430)	(2)
Income tax relating to components of other comprehensive income		277,857	3	104,474	-
Total other comprehensive income (loss), net of income tax		(1,314,321)	(11)	(1,289,046)	(4)
Total comprehensive income (loss)		\$(137,827)	(1)	\$122,182	1
Earnings per share	6				
Basic earnings per share		\$0.87		\$1.02	
Diluted earnings per share		\$0.86		\$1.02	

The accompanying notes are an integral part of financial statements.

KINPO ELECTRONICS, INC.

PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY

For the years ended December 31, 2016 and 2015

(Expressed in thousands of New Taiwan Dollars)

Summary	Common stock	Capital surplus	Retained earnings			Other equity			Treasury shares	Total equity
			Legal reserve	Special reserve	Unappropriated retained earnings (accumulated deficit)	Foreign currency translation reserve	Unrealized gain (loss) on available-for-sale financial assets	Other		
Balance on January 1, 2015	\$14,581,132	\$415,721	\$-	\$255,058	\$(72,212)	\$1,062,707	\$1,643,259	\$(8,206)	\$(1,161,724)	\$16,715,735
Other changes in capital surplus:										
Changes in equity of subsidiaries, associates and joint ventures accounted for using equity method	-	(22,763)	-	-	-	-	-	-	-	(22,763)
Net income in 2015	-	-	-	-	1,411,228	-	-	-	-	1,411,228
Other comprehensive income (loss) in 2015, net of income tax	-	-	-	-	(28,754)	(473,775)	(757,720)	(28,797)	-	(1,289,046)
Total comprehensive income (loss) in 2015	-	-	-	-	1,382,474	(473,775)	(757,720)	(28,797)	-	122,182
Buy-back of treasury shares	-	-	-	-	-	-	-	-	(215,011)	(215,011)
Treasury shares transactions-disposal of interest in parent company by subsidiaries	-	(6,266)	-	-	-	-	-	-	64,021	57,755
Share-based payments	-	40,304	-	-	-	-	-	-	-	40,304
Balance on December 31, 2015	\$14,581,132	\$426,996	\$-	\$255,058	\$1,310,262	\$588,932	\$885,539	\$(37,003)	\$(1,312,714)	\$16,698,202
Balance on January 1, 2016	\$14,581,132	\$426,996	\$-	\$255,058	\$1,310,262	\$588,932	\$885,539	\$(37,003)	\$(1,312,714)	\$16,698,202
Appropriation and distribution of 2015 retained earnings										
Legal reserve	-	-	133,902	-	(133,902)	-	-	-	-	-
Cash dividends	-	-	-	-	(424,369)	-	-	-	-	(424,369)
Other changes in capital surplus:										
Changes in equity of subsidiaries, associates and joint ventures accounted for using equity method	-	23,319	-	-	-	-	-	-	-	23,319
Net income in 2016	-	-	-	-	1,176,494	-	-	-	-	1,176,494
Other comprehensive income (loss) in 2016, net of income tax	-	-	-	-	4,214	(1,294,087)	(40,660)	16,212	-	(1,314,321)
Total comprehensive income (loss) in 2016	-	-	-	-	1,180,708	(1,294,087)	(40,660)	16,212	-	(137,827)
Buy-back of treasury shares	-	-	-	-	-	-	-	-	(172,700)	(172,700)
Treasury shares retired	-	-	-	-	-	-	-	-	-	-
Treasury shares transactions-disposal of interest in parent company by subsidiaries	(24,560)	6,911	-	-	-	-	-	-	17,649	-
Adjustments for dividends subsidiaries received from parent company	-	18,883	-	-	-	-	-	-	-	18,883
Share-based payments	-	123,988	-	-	-	-	-	-	187,174	311,162
Balance on December 31, 2016	\$14,556,572	\$600,097	\$133,902	\$255,058	\$1,932,699	\$(705,155)	\$844,879	\$(20,791)	\$(1,280,591)	\$16,316,670

The accompanying notes are an integral part of financial statements.

**KINPO ELECTRONICS, INC.**  
**PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS**

For the Years Ended December 31, 2016 and 2015

(Expressed in thousands of New Taiwan Dollars)

Item	2016	2015
Cash flows from operating activities:		
Net income before tax	\$1,512,626	\$1,619,225
Adjustments for:		
Depreciation expenses	37,287	34,870
Amortization expenses	2,174	19,366
Net loss (gain) on financial assets or liabilities at fair value through profit or loss	(2,383)	341
Interest expense	122,806	138,103
Interest income	(23,345)	(23,130)
Dividend income	(186,031)	(239,735)
Share-based payments	97,343	40,304
Share of loss (gain) of subsidiaries, associates and joint ventures accounted for using equity method	(436,058)	(1,401,413)
Loss (gain) on disposal of property, plant and equipment	-	(13)
Deduction of property, plant and equipment to expenses	53	-
Loss (gain) on disposal of investments accounted for using equity method	724,270	(14,039)
Impairment loss on financial assets	9,490	22,576
Reversal of provision for loss on financial assets	(5,728)	-
Gain on bargain purchase	(1,677,832)	-
Changes in operating assets and liabilities:		
Decrease (increase) in notes receivable	(729)	-
Decrease (increase) in notes receivable-related parties	36	-
Decrease (increase) in accounts receivable	87,842	7,997,075
Decrease (increase) in accounts receivable-related parties	264,239	4,973,385
Decrease (increase) in other receivables	4,593	5,102
Decrease (increase) in other receivables-related parties	(63,260)	167,462
Decrease (increase) in inventories	(2,335)	-
Decrease (increase) in prepayments	(14,143)	(4,115)
Decrease (increase) in other current assets	620	2,130
Increase (decrease) in notes payable	(1,319)	689
Increase (decrease) in accounts payable	(148)	112
Increase (decrease) in accounts payable-related parties	(1,764,531)	(11,682,607)
Increase (decrease) in other payables	209,108	36,730
Increase (decrease) in other payables-related parties	9,051	(57,329)
Increase (decrease) in provisions	4,970	(1,564)
Increase (decrease) in other current liabilities	43,405	(12,415)
Increase (decrease) in net defined benefit liabilities	(11,145)	(11,439)
Cash generated by operations	(1,059,074)	1,609,671
Interest received	23,188	24,912
Interest paid	(123,174)	(138,865)
Income tax paid	(243)	2,101
Net cash generated from (used in) operating activities	(1,159,303)	1,497,819
Cash flows from investing activities		
Acquisition of available-for-sale financial assets	-	(4,604)
Proceeds from disposal of available-for-sale financial assets	5,728	-
Proceeds from natural maturity of investments in debt instrument without active market	150,000	150,000
Proceeds from capital reduction of financial assets at cost	2,034	9,566
Acquisition of investments accounted for using equity method	(2,201,526)	(50,054)
Increase in prepayments for investments	-	(781,125)

**KINPO ELECTRONICS, INC.**  
**PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS**

For the Years Ended December 31, 2016 and 2015

(Expressed in thousands of New Taiwan Dollars)

Item	2016	2015
Proceeds from capital reduction of investments accounted for using equity method	-	110,672
Acquisition of property, plant and equipment	(6,805)	(6,633)
Proceeds from disposal of property, plant and equipment	-	2,481
Acquisition of intangible assets	(2,504)	(10,237)
Decrease (increase) in other non-current assets	21	(38)
Decrease (increase) in prepayments for facilities	-	(802)
Dividends received	2,538,710	653,521
Net cash generated from (used in) investing activities	<u>485,658</u>	<u>72,747</u>
Cash flows from financing activities:		
Increase in short-term loans	165,875	883,936
Increase in short-term notes	280,000	125,000
Increase in long-term loans	6,370,000	6,600,000
Repayments of long-term loans	(6,150,000)	(7,700,000)
Decrease in other non-current liabilities	(90)	(58)
Cash dividends	(424,369)	-
Payments for treasury shares buy-back	(172,700)	(215,011)
Treasury shares sold to employees	186,639	-
Net cash generated from (used in) financing activities	<u>255,355</u>	<u>(306,133)</u>
Increase (decrease) in cash and cash equivalents	(418,290)	1,264,433
Cash and cash equivalents, at the beginning of period	<u>1,338,366</u>	<u>73,933</u>
Cash and cash equivalents, at the end of period	<u>\$920,076</u>	<u>\$1,338,366</u>

The accompanying notes are an integral part of financial statements.

**KINPO ELECTRONICS, INC. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
December 31, 2016 and 2015

(Expressed in thousands of New Taiwan Dollars)

Assets	Notes	2016	%	2015	%	Liabilities and Equity	Notes	2016	%	2015	%
Current asset						Current liabilities					
Cash and cash equivalents	4,6	\$6,441,055	8	\$3,374,787	8	Short-term loans	4,6	\$14,285,990	17	\$5,997,248	15
Financial assets at fair value through profit or loss-current	4,6	8,612	-	623,877	2	Short-term notes	6	1,799,813	2	1,513,788	4
Available-for-sale financial assets-current	4,6	245,352	-	210,241	1	Financial liabilities at fair value through profit or loss-current	4,6	63,056	-	624,218	2
Investments in debt instrument without active market-current	4,6	182,241	-	150,000	-	Notes payable		11,588	-	3,039	-
Notes receivable, net	4,6	22,960	-	30,188	-	Accounts payable		22,475,433	27	4,721,786	11
Accounts receivable, net	4,6	23,000,909	28	4,837,709	12	Accounts payable-related parties	7	104,051	-	452,434	1
Accounts receivable from related parties, net	4,6,7	272,770	-	1,123,849	3	Other payables		3,456,869	4	1,176,128	3
Other receivables	4	987,128	1	86,344	-	Other payables-related parties	7	526	-	83,866	-
Other receivables-related parties	4,7	9	-	384,913	1	Current tax liabilities		391,838	1	86,706	-
Current tax assets	4	4,474	-	7,717	-	Current provisions	4,6	63,570	-	20,592	-
Inventories	4,6	14,806,803	18	4,682,456	11	Other current liabilities		708,021	1	101,374	-
Prepayments		499,498	1	167,556	-	Current portion of long term borrowings	4,6	2,396,310	3	4,083,330	10
Other current assets	4,6	967,486	1	91,823	-	Total current liabilities		45,757,065	55	18,864,509	46
Total current assets		47,439,297	57	15,771,460	38	Non-current liabilities					
Non-current assets						Long-term loans	4,6	8,476,965	10	2,920,000	7
Available-for-sale financial assets-non-current	4,6	4,109,663	5	3,894,896	9	Deferred tax liabilities	4,6	1,725,104	2	1,993,232	5
Financial assets at cost-non-current	4,6	488,995	1	38,513	-	Other non-current liabilities	4,6	2,399	-	818	-
Investments in debt instrument without active market-non-current	4,6	300,000	-	450,000	1	Net defined benefit liability		709,206	1	572,987	1
Investments accounted for using equity method	4,6	3,468,495	4	11,109,807	27	Total non-current liabilities		10,913,674	13	5,487,037	13
Property, plant and equipment	4,6	23,261,744	28	7,021,426	17	Total liabilities		56,670,739	68	24,351,546	59
Investment property, net	4,6	160,386	-	-	-	Equity attributable to owners of the parent					
Intangible assets	4,6	299,404	-	42,372	-	Share capital	4,6	14,556,572	17	14,581,132	35
Deferred tax assets	4,6	2,321,471	3	2,321,550	6	Ordinary share					
Other non-current assets	6	1,837,613	2	930,081	2	Capital surplus	6	600,097	1	426,996	1
Total non-current assets		36,247,771	43	25,808,645	62	Retained earnings	6				
						Legal reserve		133,902	-	-	-
						Special reserve		255,058	-	255,058	1
						Unappropriated retained earnings		1,932,699	2	1,310,262	3
						Other equity interest		118,933	-	1,437,468	3
						Treasury shares	4,6	(1,280,591)	(1)	(1,312,714)	(3)
						Total equity attributable to owners of the parent		16,316,670	19	16,698,202	40
						Non-controlling interest	6	10,699,659	13	530,357	1
						Total equity		27,016,329	32	17,228,559	41
Total asset		\$83,687,068	100	\$41,580,105	100	Total liabilities and equity		\$83,687,068	100	\$41,580,105	100

The accompanying notes are an integral part of financial statements.

**KINPO ELECTRONICS, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
For the years ended December 31, 2016 and 2015

(Expressed in thousands of New Taiwan Dollars except for earnings per share)

Item	Notes	2016	%	2015	%
Operating revenue	4,6,7	\$122,970,192	100	\$41,149,248	100
Operating costs	6,7	<u>(115,314,278)</u>	<u>(94)</u>	<u>(38,229,147)</u>	<u>(93)</u>
Gross profit from operations		7,655,914	6	2,920,101	7
Operating expenses	6,7				
Selling expenses		(1,180,492)	(1)	(713,670)	(2)
Administrative expenses		(2,856,027)	(2)	(876,636)	(2)
Research and development expenses		(2,484,058)	(2)	(736,632)	(2)
Total operating expenses		<u>(6,520,577)</u>	<u>(5)</u>	<u>(2,326,938)</u>	<u>(6)</u>
Operating income		<u>1,135,337</u>	<u>1</u>	<u>593,163</u>	<u>1</u>
Non-operating income and expenses	6,7				
Other income		2,477,601	2	377,977	1
Other gains and losses		(903,309)	(1)	139,894	-
Finance costs		(665,378)	(1)	(239,546)	-
Share of gain (loss) of subsidiaries, associates and joint ventures accounted for using equity method		309,571	-	910,047	2
Total non-operating income and expenses		<u>1,218,485</u>	<u>-</u>	<u>1,188,372</u>	<u>3</u>
Income before tax		2,353,822	1	1,781,535	4
Income tax expense	4,6	<u>(633,628)</u>	<u>-</u>	<u>(428,191)</u>	<u>(1)</u>
Net income		<u>1,720,194</u>	<u>1</u>	<u>1,353,344</u>	<u>3</u>
Other comprehensive income (loss)	6				
Not to be reclassified to profit or loss in subsequent periods:					
Remeasurements on defined benefit plans		23,774	-	(30,268)	-
Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using equity method		(6,293)	-	(3,356)	-
Income tax related to components of other comprehensive income		(2,141)	-	4,870	-
To be reclassified to profit or loss in subsequent periods:					
Exchange differences resulting from translating the financial statements of a foreign operation		(2,024,568)	(1)	(192,384)	-
Unrealized gain (loss) on available-for-sale financial assets		94,890	-	(712,859)	(2)
Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using equity method		(167,938)	-	(469,988)	(1)
Other item that to be reclassified to profit or loss		9,905	-	-	-
Income tax relating to components of other comprehensive income		277,857	-	104,474	-
Total other comprehensive income (loss), net of income tax		<u>(1,794,514)</u>	<u>(1)</u>	<u>(1,299,511)</u>	<u>(3)</u>
Total comprehensive income (loss)		<u>\$ (74,320)</u>	<u>-</u>	<u>\$ 53,833</u>	<u>-</u>
Net income attributable to:					
Owners of the parent		\$1,176,494	1	\$1,411,228	3
Non-controlling interests		543,700	-	(57,884)	-
Total		<u>\$1,720,194</u>	<u>1</u>	<u>\$1,353,344</u>	<u>3</u>
Total comprehensive income (loss) attributable to:					
Owners of the parent		\$(137,827)	-	\$122,182	-
Non-controlling interests		63,507	-	(68,349)	-
Total		<u>\$ (74,320)</u>	<u>-</u>	<u>\$ 53,833</u>	<u>-</u>
Earnings per share	6				
Basic earnings per share		<u>\$0.87</u>		<u>\$1.02</u>	
Diluted earnings per share		<u>\$0.86</u>		<u>\$1.02</u>	

The accompanying notes are an integral part of financial statements.

**KINPO ELECTRONICS, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
For the years ended December 31, 2016 and 2015

(Expressed in thousands of New Taiwan Dollars)

Summary	Equity attributable to owners of the parent											Non-controlling interests	Total equity
	Common stock	Capital surplus	Retained earnings			Other equity			Treasury shares	Total equity attributable to owners of the parent			
			Legal reserve	Special reserve	Unappropriated retained earnings (accumulated deficit)	Exchange differences resulting from translating the financial statements of a foreign operation	Unrealized gain (loss) on available-for-sale financial assets	Other					
Balance on January 1, 2015	\$14,581,132	\$415,721	\$-	\$255,058	\$(72,212)	\$1,062,707	\$1,643,259	\$(8,206)	\$(1,161,724)	\$16,715,735	\$547,658	\$17,263,393	
Other changes in capital surplus:													
Changes in equity of subsidiaries, associates and joint ventures accounted for using equity method	-	(25,726)	-	-	-	-	-	-	-	(25,726)	-	(25,726)	
Net income in 2015	-	-	-	-	1,411,228	-	-	-	-	1,411,228	(57,884)	1,353,344	
Other comprehensive income (loss) in 2015, net of income tax	-	-	-	-	(28,754)	(473,775)	(757,720)	(28,797)	-	(1,289,046)	(10,465)	(1,299,511)	
Total comprehensive income (loss) in 2015	-	-	-	-	1,382,474	(473,775)	(757,720)	(28,797)	-	122,182	(68,349)	53,833	
Buy-back of treasury shares	-	-	-	-	-	-	-	-	(215,011)	(215,011)	-	(215,011)	
Treasury shares transactions-disposal of interest in parent company by subsidiaries	-	(6,266)	-	-	-	-	-	-	64,021	57,755	-	57,755	
Share-based payments	-	43,267	-	-	-	-	-	-	-	43,267	2,958	46,225	
Non-controlling interests	-	-	-	-	-	-	-	-	-	-	48,090	48,090	
Balance on December 31, 2015	\$14,581,132	\$426,996	\$-	\$255,058	\$1,310,262	\$588,932	\$885,539	\$(37,003)	\$(1,312,714)	\$16,698,202	\$530,357	\$17,228,559	
Balance on January 1, 2016	\$14,581,132	\$426,996	\$-	\$255,058	\$1,310,262	\$588,932	\$885,539	\$(37,003)	\$(1,312,714)	\$16,698,202	\$530,357	\$17,228,559	
Appropriation and distribution of 2015 retained earnings													
Legal reserve	-	-	133,902	-	(133,902)	-	-	-	-	-	-	-	
Cash dividends	-	-	-	-	(424,369)	-	-	-	-	(424,369)	-	(424,369)	
Other changes in capital surplus:													
Changes in equity of subsidiaries, associates and joint ventures accounted for using equity method	-	23,319	-	-	-	-	-	-	-	23,319	-	23,319	
Net income in 2016	-	-	-	-	1,176,494	-	-	-	-	1,176,494	543,700	1,720,194	
Other comprehensive income (loss) in 2016, net of income tax	-	-	-	-	4,214	(1,294,087)	(40,660)	16,212	-	(1,314,321)	(480,193)	(1,794,514)	
Total comprehensive income (loss) in 2016	-	-	-	-	1,180,708	(1,294,087)	(40,660)	16,212	-	(137,827)	63,507	(74,320)	
Buy-back of treasury shares	-	-	-	-	-	-	-	-	(172,700)	(172,700)	-	(172,700)	
Treasury shares retired	(24,560)	6,911	-	-	-	-	-	-	17,649	-	-	-	
Treasury shares transactions-disposal of interest in parent company by subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	
Adjustments for dividends subsidiaries received from parent company	-	18,883	-	-	-	-	-	-	-	18,883	-	18,883	
Share-based payments	-	123,988	-	-	-	-	-	-	187,174	311,162	16,917	328,079	
Non-controlling interests	-	-	-	-	-	-	-	-	-	-	10,088,878	10,088,878	
Balance on December 31, 2016	\$14,556,572	\$600,097	\$133,902	\$255,058	\$1,932,699	\$(705,155)	\$844,879	\$(20,791)	\$(1,280,591)	\$16,316,670	\$10,699,659	\$27,016,329	

The accompanying notes are an integral part of financial statements.

**KINPO ELECTRONICS, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

For the years ended December 31, 2016 and 2015

(Expressed in thousands of New Taiwan Dollars)

Item	2016	2015
Cash flows from operating activities:		
Net income before tax	\$2,353,822	\$1,781,535
Adjustments for:		
Depreciation expenses	2,875,668	719,716
Amortization expenses	37,787	31,993
Net loss (gain) on financial assets or liabilities at fair value through profit or loss	119,652	(14,391)
Interest expense	511,510	229,417
Interest income	(101,819)	(72,844)
Dividend income	(200,290)	(242,751)
Share-based payments	176,681	46,225
Share of loss (gain) of subsidiaries, associates and joint ventures accounted for using equity method	(309,571)	(910,047)
Loss (gain) on disposal of property, plant and equipment	(83,064)	11,133
Loss (gain) on disposal of investments	1,245	-
Loss (gain) on disposal of investments accounted for using equity method	866,972	(14,039)
Impairment loss on financial assets	24,095	22,576
Reversal of provision for loss on financial assets	(5,728)	-
Impairment loss on non-financial assets	258,925	-
Gain on bargain purchase	(1,929,831)	-
Changes in operating assets and liabilities:		
Decrease (increase) in notes receivable	7,228	14,172
Decrease (increase) in accounts receivable	7,354,672	7,979,749
Decrease (increase) in accounts receivable-related parties	(2,001)	5,354,537
Decrease (increase) in other receivables	957,573	69,427
Decrease (increase) in other receivables-related parties	383,802	(185,222)
Decrease (increase) in inventories	780,690	565,613
Decrease (increase) in prepayments	(322,745)	120,925
Decrease (increase) in other current assets	258,558	(8,514)
Decrease (increase) in other financial assets	53,091	169,463
Increase (decrease) in notes payable	8,549	(8,342)
Increase (decrease) in accounts payable	(2,250,059)	(3,962,931)
Increase (decrease) in accounts payable-related parties	(128,967)	(6,270,000)
Increase (decrease) in other payables	365,413	(156,402)
Increase (decrease) in other payables-related parties	(73,793)	59,669
Increase (decrease) in provisions	42,978	(661)
Increase (decrease) in other current liabilities	(424,315)	20,222
Increase (decrease) in net defined benefit liabilities	28,605	(3,260)
Cash generated by operations	11,635,333	5,346,968
Interest received	94,615	74,948
Interest paid	(466,715)	(232,075)
Income tax paid	(121,766)	(132,924)
Net cash generated from (used in) operating activities	11,141,467	5,056,917
Cash flows from investing activities		
Acquisition of available-for-sale financial assets	-	(4,604)
Proceeds from disposal of available-for-sale financial assets	116,618	-
Acquisition of investments in debt instrument without active market	(31,685)	-
Proceeds from naturalality of investments in debt instrument without active market	150,000	150,000
Proceeds from capital reduction of financial assets at cost	2,034	9,566
Acquisition of investments accounted for using equity method	(263,026)	-

**KINPO ELECTRONICS, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

For the years ended December 31, 2016 and 2015

(Expressed in thousands of New Taiwan Dollars)

Item	2016	2015
Proceeds from disposal of investments accounted for using equity method	2,283	-
Proceeds from capital reduction of investments accounted for using equity method	-	49,972
Acquisition of property, plant and equipment	(3,731,090)	(1,330,434)
Proceeds from disposal of property, plant and equipment	573,292	275,213
Acquisition of intangible assets	(71,423)	(31,978)
Cash received through business combination	3,766,471	-
Decrease (increase) other financial assets	(25,412)	(8,718)
Decrease (increase) other non-current assets	27,295	(383,308)
Decrease (increase) prepayments for facilities	(552,531)	(88,067)
Dividends received	410,500	688,873
Net cash generated from (used in) investing activities	<u>373,326</u>	<u>(673,485)</u>
Cash flows from financing activities:		
Increase in short-term loans	2,454,184	3,935,677
Decrease in short-term loans	(7,461,419)	(3,329,605)
Increase in short-term notes	330,000	221,000
Decrease in short-term notes	(44,000)	-
Increase in long-term loans	8,289,995	6,650,000
Repayments of long-term loans	(10,143,241)	(9,749,138)
Increase (decrease) in other non-current liabilities	1,582	(2,853)
Cash dividends	(405,486)	-
Payments for treasury shares buy-back	(172,700)	(215,011)
Proceeds from disposal of treasury shares	-	57,755
Treasury shares sold to employees	186,639	-
Change in non-controlling interests	(22,737)	-
Net cash generated from (used in) financing activities	<u>(6,987,183)</u>	<u>(2,432,175)</u>
Effect of exchange rate changes on cash and cash equivalents	<u>(1,461,342)</u>	<u>(62,836)</u>
Increase (decrease) in cash and cash equivalents	3,066,268	1,888,421
Cash and cash equivalents, at the beginning of period	3,374,787	1,486,366
Cash and cash equivalents, at the end of period	<u>\$6,441,055</u>	<u>\$3,374,787</u>

The accompanying notes are an integral part of financial statements.

## KINPO ELECTRONICS, INC

ANNEX II

### Procedures for the Acquisition or Disposal of Assets Contents Before & After Amendment In Comparison

Article #	Post-amendment contents	Pre-amendment contents	Remarks
Article VIII	<p>(Procedures to deal with transactions with related parties)</p> <p>I. The unit in charge of transactions shall evaluate the reasonableness of the transaction costs by the following methods:</p> <p style="padding-left: 20px;">(I) The transaction price shall be added with necessary interest on funding and the costs to be duly borne by the buyer. The term “necessary interest on funding” as set forth herein is imputed as the weighted average interest rate on borrowing in the year the Company purchases the property; provided, it may not be higher than the maximum non-financial industry lending rate announced by the Ministry of Finance.</p> <p style="padding-left: 20px;">(II) The total loan value appraisal from a financial institution if the related party has previously created a mortgage on the property as security for a loan; provided, the actual cumulative amount loaned by the financial institution shall have been 70% or more of the financial institution's appraised loan value of the property and the period of the loan shall have been 1 year or more. However, nevertheless, this shall not apply to a case where the financial institution is a related party of one of the trading counterparties.</p> <p style="padding-left: 20px;">(III) In a case where land and structures thereupon are combined as a single property purchased in one transaction, the transaction costs for the land and the structures may be separately appraised in accordance with either of the means listed among</p>	<p>(Procedures to deal with transactions with related parties)</p> <p>I. The unit in charge of transactions shall evaluate the reasonableness of the transaction costs by the following methods:</p> <p style="padding-left: 20px;">(I) The transaction price shall be added with necessary interest on funding and the costs to be duly borne by the buyer. The term “necessary interest on funding” as set forth herein is imputed as the weighted average interest rate on borrowing in the year the Company purchases the property; provided, it may not be higher than the maximum non-financial industry lending rate announced by the Ministry of Finance.</p> <p style="padding-left: 20px;">(II) The total loan value appraisal from a financial institution if the related party has previously created a mortgage on the property as security for a loan; provided, the actual cumulative amount loaned by the financial institution shall have been 70% or more of the financial institution's appraised loan value of the property and the period of the loan shall have been 1 year or more. However, nevertheless, this shall not apply to a case where the financial institution is a related party of one of the trading counterparties.</p> <p style="padding-left: 20px;">(III) In a case where land and structures thereupon are combined as a single property purchased in one transaction, the transaction costs for the land and the structures may be separately appraised in accordance with either of the means listed among</p>	<p>An amendment in coordination with Article 14 of "Regulations Governing the Acquisition and Disposal of Assets by Public Companies"</p>

Article #	Post-amendment contents	Pre-amendment contents	Remarks
	<p>Subparagraphs (I) (II) of Paragraph I of this Article</p> <p>(IV) The Company shall engage a Certified Public Accountant to check the appraisal and render a concrete opinion.</p> <p>(V) The aforementioned appraisal methods are not applicable the circumstances enumerated below:</p> <ol style="list-style-type: none"> <li>1. Where the related party acquires the real property through inheritance or as a gift.</li> <li>2. Where than five(5) years will have elapsed from the time the related party signed the contract to obtain the real property to the signing date for the current transaction.</li> <li>3. Where 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.</li> </ol> <p>II. Where acquisition or disposal of real property from or to a related party, or acquisition or disposal of assets other than real property from or to a related party where the transaction amount reaches 20% or more of paid-in capital, 10% or more of the Company's total assets, or NT\$300 million or more; provided that, this does not apply to trading of government bonds or bonds under repurchase and resale agreements, or subscription or <u>repurchase</u> of money market funds issued by domestic securities investment trust enterprises, the unit in charge shall submit the supporting data enumerated below to pass review by the board of directors and to be acknowledged by the supervisors before the transaction contract may be executed and before the payment may be granted.</p> <p>III. The following tasks shall be conducted in the event that the outcome of appraised cost is found lower than the</p>	<p>Subparagraphs (I) (II) of Paragraph I of this Article</p> <p>(IV) The Company shall engage a Certified Public Accountant to check the appraisal and render a concrete opinion.</p> <p>(V) The aforementioned appraisal methods are not applicable the circumstances enumerated below:</p> <ol style="list-style-type: none"> <li>1. Where the related party acquires the real property through inheritance or as a gift.</li> <li>2. Where than five(5) years will have elapsed from the time the related party signed the contract to obtain the real property to the signing date for the current transaction.</li> <li>3. Where 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.</li> </ol> <p>II. Where acquisition or disposal of real property from or to a related party, or acquisition or disposal of assets other than real property from or to a related party where the transaction amount reaches 20% or more of paid-in capital, 10% or more of the Company's total assets, or NT\$300 million or more; provided that, this does not apply to trading of government bonds or bonds under repurchase and resale agreements, or subscription or <u>redemption</u> of money market funds issued by domestic securities investment trust enterprises, the unit in charge shall submit the supporting data enumerated below to pass review by the board of directors and to be acknowledged by the supervisors before the transaction contract may be executed and before the payment may be granted.</p> <p>III. The following tasks shall be conducted in the event that the outcome of appraised cost is found lower than the</p>	

Article #	Post-amendment contents	Pre-amendment contents	Remarks
	<p>price of transaction:</p> <p>(I) A special reserve shall be set aside in accordance with Paragraph 1, Article 41, of the Securities and Exchange Act against the differential discrepancy between the real property transaction price and the appraised cost, and shall not be distributed or used for capital increase or issuance of bonus shares. Where the Company uses the equity method to account for its investment in another company, then the special reserve shall be duly set aside pro rata in a proportion consistent with the share of the Company's equity stake in the other company. The special reserve so set aside shall not be disbursed until the asset procured at high price has been recognized for loss in price decline, or has been disposed of or provided with appropriate compensation or been restored to the status quo ante or proven without irrationality and officially approved by the Financial Supervisory Commission</p> <p>(II) The supervisors shall comply with Article 218 of the Company Act.</p> <p>(III) Due actions shall be duly taken pursuant to Subparagraphs (I) (II) of Paragraph III of this Article and shall be reported to a shareholders meeting, and the details of the transaction shall be disclosed in the annual report and the Investment Prospectus.</p> <p>IV. Where the Company acquires real estate from a related party and there is proof indicating the transaction inconsistent with regular business practice, acts shall be duly taken in accordance with Subparagraphs (I) (II) of Paragraph III of this Article as well.</p> <p>V. Where the following circumstances are found existent, objective evidence has been submitted and specific opinions on reasonableness have been obtained from a</p>	<p>price of transaction:</p> <p>(I) A special reserve shall be set aside in accordance with Paragraph 1, Article 41, of the Securities and Exchange Act against the differential discrepancy between the real property transaction price and the appraised cost, and shall not be distributed or used for capital increase or issuance of bonus shares. Where the Company uses the equity method to account for its investment in another company, then the special reserve shall be duly set aside pro rata in a proportion consistent with the share of the Company's equity stake in the other company. The special reserve so set aside shall not be disbursed until the asset procured at high price has been recognized for loss in price decline, or has been disposed of or provided with appropriate compensation or been restored to the status quo ante or proven without irrationality and officially approved by the Financial Supervisory Commission</p> <p>(II) The supervisors shall comply with Article 218 of the Company Act.</p> <p>(III) Due actions shall be duly taken pursuant to Subparagraphs (I) (II) of Paragraph III of this Article and shall be reported to a shareholders meeting, and the details of the transaction shall be disclosed in the annual report and the Investment Prospectus.</p> <p>IV. Where the Company acquires real estate from a related party and there is proof indicating the transaction inconsistent with regular business practice, acts shall be duly taken in accordance with Subparagraphs (I) (II) of Paragraph III of this Article as well.</p> <p>V. Where the following circumstances are found existent, objective evidence has been submitted and specific opinions on reasonableness have been obtained from a</p>	

Article #	Post-amendment contents	Pre-amendment contents	Remarks
	<p>professional real property appraiser and a Certified Public Accountant have been obtained, nevertheless, the acts enumerated under Paragraph III of this Article may be exempted:</p> <p>(I) Where the related party acquired undeveloped virgin land or leased land for development, it may submit proof of compliance with one of the following conditions :</p> <ol style="list-style-type: none"> <li>1. Where the undeveloped virgin land is appraised in accordance with the means in Paragraph I of this Article, and structures according to the related party's construction cost plus reasonable construction profit are valued in excess of the actual transaction price. The term "reasonable construction profit" as set forth shall be deemed the average gross operating profit margin of the related party's construction division over the most recent three (3) years or the gross profit margin for the construction industry for the most recent period as announced by the Ministry of Finance, whichever the lower may be.</li> <li>2. Completed transactions by unrelated parties within the preceding year involving other floors of the same property or neighboring or closely valued parcels of land, where the land area and transaction terms are similar after calculation of reasonable price discrepancies in floor or area land prices in accordance with standard property market practices.</li> <li>3. Completed leasing transactions by an unrelated party for other floors of the same property from within the preceding year, where the transaction terms are similar after calculation</li> </ol>	<p>professional real property appraiser and a Certified Public Accountant have been obtained, nevertheless, the acts enumerated under Paragraph III of this Article may be exempted:</p> <p>(I) Where the related party acquired undeveloped virgin land or leased land for development, it may submit proof of compliance with one of the following conditions :</p> <ol style="list-style-type: none"> <li>1. Where the undeveloped virgin land is appraised in accordance with the means in Paragraph I of this Article, and structures according to the related party's construction cost plus reasonable construction profit are valued in excess of the actual transaction price. The term "reasonable construction profit" as set forth shall be deemed the average gross operating profit margin of the related party's construction division over the most recent three (3) years or the gross profit margin for the construction industry for the most recent period as announced by the Ministry of Finance, whichever the lower may be.</li> <li>2. Completed transactions by unrelated parties within the preceding year involving other floors of the same property or neighboring or closely valued parcels of land, where the land area and transaction terms are similar after calculation of reasonable price discrepancies in floor or area land prices in accordance with standard property market practices.</li> <li>3. Completed leasing transactions by an unrelated party for other floors of the same property from within the preceding year, where the transaction terms are similar after calculation</li> </ol>	

Article #	Post-amendment contents	Pre-amendment contents	Remarks
	<p>of reasonable price discrepancies among floors in accordance with standard property leasing market practices.</p> <p>(II) Where the Company acquiring real property from a related party provides evidence that the terms of the transaction are similar to the terms of transactions completed for the acquisition of neighboring or closely valued parcels of land of a similar size by unrelated parties within the preceding year.</p> <p>Note: The completed transactions for neighboring or closely valued parcels of land in the preceding paragraph in principle refers to parcels on the same or an adjacent block and within a distance of no more than 500 meters or parcels close in publicly announced current value; transaction for similarly sized parcels in principle refers to transactions completed by unrelated parties for parcels with a land area of no less than 50% of the property in the planned transaction; within the preceding year refers to the year preceding the date of occurrence of the acquisition of the real property.</p>	<p>of reasonable price discrepancies among floors in accordance with standard property leasing market practices.</p> <p>(II) Where the Company acquiring real property from a related party provides evidence that the terms of the transaction are similar to the terms of transactions completed for the acquisition of neighboring or closely valued parcels of land of a similar size by unrelated parties within the preceding year.</p> <p>Note: The completed transactions for neighboring or closely valued parcels of land in the preceding paragraph in principle refers to parcels on the same or an adjacent block and within a distance of no more than 500 meters or parcels close in publicly announced current value; transaction for similarly sized parcels in principle refers to transactions completed by unrelated parties for parcels with a land area of no less than 50% of the property in the planned transaction; within the preceding year refers to the year preceding the date of occurrence of the acquisition of the real property.</p>	
Article XII	<p>(The procedures to deal with merger, demerger, acquisition, or transfer of shares)</p> <p>I. The unit in charge shall retain Attorney-at-Law, Certified Public Accountant and underwriter to jointly study the legal procedures, the scheduled timetable and shall further organize the Project Task Force (Panel) to enforce the practice according to law. Furthermore, prior to convening the board of directors meeting to resolve on the matter, the unit in charge shall retain a Certified Public Accountant, Attorney-at-Law, or securities underwriter to give an opinion on the reasonableness of the share exchange ratio, acquisition price, or distribution of cash or other property to shareholders, and submit it to the board</p>	<p>(The procedures to deal with merger, demerger, acquisition, or transfer of shares)</p> <p>I. The unit in charge shall retain Attorney-at-Law, Certified Public Accountant and underwriter to jointly study the legal procedures, the scheduled timetable and shall further organize the Project Task Force (Panel) to enforce the practice according to law. Furthermore, prior to convening the board of directors meeting to resolve on the matter, the unit in charge shall retain a Certified Public Accountant, Attorney-at-Law, or securities underwriter to give an opinion on the reasonableness of the share exchange ratio, acquisition price, or distribution of cash or other property to shareholders, and submit it to the board</p>	<p>An amendment in coordination with Article 22 of "Regulations Governing the Acquisition and Disposal of Assets by Public Companies"</p>

Article #	Post-amendment contents	Pre-amendment contents	Remarks
	<p>of directors for deliberation and passage. <u>However, nevertheless, the requirement of obtaining an aforesaid opinion on reasonableness issued by an expert may be exempted in the case of a merger by the Company of a subsidiary in which it directly or indirectly holds 100% of the issued shares or authorized capital, and in the case of a merger between subsidiaries in which the public company directly or indirectly holds 100% of the respective subsidiaries' issued shares or authorized capital.</u></p> <p>II. The Company shall prepare a public report to shareholders detailing important contractual content and matters relevant to the merger, demerger, or acquisition prior to the shareholders meeting and include it along with the expert opinion referred to in paragraph 1 of this Article when sending shareholders notification of the shareholders meeting for reference in deciding whether to approve the merger, demerger, or acquisition. Provided, where a provision of another act exempts a company from convening a shareholders meeting to approve the merger, demerger, or acquisition, this restriction shall not apply. Besides, where the shareholders meeting of any one of the companies participating in a merger, demerger, or acquisition fails to convene or pass a resolution due to lack of a quorum, insufficient votes, or other legal restriction, or the proposal is rejected by the shareholders meeting, the companies participating in the merger, demerger or acquisition shall immediately publicly explain the reason, the follow-up measures, and the preliminary date of the next shareholders meeting.</p> <p>III. Other key points that call for attention:</p> <p>(I) Date to convene the Board meeting: A company participating in a merger, demerger, or acquisition shall convene a board of directors meeting and shareholders meeting on the day of the transaction</p>	<p>of directors for deliberation and passage.</p> <p>II. The Company shall prepare a public report to shareholders detailing important contractual content and matters relevant to the merger, demerger, or acquisition prior to the shareholders meeting and include it along with the expert opinion referred to in paragraph 1 of this Article when sending shareholders notification of the shareholders meeting for reference in deciding whether to approve the merger, demerger, or acquisition. Provided, where a provision of another act exempts a company from convening a shareholders meeting to approve the merger, demerger, or acquisition, this restriction shall not apply. Besides, where the shareholders meeting of any one of the companies participating in a merger, demerger, or acquisition fails to convene or pass a resolution due to lack of a quorum, insufficient votes, or other legal restriction, or the proposal is rejected by the shareholders meeting, the companies participating in the merger, demerger or acquisition shall immediately publicly explain the reason, the follow-up measures, and the preliminary date of the next shareholders meeting.</p> <p>III. Other key points that call for attention:</p> <p>(I) Date to convene the Board meeting: A company participating in a merger, demerger, or acquisition shall convene a board of directors meeting and shareholders meeting on the day of the transaction</p>	

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	<p>to resolve matters relevant to the merger, demerger, or acquisition, unless another act provides otherwise or the Financial Supervisory Commission is notified in advance of extraordinary circumstances and grants consent.</p> <p>A company participating in a transfer of shares shall call a board of directors meeting on the day of the transaction, unless another act provides otherwise or the FINANCIAL SUPERVISORY COMMISSION is notified in advance of extraordinary circumstances and grants consent.</p> <p>(II) Commitment to non-disclosure obligation for confidentiality beforehand: Each and every person participating in or privy to the plan for merger, demerger, acquisition, or transfer of shares shall issue a written undertaking of confidentiality and may not disclose the content of the plan prior to public disclosure of the information and may not trade, in their own name or under the name of another person, in any stock or other equity security of any company related to the plan for merger, demerger, acquisition, or transfer of shares.</p> <p>(III) Enactment of share swap percentage or acquisition price and principles of change: A company participating in a merger, demerger, acquisition, or transfer of shares shall duly conduct the issues as set forth under Paragraphs I, II of this Article and shall not arbitrarily alter the share exchange ratio or acquisition price unless under the below-listed circumstances, and shall stipulate the circumstances permitting alteration in the contract for the merger, demerger, acquisition, or transfer of shares:</p> <ol style="list-style-type: none"> <li>1. Cash capital increase, issuance of issuance of bonus shares, issuance of corporate bonds with</li> </ol>	<p>to resolve matters relevant to the merger, demerger, or acquisition, unless another act provides otherwise or the Financial Supervisory Commission is notified in advance of extraordinary circumstances and grants consent.</p> <p>A company participating in a transfer of shares shall call a board of directors meeting on the day of the transaction, unless another act provides otherwise or the FINANCIAL SUPERVISORY COMMISSION is notified in advance of extraordinary circumstances and grants consent.</p> <p>(II) Commitment to non-disclosure obligation for confidentiality beforehand: Each and every person participating in or privy to the plan for merger, demerger, acquisition, or transfer of shares shall issue a written undertaking of confidentiality and may not disclose the content of the plan prior to public disclosure of the information and may not trade, in their own name or under the name of another person, in any stock or other equity security of any company related to the plan for merger, demerger, acquisition, or transfer of shares.</p> <p>(III) Enactment of share swap percentage or acquisition price and principles of change: A company participating in a merger, demerger, acquisition, or transfer of shares shall duly conduct the issues as set forth under Paragraphs I, II of this Article and shall not arbitrarily alter the share exchange ratio or acquisition price unless under the below-listed circumstances, and shall stipulate the circumstances permitting alteration in the contract for the merger, demerger, acquisition, or transfer of shares:</p> <ol style="list-style-type: none"> <li>1. Cash capital increase, issuance of issuance of bonus shares, issuance of corporate bonds with</li> </ol>	

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	<p>warrants, preferred shares with warrants, stock warrants, or other equity based securities.</p> <ol style="list-style-type: none"> <li>2. An action such as a disposal of major assets, that affects the company's financial operations.</li> <li>3. An event such as a major disaster or major change in technology, that affects shareholder equity or share price.</li> <li>4. An adjustment where any of the companies participating in the merger, demerger, acquisition, or transfer of shares from another company, buys back treasury stock.</li> <li>5. An increase or decrease in the number of entities or companies participating in the merger, demerger, acquisition, or transfer of shares.</li> <li>6. Other terms/conditions that the contract stipulates may be altered and that have been publicly disclosed.</li> </ol> <p>(IV) Contents indispensable to the contract: The contract for participation by a company in a merger, demerger, acquisition, or of shares shall record the record the following particulars:</p> <ol style="list-style-type: none"> <li>1. Handling of breach of contract.</li> <li>2. Principles for the handling of equity-type securities previously issued or treasury stock previously bought back by any company that is extinguished in a merger or that is demerged.</li> <li>3. The quantity of treasury stock participating companies are permitted under law to buy back after the record date of calculation of the share exchange ratio, and the principles for handling thereof.</li> <li>4. The manner of handling changes in the number of participating entities or companies.</li> </ol>	<p>warrants, preferred shares with warrants, stock warrants, or other equity based securities.</p> <ol style="list-style-type: none"> <li>2. An action such as a disposal of major assets, that affects the company's financial operations.</li> <li>3. An event such as a major disaster or major change in technology, that affects shareholder equity or share price.</li> <li>4. An adjustment where any of the companies participating in the merger, demerger, acquisition, or transfer of shares from another company, buys back treasury stock.</li> <li>5. An increase or decrease in the number of entities or companies participating in the merger, demerger, acquisition, or transfer of shares.</li> <li>6. Other terms/conditions that the contract stipulates may be altered and that have been publicly disclosed.</li> </ol> <p>(IV) Contents indispensable to the contract: The contract for participation by a company in a merger, demerger, acquisition, or of shares shall record the record the following particulars:</p> <ol style="list-style-type: none"> <li>1. Handling of breach of contract.</li> <li>2. Principles for the handling of equity-type securities previously issued or treasury stock previously bought back by any company that is extinguished in a merger or that is demerged.</li> <li>3. The quantity of treasury stock participating companies are permitted under law to buy back after the record date of calculation of the share exchange ratio, and the principles for handling thereof.</li> <li>4. The manner of handling changes in the number of participating entities or companies.</li> </ol>	

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	<p>5. The preliminary progress schedule for plan execution, and anticipated completion date.</p> <p>6. The date Scheduled for convening the legally mandated shareholders meeting if the plan exceeds the deadline without completion, and relevant procedures.</p> <p>(V) In case of change in the number of companies participating merger, demerger, acquisition or transfer of shares: 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 that where the number of participating companies is decreased and a participating company's shareholders meeting has adopted a resolution authorizing the board of directors to alter the limits of authority, such participating company may be exempted from calling another shareholders meeting to resolve on the matter anew.</p> <p>(VI) Where any of the companies participating in a merger, demerger, acquisition, or transfer of shares is not a public company, the Company shall sign an agreement with such non-public company whereby the latter is required to abide by the provisions set forth under Subparagraphs (I), (II), (V), Paragraph III of this Article.</p> <p>IV. A company participating in a merger, demerger, or acquisition or transfer of shares or a company having its stocks transacted in the business premises of a securities</p>	<p>5. The preliminary progress schedule for plan execution, and anticipated completion date.</p> <p>6. The date Scheduled for convening the legally mandated shareholders meeting if the plan exceeds the deadline without completion, and relevant procedures.</p> <p>(V) In case of change in the number of companies participating merger, demerger, acquisition or transfer of shares: 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 that where the number of participating companies is decreased and a participating company's shareholders meeting has adopted a resolution authorizing the board of directors to alter the limits of authority, such participating company may be exempted from calling another shareholders meeting to resolve on the matter anew.</p> <p>(VI) Where any of the companies participating in a merger, demerger, acquisition, or transfer of shares is not a public company, the Company shall sign an agreement with such non-public company whereby the latter is required to abide by the provisions set forth under Subparagraphs (I), (II), (V), Paragraph III of this Article.</p> <p>IV. A company participating in a merger, demerger, or acquisition or transfer of shares or a company having its stocks transacted in the business premises of a securities</p>	

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	<p>dealer shall work out records in writing for the information and data enumerated below which shall be archived for five(5) years ready for check:</p> <ul style="list-style-type: none"> <li>(I) The basic identification data for personnel: Including the occupational titles, names, and national ID numbers (or passport numbers in the case of foreign nationals) of all persons involved in the planning or implementation of any merger, demerger, acquisition, or transfer of another company's shares prior to disclosure of the information.</li> <li>(II) The dates of material events: Including the signing of any letter of intent or memorandum of understanding, the hiring of a financial or legal advisor, the execution of a contract, and the convening of a board of directors meeting.</li> <li>(III) The material documents and minutes: Including merger, demerger, acquisition, and share transfer plans, any letter of intent or memorandum of understanding, material contracts, and minutes of board of directors meetings.</li> </ul> <p>V. Where participating in a merger, demerger, acquisition, or transfer of another company's shares, a company that is listed on an exchange or has its shares traded at the business premises of a securities dealer shall, within two (2) days counting inclusively from the date of passage of a resolution by the board of directors, report in the prescribed format and via the Internet-based information system the information set out in subparagraphs I and II of the preceding paragraph to the Financial Supervisory Commission for recordation.</p> <p>VI. 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 business premises of a securities dealer, the</p>	<p>dealer shall work out records in writing for the information and data enumerated below which shall be archived for five(5) years ready for check:</p> <ul style="list-style-type: none"> <li>(I) The basic identification data for personnel: Including the occupational titles, names, and national ID numbers (or passport numbers in the case of foreign nationals) of all persons involved in the planning or implementation of any merger, demerger, acquisition, or transfer of another company's shares prior to disclosure of the information.</li> <li>(II) The dates of material events: Including the signing of any letter of intent or memorandum of understanding, the hiring of a financial or legal advisor, the execution of a contract, and the convening of a board of directors meeting.</li> <li>(III) The material documents and minutes: Including merger, demerger, acquisition, and share transfer plans, any letter of intent or memorandum of understanding, material contracts, and minutes of board of directors meetings.</li> </ul> <p>V. Where participating in a merger, demerger, acquisition, or transfer of another company's shares, a company that is listed on an exchange or has its shares traded at the business premises of a securities dealer shall, within two (2) days counting inclusively from the date of passage of a resolution by the board of directors, report in the prescribed format and via the Internet-based information system the information set out in subparagraphs I and II of the preceding paragraph to the Financial Supervisory Commission for recordation.</p> <p>VI. 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 business premises of a securities dealer, the</p>	

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	company(s) so listed or traded shall sign an agreement with such company whereby the latter is required to abide by the provisions of Paragraphs IV and V of this Article.	company(s) so listed or traded shall sign an agreement with such company whereby the latter is required to abide by the provisions of Paragraphs IV and V of this Article.	
Article XIV	<p>(Declaration of public announcement)</p> <p>I. Where the Company acquires or disposes of assets and where any among the situations enumerated below occurs, the Company shall provide public announcement and declaration through the website promulgated by the competent authority within two (2) days from occurrence of the event:</p> <p>(I) Where the Company intends to acquire or dispose of real property from or to a related party, or when it intends to acquire or dispose of assets other than real property from or to a related party and the transaction amount reaches 20% or more of the Company's paid-in capital, 10% or more of the Company's total assets, or NT\$300 million or more, except in trading of government bonds or bonds under repurchase and resale agreements, or subscription to or repurchase of money market funds issued by domestic securities investment trust enterprises.</p> <p>(II) In progress of merger, demerger, acquisition, or transfer of shares.</p> <p>(III) In transaction of derivative financial instruments with loss in transaction up to the amount specified under the Procedures in full or the maximum limit of the loss in respective contract.</p> <p>(IV) Where the type of asset acquired or disposed of is equipment for business use, the trading counterparty is not a related party, and the transaction amount meets any of the following criteria:(1) Where the Company's paid-in capital is less than NT\$10 billion, the transaction amount</p>	<p>(Declaration of public announcement)</p> <p>I. Where the Company acquires or disposes of assets and where any among the situations enumerated below occurs, the Company shall provide public announcement and declaration through the website promulgated by the competent authority within two (2) days from occurrence of the event:</p> <p>(I) Where the Company intends to acquire or dispose of real property from or to a related party, or when it intends to acquire or dispose of assets other than real property from or to a related party and the transaction amount reaches 20% or more of the Company's paid-in capital, 10% or more of the Company's total assets, or NT\$300 million or more, except, provided, that, in trading of government bonds or bonds under repurchase and resale agreements, or subscription to or redemption of money market funds issued by domestic securities investment trust enterprises.</p> <p>(II) In progress of merger, demerger, acquisition, or transfer of shares.</p> <p>(III) In transaction of derivative financial instruments with loss in transaction up to the amount specified under the Procedures in full or the maximum limit of the loss in respective contract.</p>	An amendment in coordination with Article 30 of "Regulations Governing the Acquisition and Disposal of Assets by Public Companies"

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	<p>reaches NT\$500 million or more. (2) Where the Company's paid-in capital is NT\$10 billion or more, the transaction amount reaches NT\$1 billion or more.</p> <p>(V) Where land is acquired under an arrangement on engaging others to build on the company's own land, engaging others to build on rented land, joint construction and allocation of housing units, joint construction and allocation of ownership percentages, or joint construction and separate sale, and the amount the company expects to invest in the transaction reaches NT\$500 million.</p> <p>(VI) Where an asset transaction other than any of those referred to in the five preceding subparagraphs, or an investment in the mainland China area reaches 20% or more of paid-in capital or NT\$300 million; provided, this shall not apply to the following circumstances:</p> <ol style="list-style-type: none"> <li>1. Trading of government bonds.</li> <li>2. <u>Securities trading by investment as a professional on foreign or domestic securities exchanges or over-the-counter markets, or subscription by investment professional of ordinary corporate bonds or of general bank debentures without equity characteristics that are offered and issued in the domestic primary market, 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, Republic of China.</u></li> <li>3. Trading of repurchase, resale agreement (repo and reverse repo), bonds or subscription or</li> </ol>	<p>(IV) Where an asset transaction other than any of those referred to in the three preceding subparagraphs, or an investment in the mainland China area reaches 20% or more of paid-in capital or NT\$300 million; provided, this shall not apply to the following circumstances:</p> <ol style="list-style-type: none"> <li>1. Trading of government bonds.</li> <li>2. Securities trading on foreign or domestic securities exchanges or securities dealers' business premises, or subscription to securities by securities dealers through domestic primary market or securities duly subscribed to according to requirements.</li> <li>3. Trading of repurchase, resale agreement (repo and reverse repo), bonds or subscription to or redemption of domestic money market.</li> <li>4. Where the type of asset acquired or disposed of is equipment for business use, the trading counterparty is not a related party, and the transaction amount is up to NT\$500 million or more</li> <li>5. Where land is acquired under an arrangement</li> </ol>	

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	<p><u>redemption of money market funds issued by domestic securities investment trust enterprises.</u></p>	<p>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 does not reach NT\$500 million.</p>	
Article XVI	<p>(Retaining experts to issue expertise opinions)</p> <p>I. Where the Company is acquiring or disposing of real property or equipment, except a transaction with government authority, or engaging others to build on its own land, engaging others to build on rented land, or acquiring or disposing of equipment for business use, where the transaction amount reaches 20% of the Company's paid-in capital or NT\$300 million or more, the company, the Company shall obtain an appraisal report prior to the date of occurrence of the event from a professional appraiser and shall further comply with the following provisions:</p> <p>(I) The appraisal shall be conducted based on normal pricing. 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, and the same procedure shall be followed for any future changes to the terms and conditions of the transaction.</p> <p>(II) Where the transaction amounts to NT\$1 billion or more, appraisals from two or more professional appraisers shall be obtained.</p> <p>(III) Where any of the following circumstances applies with respect to the professional appraiser's</p>	<p>(Retaining experts to issue expertise opinions)</p> <p>I. Where the Company is acquiring or disposing of real property or equipment, except a transaction with government authority, or engaging others to build on its own land, engaging others to build on rented land, or acquiring or disposing of equipment for business use, where the transaction amount reaches 20% of the Company's paid-in capital or NT\$300 million or more, the company, the Company shall obtain an appraisal report prior to the date of occurrence of the event from a professional appraiser and shall further comply with the following provisions:</p> <p>(I) The appraisal shall be conducted based on normal pricing. 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, and the same procedure shall be followed for any future changes to the terms and conditions of the transaction.</p> <p>(II) Where the transaction amounts to NT\$1 billion or more, appraisals from two or more professional appraisers shall be obtained.</p> <p>(III) Where any of the following circumstances applies with respect to the professional appraiser's</p>	<p>An amendment in coordination with Article 9, 11 of "Regulations Governing the Acquisition and Disposal of Assets by Public Companies"</p>

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	<p>appraisal results, unless all the appraisal results for the assets to be acquired are higher than the transaction amount, or all the appraisal results for the assets to be disposed of are lower than the transaction amount, a certified public accountant shall be retained to perform the appraisal in accordance with the provisions of Statement of Auditing Standards No. 20 published by ARDF:</p> <ol style="list-style-type: none"> <li>1. Where the discrepancy between the appraisal result and the transaction amount is 20% or more of the transaction amount.</li> <li>2. Where the discrepancy between the appraisal results of two or more professional appraisers is 10% or more of the transaction amount.</li> </ol> <p>(IV) No more than three (3) months may elapse between the date of the appraisal report issued by a professional appraiser and the contract execution date; provided, where the publicly announced current value for the same period is used and not more than six(6) months have elapsed, an opinion may still be issued by the original professional appraiser to make up.</p> <p>(V) Except where a limited price, specified price, or special price is adopted by an enterprise as the reference basis for the transaction price, if an appraisal report cannot be obtained in time and there is a justifiable reason for the delay, the report, and the certified public accountant's opinion under subparagraph (III) of the preceding paragraph, shall be obtained within two (2) weeks counting inclusively from the date of occurrence.</p> <p>II. The Company shall, where acquiring or disposing of, prior to the date of occurrence of the event, obtain financial statements of the target company for the most</p>	<p>appraisal results, unless all the appraisal results for the assets to be acquired are higher than the transaction amount, or all the appraisal results for the assets to be disposed of are lower than the transaction amount, a certified public accountant shall be retained to perform the appraisal in accordance with the provisions of Statement of Auditing Standards No. 20 published by ARDF:</p> <ol style="list-style-type: none"> <li>1. Where the discrepancy between the appraisal result and the transaction amount is 20% or more of the transaction amount.</li> <li>2. Where the discrepancy between the appraisal results of two or more professional appraisers is 10% or more of the transaction amount.</li> </ol> <p>(IV) No more than three (3) months may elapse between the date of the appraisal report issued by a professional appraiser and the contract execution date; provided, where the publicly announced current value for the same period is used and not more than six(6) months have elapsed, an opinion may still be issued by the original professional appraiser to make up.</p> <p>(V) Except where a limited price, specified price, or special price is adopted by an enterprise as the reference basis for the transaction price, if an appraisal report cannot be obtained in time and there is a justifiable reason for the delay, the report, and the certified public accountant's opinion under subparagraph (III) of the preceding paragraph, shall be obtained within two (2) weeks counting inclusively from the date of occurrence.</p> <p>II. The Company shall, where acquiring or disposing of, prior to the date of occurrence of the event, obtain financial statements of the target company for the most</p>	

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	<p>recent period, certified or reviewed by a certified public accountant, for reference in appraising the transaction price, and if the amount of the transaction is 20% of the Company's paid-in capital or NT\$300 million or more, the Company shall additionally engage a certified public accountant prior to the date of occurrence of the event to provide an expertise opinion regarding the reasonableness of the transaction price. If the Certified Public Accountant needs to use the report of an expert as evidence, the Certified Public Accountant shall do so in accordance with the provisions of Statement of Auditing Standards No. 20 published by the ARDF. This requirement does not apply, nevertheless, to publicly quoted prices of securities that have an active market, or where otherwise provided by regulations of the Financial Supervisory Commission</p> <p>III. Where the Company acquires or disposes of memberships or intangible assets and the transaction amount reaches 20% or more of paid-in capital or NT\$300 million or more, except in transactions with a <u>government agency</u>, the company shall engage a certified public accountant prior to the date of occurrence of the event to render an opinion on the reasonableness of the transaction price; the Certified Public Accountant shall comply with the provisions of Statement of Auditing Standards No. 20 published by the ARDF.</p> <p>IV. The calculation of the transaction amounts referred to in the preceding three paragraphs shall be done in accordance with Subparagraph (II), Paragraph II of Article XIV, herein, and the term "within the preceding year" as set forth herein denotes the year preceding the date of occurrence of the current transaction. Items for which an appraisal report from a professional appraiser or a CPA's</p>	<p>recent period, certified or reviewed by a certified public accountant, for reference in appraising the transaction price, and if the amount of the transaction is 20% of the Company's paid-in capital or NT\$300 million or more, the Company shall additionally engage a certified public accountant prior to the date of occurrence of the event to provide an expertise opinion regarding the reasonableness of the transaction price. If the Certified Public Accountant needs to use the report of an expert as evidence, the Certified Public Accountant shall do so in accordance with the provisions of Statement of Auditing Standards No. 20 published by the ARDF. This requirement does not apply, nevertheless, to publicly quoted prices of securities that have an active market, or where otherwise provided by regulations of the Financial Supervisory Commission</p> <p>III. Where the Company acquires or disposes of memberships or intangible assets and the transaction amount reaches 20% or more of paid-in capital or NT\$300 million or more, except in transactions with a <u>government institution</u>, the company shall engage a certified public accountant prior to the date of occurrence of the event to render an opinion on the reasonableness of the transaction price; the Certified Public Accountant shall comply with the provisions of Statement of Auditing Standards No. 20 published by the ARDF.</p> <p>IV. The calculation of the transaction amounts referred to in the preceding three paragraphs shall be done in accordance with Subparagraph (II), Paragraph II of Article IXV, herein, and the term "within the preceding year" as set forth herein denotes the year preceding the date of occurrence of the current transaction. Items for which an appraisal report from a professional appraiser or a CPA's</p>	

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	<p>opinion has been obtained need not be counted toward the transaction amount.</p> <p>V. Where the Company acquires or disposes of assets through court auction procedures, the evidentiary documentation issued by the court may be substituted for the appraisal report or Certified Public Accountant opinion.</p> <p>VI. Where the Company engages in any acquisition or disposal of assets from or to a related party, other than ensuring that the necessary decisions are resolved and the reasonableness of the transaction terms is appraised in accordance with Article VIII, if the transaction amount reaches 10% or more of the company's total assets, the company shall also obtain an appraisal report from a professional appraiser or a Certified Public Accountant's opinion in compliance with the provisions of the preceding Section. The amount of transaction as set forth under the preceding Paragraph shall be duly handled in accordance with Paragraph 4, Article XVII.</p> <p>VII. Where the Company engages in merger, demerger, acquisition, or transfer of shares, the Company shall duly conduct the issues as set forth under Paragraph I, Article XII.</p> <p>VIII. In the event that the expert opinions issued by a professional appraiser or Certified Public Accountant are found containing a fact of misrepresentation or concealment, the Company and the Certified Public Accountant shall assume the responsibility according to law.</p>	<p>opinion has been obtained need not be counted toward the transaction amount.</p> <p>V. Where the Company acquires or disposes of assets through court auction procedures, the evidentiary documentation issued by the court may be substituted for the appraisal report or Certified Public Accountant opinion.</p> <p>VI. Where the Company engages in any acquisition or disposal of assets from or to a related party, other than ensuring that the necessary decisions are resolved and the reasonableness of the transaction terms is appraised in accordance with Article VIII, if the transaction amount reaches 10% or more of the company's total assets, the company shall also obtain an appraisal report from a professional appraiser or a Certified Public Accountant's opinion in compliance with the provisions of the preceding Section. The amount of transaction as set forth under the preceding Paragraph shall be duly handled in accordance with Paragraph 4, Article XVII.</p> <p>VII. Where the Company engages in merger, demerger, acquisition, or transfer of shares, the Company shall duly conduct the issues as set forth under Paragraph I, Article XII.</p> <p>VIII. In the event that the expert opinions issued by a professional appraiser or Certified Public Accountant are found containing a fact of misrepresentation or concealment, the Company and the Certified Public Accountant shall assume the responsibility according to law.</p>	
Article XX	<p>(Supplementary provisions)            These Procedures were duly enacted on March 1, 1989, duly resolved by the board of directors and officially resolved in the shareholders' meeting on April 16, 1990.            Duly amended as the 1st amendment on June 10, 1995 and</p>	<p>(Supplementary provisions)            These Procedures were duly enacted on March 1, 1989, duly resolved by the board of directors and officially resolved in the shareholders' meeting on April 16, 1990.            Duly amended as the 1st amendment on June 10, 1995 and</p>	Addition of dates of amendments

Article #	Post-amendment contents	Pre-amendment contents	Remarks
	<p>resolved by the board of directors for enforcement and duly reported to the shareholders' meeting on April 11, 1996.</p> <p>Duly amended as the 2nd and 3rd amendments on February 20, 1997 &amp; November 22, 1997; resolved by the board of directors for enforcement and duly reported to the shareholders' meeting on April 15, 1998.</p> <p>Duly amended as the 4th amendment on November 29, 1999; resolved by the board of directors for enforcement and duly reported to the shareholders' meeting on April 18, 2000.</p> <p>Duly amended as the 5th amendment on March 5, 2003; resolved by the board of directors and the shareholders' meeting for enforcement on May 27, 2003.</p> <p>Duly amended as the 6th amendment on March 1, 2004, resolved by the board of directors and the shareholders' meeting for enforcement on May 27, 2004.</p> <p>Duly amended as the 7th and the 8th amendments on March 22, 2007; resolved by the board of directors on April 20, 2007 and by the shareholders' meeting for enforcement on June 12, 2007.</p> <p>Duly amended as the 9th amendment on April 30, 2012; resolved by the board of directors and by the shareholders' meeting for enforcement on June 19, 2012.</p> <p>Duly amended as the 10th amendment on March 28, 2014, resolved by the board of directors and by the shareholders' meeting on June 24, 2014 for enforcement.</p> <p>Duly amended as the 11th amendment on May 11, 2015, resolved by the board of directors and by the shareholders' meeting on June 22, 2015 for enforcement.</p> <p>Duly amended as the 12th amendment on May 12, 2016, resolved by the board of directors and by the shareholders' meeting on June 22, 2016 for enforcement.</p> <p><u>Duly amended as the 13th amendment on March 24, 2017, resolved by the board of directors and by the shareholders' meeting on June 23, 2017 for enforcement.</u></p>	<p>resolved by the board of directors for enforcement and duly reported to the shareholders' meeting on April 11, 1996.</p> <p>Duly amended as the 2nd and 3rd amendments on February 20, 1997 &amp; November 22, 1997; resolved by the board of directors for enforcement and duly reported to the shareholders' meeting on April 15, 1998.</p> <p>Duly amended as the 4th amendment on November 29, 1999; resolved by the board of directors for enforcement and duly reported to the shareholders' meeting on April 18, 2000.</p> <p>Duly amended as the 5th amendment on March 5, 2003; resolved by the board of directors and the shareholders' meeting for enforcement on May 27, 2003.</p> <p>Duly amended as the 6th amendment on March 1, 2004, resolved by the board of directors and the shareholders' meeting for enforcement on May 27, 2004.</p> <p>Duly amended as the 7th and the 8th amendments on March 22, 2007; resolved by the board of directors on April 20, 2007 and by the shareholders' meeting for enforcement on June 12, 2007.</p> <p>Duly amended as the 9th amendment on April 30, 2012; resolved by the board of directors and by the shareholders' meeting for enforcement on June 19, 2012.</p> <p>Duly amended as the 10th amendment on March 28, 2014, resolved by the board of directors and by the shareholders' meeting on June 24, 2014 for enforcement.</p> <p>Duly amended as the 11th amendment on May 11, 2015, resolved by the board of directors and by the shareholders' meeting on June 22, 2015 for enforcement.</p> <p>Duly amended as the 12th amendment on May 12, 2016, resolved by the board of directors and by the shareholders' meeting on June 22, 2016 for enforcement.</p>	

# KINPO ELECTRONICS, INC

ANNEX III

## Statements of Key Posts Served by Directors

Position titles	Names	Key posts serving in another company(ies)	
Chairman	Hsu, Sheng-Hsiung	China Productivity Center	Chairman
		Taiwan Design Center	Managing director
		Fortune Way Technology Corp.	Director
Director	Hsu, Sheng-Chieh	Jing Bao Technology Co., Ltd.	Supervisor
		Peng Pao Technology Co., Ltd.	Supervisor
		Hong Jin Investment Co., Ltd.	Supervisor
		Hong Ji Investment Co., Ltd.	Supervisor
Director	Shen, Shyh-Yong	Cal-Comp Big Data, Inc.	Chairman/General Manager
		Xin Li (Shanghai)Network Technology Co., Ltd.	Chairman/General Manager
		Kunshan Peifeng Network Co., Ltd.	Chairman
		QBit Semiconductor Ltd.	Director
		QBit Semiconductor Holding, Ltd.	Director
		Castlenet Technology (BVI) Inc.	Director
		XYZLife (Philippines) Inc.	Chairman
		Cal-Comp Big Data International	Director
Director	Chen, Jui-Tsung	Yu He Biomedical Co., Ltd.	Chairman
		Fortune Way Technology Corp.	Director
Director	Peng Pao Technology Co., Ltd.	Hua Zheng Venture Capital Co., Ltd.	Director
	Peng Pao Technology Co., Ltd.	Accesstek Inc.	Supervisor
	Statutory representative: Shen, Chun-Te	Auscom Engineering Inc.	Director
		Compal Electronics, Inc.	Senior Vice General Manager
Director	Hsu, Chieh-Li	Nuvoton Technology Corporation	Independent Director
		Cal-Comp Big Data, Inc.	Director
		Acbel Polytech Inc.	Executive Vice General Manager
Director	Huang, Yu-Hui	Xin Li (Shanghai)Network Technology Co., Ltd.	Director
		Kunshan Peifeng Network Co., Ltd.	Director
		Jinbao Electronic (China) Co., Ltd.	Vice General Manager
Independent Director	Huang, Chih-Peng	Max Zipper Co., Ltd.	Independent Director

# **APPENDIX**

# KINPO ELECTRONICS, INC

## ARTICLES OF INCORPORATION

### Chapter One General Provisions

Article I: This Company is duly incorporated under the provisions governing companies limited by shares as set forth in the Company Act in the full name of Kinpo Electronics, Inc. (Hereinafter referred to as the Company).

Article II: The Company shall engage in the following business lines:

1. CB01020 Office Machines Manufacturing
2. CB01990 Other Machinery Manufacturing Not Elsewhere Classified
3. CC01030 Electric Appliance and Audiovisual Electric Products Manufacturing
4. CC01060 Wired Communication Equipment and Apparatus Manufacturing
5. CC01070 Telecommunication Equipment and Apparatus Manufacturing
6. CC01080 Electronic Parts and Components Manufacturing
7. CC01110 Computers and Computing Peripheral Equipments Manufacturing
8. CF01011 Medical Materials and Equipment Manufacturing
9. E601020 Electric Appliance Installation
10. E603050 Cybernation Equipments Construction
11. E604010 Machinery Installation Construction
12. E605010 Computing Equipments Installation Construction
13. F111090 Wholesale of Building Materials
14. F113010 Wholesale of Machinery
15. F113020 Wholesale of Household Appliance
16. F113030 Wholesale of Precision Instruments
17. F113050 Wholesale of Computing and Business Machinery Equipment
18. F113070 Wholesale of Telecom Instruments
19. F113110 Wholesale of Batteries
20. F113990 Wholesale of Other Machinery and Equipment
21. F118010 Wholesale of Computer Software
22. F119010 Wholesale of Electronic Materials
23. F211010 Retail Sale of Building Materials
24. F213010 Retail Sale of Household Appliance
25. F213030 Retail sale of Computing and Business Machinery Equipment
26. F213040 Retail Sale of Precision Instruments
27. F213060 Retail Sale of Telecom Instruments
28. F213080 Retail Sale of Machinery and Equipment
29. F213110 Retail Sale of Batteries
30. F218010 Retail Sale of Computer Software
31. F219010 Retail Sale of Electronic Materials
32. F213990 Retail Sale of Other Machinery and Equipment
33. F401010 International Trade
34. I199990 Other Consultancy

35. I301010 Software Design Services
36. I301020 Data Processing Services
37. I301030 Digital Information Supply Services
38. IG02010 Research Development Service
39. JA02010 Electric Appliance and Audiovisual Electric Products Repair Shops
40. H703100 Real Estate Rental and Leasing
41. F108031 Wholesale of Drugs, Medical Goods
42. F208031 Retail sale of Medical Equipments
43. CC01101 Restrained Telecom Radio Frequency Equipments and Materials Manufacturing
44. F401021 Restrained Telecom Radio Frequency Equipments and Materials Import
45. ZZ99999 All business items that are not prohibited or restricted by law, except those that are subject to special approval

Article III: The Company may, in line with business needs, render guarantee services externally.  
The aggregate total of outward investment may exceed 40% of the Company's paid-in capital.

Article IV: The Company is headquartered in Taipei City and may set up branches or factories in other locations as appropriate and necessary under the decision duly resolved by the board of directors.

Article V: (Deleted).

## **Chapter Two Shares**

Article VI: The Company has capital amounting to Twenty Billion New Taiwan Dollars in total, divided into two billion shares at Ten New Taiwan Dollars per share which may be issued in installments, including one hundred fifty million shares which shall be retained for use to issue share subscription warrant or corporate bonds with warrant to exercise stock rights.

Article VII: The Company's share certificates shall be serially numbered in the type of registered ones and shall be signed or affixed seals by three or more directors and duly certified before issuance.  
For the shares issued by the Company, the Company may be exempted from printing share certificates but shall have the issued shares duly registered in the centralized securities depository institution.

Article VIII: The shareholders of the Company shall have their genuine names or titles and addresses or domiciles declared to the Company or the Company's shareholder services agent and shall fill out specimen seal certificate cards and submit them to the Company or the Company's shareholder services agent into archiving.

Article IX: All such issues where the Company's shareholders proceed with stock transfer, set up pledge for stock rights, report for share certificate loss, inheritance, donation,

report for registered specimen seal loss, change or address change, receipt of dividend or other interests and proceed with stock affairs shall be duly handled exactly in accordance with "Regulations Governing the Administration of Shareholder Services of Public Companies" unless otherwise prescribed laws and regulations, securities rules.

Article X: Transfer of shares shall be discontinued within sixty (60) days prior to a regular shareholders' meeting, or within thirty (30) days prior to a regular shareholders' meeting, or within five (5) days prior to the base day scheduled to allocate dividend, bonus or other interests.

### **Chapter Three Shareholders' Meetings**

Article XI: The shareholders' meetings are classified into two categories, i.e., regular shareholders' meeting and special shareholders' meeting. The former shall be duly convened on an annual basis by the board of directors within six months of closing each fiscal year. The latter may be duly convened according to law whenever necessary.

Article XII: A shareholder who is unavailable to attend a shareholders' meeting in person may duly issue the written proxy to expressly indicate the scope of the authorized powers to appoint a proxy to attend on his or her behalf. Such issues shall be duly handled in accordance with the "Regulations Governing the Use of Proxies for attendance at Shareholder Meetings of Public Companies".

Article XIII: The shareholders' meeting shall be duly chaired by the chairman. In the chairman's absence and unable to perform his or her duties for some reason, the chairman shall appoint in advance a director to act in his place. In the event that the chairman does not make such an appointment, one director shall be elected from among themselves to act in the place.

Article XIV: Each Shareholder of the Company have one vote when she/he holds one share.

Article XV: Unless otherwise provided for in the Company Act, decisions in the shareholders' meeting shall be resolved by a majority vote in the meeting which is attended by shareholders who represent a majority of the total issued shares.

### **Chapter Four Directors and Functional Committees**

Article XVI: The Company has eleven to sixteen directors who shall be duly elected in the candidates nomination system by the shareholders from the list of candidates, including independent directors in the number not below three in minimum and not below one-fifth of the aggregate total number of director seats. The professional qualification requirements, shareholding, restriction upon moonlighting, means of nomination and election and other compliances shall be duly handled in accordance with laws and ordinances concerned. The aggregate total shares of the registered shares certificate held by all directors of the Company shall be duly handled in accordance with the criteria set forth under "Rules and Review Procedures for Director and Supervisor Share Ownership

Ratios at Public Companies" promulgated by Securities & Futures Commission, Ministry of Finance.

- Article XVII: The directors have a three-year tenure of office and are eligible for re-election. Where reelection is not held upon expiry of their tenure of office, their tenure of office shall be extended until the reelected directors take office. Within the scope of performance of duty by directors during their tenure of office, the Company may purchase liability insurance for their responsibility for indemnity according to law within the scope in performance of duty.
- Article XVIII: Where the seats of directors are vacated by one-third or where all independent directors are discharged in full, a special shareholders' meeting shall be duly convened to elect ones supplementarily within sixty (60) days to serve the tenure remaining by the predecessors.
- Article XIX: The board of directors shall be duly organized by directors. By attendance of a two-thirds majority of directors and by a majority vote of the attending directors, one chairman shall be duly elected. The chairman shall duly perform all business affairs of the Company in accordance with laws and regulations, Articles of Incorporation, decisions resolved in the shareholders' meeting and board of directors meeting. Directors shall attend board of directors meeting in person. A director may, nevertheless, issue the written proxy to indicate the scope of authorized power to authorize another director to act as a proxy to attend the board of directors meeting on behalf. A director may, nevertheless, only be authorized to act as the proxy only for another director. A director who attends a board of directors meeting through video system is deemed to have attended in person if such meeting is held through video system.
- Article XX: The board of directors has responsibilities and powers as enumerated below:
1. To appoint, discharge of managerial officers and determine their remuneration and to consent to lift prohibition against competition from managerial officers.
  2. To enact and amend business policies.
  3. To review budget and final account settlement.
  4. To propose for distribution of earning and makeup of a loss.
  5. Where the Company grants endorsements/guarantees, acceptance in excess of the credit line limit specified by the board of directors, the issue shall be subject to approval by the board of directors beforehand.
  6. Where the Company's borrowing from external sources and loans outward are in excess of specified credit line limit, it shall be reported to the board of directors beforehand.
  7. To enact, adjust and revoke the Company's organizational rules, to enact and update the Company's Articles of Incorporation and major rules and regulations.
  8. To enact and fix prices for negotiable securities and private placements and to map out the means to select specific target people.
  9. To exercise other responsibilities and powers bestowed under laws and regulations and by the shareholders' meeting.

Article XXI: In an effort to assure sound, monitor and strengthen managerial functions, the board of directors may set up a variety of functional committees. The organizational regulations for such functional committees shall be duly enacted respectively in accordance with laws and ordinances concerned and the Company's rules and regulations.  
The Company may duly set up Audit Committee in accordance with Article 14-4 of the Securities and Exchange Act which shall be organized by all independent directors.  
The Audit Committee shall duly exercise the responsibilities and powers bestowed by Company Act, Securities and Exchange Act and other laws and ordinances concerned upon the supervisors.

Article XXII: The Company shall pay allowance to directors where they perform duties for the Company disregarding whether the Company operates at a profit. The remuneration to all directors shall be proposed by the Remuneration Committee to the board of directors for final decision based on extent of their participation in the business operation and value of their contribution with reference to the levels prevalent in horizontal trades.

Article XXIII: Notices to a board of directors meeting shall expressly indicate the subjects of the meeting and be served to all directors seven (7) days prior to the date scheduled to convene the meeting. A board of directors meeting may, nevertheless, be convened at anytime in case of an emergency.  
The notices to a board of directors meeting mentioned in the preceding Paragraph may be served through FAX or e-mail as well.

#### **Chapter Five Managerial officers**

Article XXIV: The Company may set up a certain number of managerial officers who shall be duly appointed, discharged and paid in accordance with Article 29 of the Company Act

#### **Chapter Six Final account settlement, distribution of earnings**

Article XXV: The Company takes solar calendar to for final account settlement. Upon the closing of every fiscal year, the board of directors shall work out the following documents to be acknowledged in the shareholders' meeting through legal process.

- I. Business report
- II. Financial statements.
- III. Proposals of profit allocation or loss coverage.

Article XXVI: From the profit earned in a fiscal year, if any, a sum 2% minimum shall be amortized as the remuneration to employees and a sum 2% maximum shall be amortized as remuneration to directors. Where the Company remains to bear accumulated loss, nevertheless, the amount to make good such loss shall be first withheld.  
The term "profit earned in a fiscal year" as set forth in the preceding Paragraph

denotes the profit before tax after deduction of the remuneration to employees and remuneration to directors.

The decision regarding the percentage of the remuneration to employees and remuneration to directors and regarding the remuneration to employees to be distributed in cash or in stock shall be duly resolved by a majority vote of the board of directors meeting which is attended by directors who account for two-thirds majority of the aggregate total of director seats and shall be reported to the special shareholders' meeting.

Where remuneration to employees are distributed in cash or in stock, the payees may include employees of subsidiaries who satisfy the specified requirements.

Article XXVI-I: From the profit earned by the Company as shown through the final annual account every fiscal year, the sum to pay tax and make up previous loss, if any, shall be first withheld, then the sum 10% shall be reserved as legal reserve, and then the sum to amortize or reverse special reserve as required by laws or by the competent authority. The further balance, if any, shall be consolidated with unappropriated retained earnings accumulated previously and unappropriated retained earnings of the current year in adjustment. The board of directors shall duly propose the percentage of distribution as the actual requirements may justify to be resolved by the shareholders' meeting before being distributed as dividend and bonus to shareholders.

For distribution of the aforementioned dividend, the distributable earning of the year may be distributed in full given consideration of the financial, business factors and business management factors. In the distribution, the cash dividend shall not be below 10% of the aggregate total of cash dividend and stock dividend of the year.

### **Chapter Seven Supplementary provisions**

Article XXVII: Any matters not adequately provided for in these Articles of Incorporation shall be subject to handling in accordance with the Company Act, Securities and Exchange Act and other laws and ordinances concerned.

Article XXVIII: The Company's organizational regulations and operational rules shall be duly enacted by the board of directors separately.

Article XXIX: These Articles of Incorporation were duly enacted on March 19, 1973; and Duly amended on June 30, 1975 as the 1<sup>st</sup> amendment.  
Duly amended on August 2, 1975 as the 2<sup>nd</sup> amendment.  
Duly amended on July 25, 1976 as the 3<sup>rd</sup> amendment.  
Duly amended on June 6, 1977 as the 4<sup>th</sup> amendment.  
Duly amended on July 25, 1978 as the 5<sup>th</sup> amendment.  
Duly amended on November 26, 1979 as the 6<sup>th</sup> amendment.  
Duly amended on June 1, 1980 as the 7<sup>th</sup> amendment.  
Duly amended on January 25, 1981 as the 8<sup>th</sup> amendment.  
Duly amended on February 26, 1981 as the 9<sup>th</sup> amendment.  
Duly amended on November 18, 1981 as the 10<sup>th</sup> amendment.  
Duly amended on December 13, 1981 as the 11<sup>th</sup> amendment.  
Duly amended on March 24, 1982 as the 12<sup>th</sup> amendment.

Duly amended on December 27, 1982 as the 13<sup>th</sup> amendment.  
Duly amended on January 3, 1983 as the 14<sup>th</sup> amendment.  
Duly amended on November 30, 1983 as the 15<sup>th</sup> amendment.  
Duly amended on February 20, 1984 as the 16<sup>th</sup> amendment.  
Duly amended on April 6, 1986 as the 17<sup>th</sup> amendment.  
Duly amended on May 7, 1987 as the 18<sup>th</sup> amendment.  
Duly amended on February 1, 1988 as the 19<sup>th</sup> amendment.  
Duly amended on November 26, 1988 as the 20<sup>th</sup> amendment.  
Duly amended on April 2, 1989 as the 21<sup>st</sup> amendment.  
Duly amended on April 23, 1989 as the 22<sup>nd</sup> amendment.  
Duly amended on April 16, 1990 as the 23<sup>rd</sup> amendment.  
Duly amended on April 9, 1991 as the 24<sup>th</sup> amendment.  
Duly amended on April 15, 1992 as the 25<sup>th</sup> amendment.  
Duly amended on April 16, 1993 as the 26<sup>th</sup> amendment.  
Duly amended on March 31, 1994 as the 27<sup>th</sup> amendment.  
Duly amended on April 8, 1995 as the 28<sup>th</sup> amendment.  
Duly amended on April 11, 1996 as the 29<sup>th</sup> amendment.  
Duly amended on June 6, 1997 as the 30<sup>th</sup> amendment.  
Duly amended on April 15, 1998 as the 31<sup>st</sup> amendment.  
Duly amended on May 25, 1999 as the 32<sup>nd</sup> amendment.  
Duly amended on April 18, 2000 as the 33<sup>rd</sup> amendment.  
Duly amended on April 10, 2001 as the 34<sup>th</sup> amendment.  
Duly amended on April 10, 2001 as the 35<sup>th</sup> amendment.  
Duly amended on May 28, 2002 as the 36<sup>th</sup> amendment.  
Duly amended on May 27, 2003 as the 37<sup>th</sup> amendment.  
Duly amended on May 27, 2004 as the 38<sup>th</sup> amendment.  
Duly amended on May 31, 2005 as the 39<sup>th</sup> amendment.  
Duly amended on June 14, 2006 as the 40<sup>th</sup> amendment.  
Duly amended on June 12, 2007 as the 41<sup>st</sup> amendment.  
Duly amended on June 16, 2008 as the 42<sup>nd</sup> amendment.  
Duly amended on June 10, 2009 as the 43<sup>rd</sup> amendment.  
Duly amended on June 15, 2010 as the 44<sup>th</sup> amendment.  
Duly amended on June 15, 2011 as the 45<sup>th</sup> amendment.  
Duly amended on June 19, 2012 as the 46<sup>th</sup> amendment.  
Duly amended on June 13, 2013 as the 47<sup>th</sup> amendment.  
Duly amended on June 24, 2014 as the 48<sup>th</sup> amendment.  
Duly amended on June 22, 2015 as the 49<sup>th</sup> amendment.  
Duly amended on June 22, 2016 as the 50<sup>th</sup> amendment.

**KINPO ELECTRONICS, INC****Rules of Procedures for Shareholders' Meeting**

1. The Company shall duly convene the shareholders' meeting in accordance with these Procedure Rules unless otherwise prescribed by laws and regulations concerned.
2. The Company shall prepare the sign-in book ready for the present shareholders to sign in, or the present shareholders may submit sign-in cards instead of the sign-in process.
3. The participation and voting process in a shareholders' meeting shall be calculated based on the number of shares as the grounds.
4. A shareholders' meeting shall be convened at a venue where the Company is headquartered or an appropriate venue convenient to shareholders to participate and oriented to convening of a shareholders' meeting. A shareholders' meeting shall not be convened at a time earlier than 9:00 a.m. or later than 3:00 p.m.
5. A shareholders' meeting shall be chaired by the chairman if convened by the board of directors. Where the chairman is on leave or unavailable to exercise his responsibilities and powers, the vice chairman shall act as the substitute. Where the Company does not have a vice chairman or where the vice chairman is unavailable to exercise the responsibilities and powers either, the chairman shall appoint one managing director to act as the substitute. Where the Company does not have managing director, the chairman shall appoint one director to act as the substitute. Where the chairman does not appoint a substitute, one managing director or a director may be elected from among themselves to act as the substitute.
6. The Company may appoint retain Attorney-at-Law, Certified Public Accountant or relevant people to participate in a shareholders' meeting.  
The staff took charge of a shareholders' meeting shall wear identification card or armbands.
7. The Company shall record the entire process of a shareholders' meeting through audio or video devices which shall be archived for one year at least.
8. The chairperson shall call the meeting to order when the time is up. While the meeting is attended by shareholders to account for a majority of the total issued shares, nevertheless, the chairperson may announces a postponement. But the postponement shall not exceed twice in maximum and shall not exceed one hour in the accumulated period. Where the meeting is attended by shareholders who represent less than one-third of the total issued shares, the Company may come to a tentative resolution in accordance with paragraph 1 of Article 175 of the Company Act.  
In the event that the number of shares represented by present shareholders makes up a majority of the aggregate total outstanding shares before the current meeting is closed, the chairperson may resolve a tentative resolution and refer it to the shareholders' meeting for resolution in accordance with Article 174 of the Company Act.
9. The agenda of a shareholders' meeting shall be worked out by the board of directors if the shareholders' meeting is convened by the board of directors. The shareholders' meeting shall be duly convened exactly in accordance with the scheduled agenda which shall not be changed unless duly resolved in the shareholders' meeting.

The provision set forth under the preceding applies *mutatis mutandis* to a shareholders' meeting which is convened by another person beyond the board of directors.

The chairperson shall not announce adjournment of the meeting until the agenda scheduled in the two preceding Paragraphs (including extraordinary motion) is concluded.

The shareholders shall not elect a new chairperson to continue the meeting at the same venue or a new venue after a shareholders' meeting is adjourned.

In the event that the chairperson violates these Procedure Rules by announcing adjournment of the meeting, a new chairperson may be elected by a majority vote of the present shareholders to continue the meeting.

10. A shareholder shall, before taking the floor, fill out the speech note and enter thereon the gist of the floor, shareholder account number (or serial number of the participation certificate), name of the shareholder. Then the chairperson shall fix the priority order to take the floor. A present shareholder who has submitted the floor note but does not take the floor is deemed as having not taken the floor. Where a present shareholder speaks contents inconsistent with the contents shown on the floor note, the contents actually spoken shall prevail. The contents of the floor spoken by a shareholder shall be concrete and definite and shall be oriented to the subject issue otherwise the chairperson may stop that shareholder from continuing the floor. While a present shareholder takes the floor, other shareholder(s) shall not speak to interfere with the floor unless consented by the chairperson and the speaking shareholder. The chairperson shall stop the offender, if any.
11. On the same issue, every shareholder shall not speak more than twice unless agreed upon by the chairperson and shall not speak in excess of five (5) minutes in each floor. Subject to permit by the chairperson, nevertheless, that shareholder may extend his or her floor for three more minutes. Where a shareholder violates the provision set forth under the preceding Paragraph or speaks beyond the scope of the subject issue, the chairperson may stop his or her speech.
12. Where a juristic person is commissioned to participate in a shareholders' meeting as a proxy, that juristic person may only appoint one representative to participate in the meeting. A juristic person who assigns two or more representatives to participate in a shareholders' meeting may appoint only one person to take the floor on the same issue.
13. After a present shareholder completes the floor, the chairperson may answer the floor either in person or by assigning a person concerned to respond.
14. Where an issue is found having been discussed enough up to the extent of resolution, the chairperson may announce discontinuance from discussion and put that issue to vote.
15. For the voting process, the ballot scrutinizer and the tally clerk shall be appointed by the chairperson. The ballot scrutinizer shall, nevertheless, be appointed from among the shareholders. The outcome of the voting process shall be reported on-the-spot and put into the minutes.
16. During progress of the meeting, the chairperson may set an intermission as appropriate.
17. Unless otherwise provided for in the Company Act and the Articles of Incorporation, the decision of an issue shall be resolved by a majority vote in the meeting which is attended by shareholders. During the voting process, an issue which proves to meet no objection in response to the

inquiry by the chairperson is deemed duly passed in the validity same as an issue duly resolved through balloting process.

Where a shareholder commissions a proxy to participate in a shareholders' meeting and where one is commissioned by two or more shareholders simultaneously, the voting power by such proxy shall not exceed the maximum of 3% of the voting power based on the aggregate total outstanding shares. The excess shall be discarded. On an issue in a shareholders' meeting where a shareholder in a likely risk to challenge the Company's interest with his or her own interest, that shareholder shall not join the voting process nor shall he or she exercise voting power for and on behalf of another shareholder.

18. Where a same issue is accompanied with an amendment or an alternate, the chairperson shall rule the voting order for the amendment or alternate in consolidation with the original bill. Where one bill among them is passed, other bill(s) is(are) deemed having been vetoed without a need for voting any more.
19. The chairperson may command picket personnel (or security guard(s)) to maintain the order of the meeting venue. The picket personnel (or security guard(s)) shall wear "picket personnel" armbands while serving the meeting site to maintain the order.
20. Any matters not adequately provided for herein shall be subject to handling in accordance with the Company Act, Securities and Exchange Act, the Articles of Incorporation or other laws and ordinances concerned.
21. These Regulations shall be put into enforcement after being resolved in the shareholders' meeting, this same provision is applicable mutatis mutandis to an event of amendment. These Regulations were put into enforcement after being resolved in the regular shareholders' meeting convened on May 28, 2002.

## KINPO ELECTRONICS, INC

### PROCEDURES FOR THE ACQUISITION OR DISPOSAL OF ASSETS

Article I: Objectives

These Procedures are duly amended in accordance with Article 36-1 of Securities and Exchange Act and relevant letters and decrees of the Financial Supervisory Commission (hereinafter referred to as FSC or Financial Supervisory Commission in full)"Regulations Governing the Acquisition and Disposal of Assets by Public Companies" in an effort to strengthen management over assets and safeguard in the event that interests and put into implementation of information disclosure. All management over assets shall be duly handled in accordance with these Procedures.

Article II: Scope and definition

I. Scope of assets:

- (I) Negotiable securities (including stocks, government bonds, corporate bonds, financial bonds, negotiable securities manifesting funds, deposit receipt certificates (DRC), share subscription (sales) warrants, beneficiary securities and asset-backed securities, etc.)
- (II) Real estate (including land, buildings & constructions, investment oriented real estate, land usage rights) and equipment.
- (III) Membership certificates
- (IV) Patent rights, copyrights, trademark rights, franchises and such intangible assets.
- (V) Derivative financial instruments: Where the values derive from transaction contracts deriving from assets, interest rates, exchange rates, indices or other interests backed merchandise (e.g., forward contracts, options, futures, leverage guarantee bonds, swap contracts and other combined contracts composed of the aforementioned merchandise.).
- (VI) The assets acquired or disposed through merger, demerger, acquisition, or transfer of shares (new shares issued or shares of other firms transferred from another firm in accordance with Paragraph 8, Article 156 of Company Act) of according to law (e.g., Business Mergers And Acquisitions Act, Financial Holding Company Act, The Financial Institutions Merger Act or other laws concerned),
- (VII) Major assets otherwise.

- II. The term "related parties" as set forth herein shall be identified in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.
- III. The term "subsidiaries" as set forth herein shall be identified in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.
- IV. The term "professional appraisers" as set forth herein denotes real estate appraisers or other professionals engaging in appraisal of real estate, equipment according to law.
- V. The term "date of occurrence" as set forth herein denotes the date of contract signing, date of payment, date of consignment trade, date of transfer, dates of

boards of directors resolutions, or other date that can confirm the counterpart and monetary amount of the transaction, whichever date is earlier; provided, for investment for which approval of the competent authority is required, the earlier of the above date or the date of receipt of approval by the competent authority shall prevail.

- VI. The term “Mainland China area investment” as set forth herein denotes: The investments in the mainland China area duly approved by the Investment Commission, Ministry of Economic Affairs or conducted in accordance with the provisions of the Regulations Governing Permission for Investment or Technical Cooperation in the Mainland Area.
- VII. The term “within the preceding year” as set forth herein denotes one-year period calculating retrospectively from the date of present acquisition or disposal of assets. The part having been put into the public announcement may not be counted therein any more.
- VIII. The professional appraisers and their officers, certified public accounts, attorneys, and securities underwriters that provide the Company with appraisal reports, certified public accountant's opinions, attorney's opinions, or underwriter's opinions shall not be a related party of any party to the transaction.
- IX. For the calculation of 10% of total assets under these Regulations, the total assets stated in the most recent standalone financial report or individual financial report prepared under the Regulations Governing the Preparation of Financial Reports by Securities Issuers shall be used.

Article III: Limitation in authorization

The amounts of investment in negotiable securities, non-business-oriented real estate held by the Company and its subsidiaries shall be subject to the aggregate total and limitation enumerated below. For excess beyond the limitation, if any, the issue shall be reported to the board of directors to pass with resolution beforehand.

- I. Limitation of authorization of the Company:
  - (I) The aggregate total of investment in negotiable securities shall not exceed 150% of the Company's shareholders' equity and non-current liabilities.
  - (II) The aggregate total of investment in a single negotiable security shall not exceed 50% of the shareholders' equity and non-current liabilities of the Company. The investment in a company(ies) where the Company holds 100% voting power, nevertheless, the restriction upon maximum of investment shall not prevail.
  - (III) The aggregate total of investment in real estate not oriented to business operation shall not exceed 30% of the Company's shareholders' equity and non-current liabilities.
- II. Limitation of authorization of a subsidiary:
  - (I) The aggregate total of investment in negotiable securities by a subsidiary shall not exceed the subsidiary's shareholders' equity and non-current liabilities.
  - (II) The aggregate total of investment in a single negotiable security by a subsidiary shall not exceed 50% of the shareholders' equity and non-current liabilities of the subsidiary. The investment in a company(ies) where the Company holds 100% voting power, nevertheless, the

restriction upon maximum of investment shall not prevail.

- (III) The aggregate total of investment in real estate by a subsidiary not oriented to business operation shall not exceed 30% of the Company's shareholders' equity and non-current liabilities of that subsidiary.

Notes:

1. The amount of the aforementioned shareholders' equity and non-current liabilities shall be duly calculated based on the amounts shown through the Company's individual or respective financial statements of the latest term.
2. In the event that where the Company's shares have no par value or a par value other than NT\$10, for the calculation of transaction amounts of 20% of paid-in capital under these Regulations, 10% of equity attributable to owners of the parent shall be taken instead.

Article IV: Delegation of authorization

- I. In case of investment in short-term negotiable securities within the maximum limit of "authorized credit line" set forth under Article III, the chairman is authorized with full power to launch investment. In case of investment in long-term negotiable securities and real estate not oriented to business use, the investment shall be submitted to the board of directors for retrospective approval after being approved by the chairman.
- II. The aggregate total credit line for transaction in derivative financial instruments, limit of delegation of authorization in personnel and the deputies shall be duly handled exactly in accordance with the "Procedures to Engage in Transaction and Disposal of Derivatives".
- III. Assets in terms of merger, demerger, acquisition, or transfer of shares shall be submitted to and approved by the board of directors.
- IV. Issues regarding acquisition or disposal of equipment, membership certificates, intangible assets and other major assets shall be duly handled in accordance with the rules and regulations concerned of the Company.
- V. Transaction with related parties shall be duly handled in accordance with the transaction management procedures with related parties set forth under Article VIII of these Procedures.
- VI. The acquisition or disposal of aforementioned assets shall pass review by the board of directors with resolution and be reported to and approved by the shareholders' meeting beforehand in case of the significant ones set to extraordinary resolution as set forth under Article 185 of the Company Act.

Article V: The competent departments

Items of assets	Under charge by	Co-organizers
Negotiable securities	Department (s) designated by the Chairman	Financial Department and Accounting Department
Real estate & equipment	Business performances concerned	Department of Finance
Membership certificates	Departments of subscription	Department of Finance
Patents, copyrights, trademarks and such intangible assets	Research & Development and department of application	Legal Department
Derivative financial	Panel designated for	Business departments

instruments	operation	concerned and Department of Finance
Merger, demerger, acquisition, or transfer of shares	Department (s) designated by the Chairman	Financial Department and Accounting Department The

- Article VI: Procedures to manage acquisition or disposal of negotiable securities:
- I. The host organizers shall conduct evaluation analyses on the investment targets in market, technology and financial concerns and shall conduct feasibility studies over objectives of investment, markets of target products, potential in development, financial conditions, predicted gains, investment portfolio, shareholding ratios, organization types and, in turn, work out concrete investment plans and plans for enforcement schemes.
  - II. The co-organizer(s) shall conduct and complete analytical reports about the financial sources based on the contents set forth under the preceding Paragraph, submit them to the host organizer to be duly managed in package with Article IV.
  - III. Those target assets shall be duly acquired, disposed of, evaluated, put into custody, recorded exactly in accordance with the "Regulations Governing Management over Investment".

- Article VII: Procedures to manage acquisition or disposal of real estate, equipment or membership certificates:
- I. The host organizers shall duly submit department investment budgets and equipment increase plans according to the requirements and shall, aiming at the investment targets, conduct evaluation & analyses and shall conduct feasibility analysis and studies over the pre-investment conditions, motives and objectives of investment, investment costs, anticipated investment payback period, investment benefit analyses... and, in turn, work out the implementation schemes for concrete investment plans exactly in accordance with the requirements set forth under Article IV..
  - II. Such issues regarding acquisition or disposal of assets, use, custody and records thereof, shall be duly handled in accordance with "Regulations Governing Management over Fixed Assets".

- Article VIII: Procedures to deal with transactions with related parties
- I. The unit in charge of transactions shall evaluate the reasonableness of the transaction costs by the following methods:
    - (I) The transaction price shall be added with necessary interest on funding and the costs to be duly borne by the buyer. The term "necessary interest on funding" as set forth herein is imputed as the weighted average interest rate on borrowing in the year the Company purchases the property; provided, it may not be higher than the maximum non-financial industry lending rate announced by the Ministry of Finance.
    - (II) The total loan value appraisal from a financial institution if the related party has previously created a mortgage on the property as security for a loan; provided, the actual cumulative amount loaned by the financial institution shall have been 70% or more of the financial institution's appraised loan value of the property and the period of the loan shall have

been 1 year or more. However, nevertheless, this shall not apply to a case where the financial institution is a related party of one of the trading counterparties.

- (III) In a case where land and structures thereupon are combined as a single property purchased in one transaction, the transaction costs for the land and the structures may be separately appraised in accordance with either of the means listed among Subparagraphs (I) (II) of Paragraph I of this Article
  - (IV) The Company shall engage a Certified Public Accountant to check the appraisal and render a concrete opinion.
  - (V) The aforementioned appraisal methods are not applicable the circumstances enumerated below:
    - 1. Where the related party acquires the real property through inheritance or as a gift.
    - 2. Where than five(5) years will have elapsed from the time the related party signed the contract to obtain the real property to the signing date for the current transaction.
    - 3. Where 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.
- II. Where acquisition or disposal of real property from or to a related party, or acquisition or disposal of assets other than real property from or to a related party where the transaction amount reaches 20% or more of paid-in capital, 10% or more of the Company's total assets, or NT\$300 million or more; provided that, this does not apply to trading of government bonds or bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises, the unit in charge shall submit the supporting data enumerated below to pass review by the board of directors and to be acknowledged by the supervisors before the transaction contract may be executed and before the payment may be granted.
- (I) The objectives, indispensability and anticipated effectiveness to acquire or dispose of assets.
  - (II) The reasons behind selection of the related party as the target for transaction.
  - (III) The supporting documents to prove rationality for acquisition or disposal of real estate, the evaluation of the terms and conditions of transaction in accordance with Article 12 and Article 13.
  - (IV) The date and price for the related party in acquirement, transaction targets and their relationship with the Company and related parties.
  - (V) The forecast revenues and expenditures for each and every month in the year ahead of the date anticipated to execute the contract with evaluation of the indispensability of transaction and rationality in use of the funds.
  - (VI) The appraisal report issued by the professional appraisers or opinions of Certified Public Accountant as required under the preceding Article.
  - (VII) The restrictive terms of the present transaction and other significant covenants.

The amount of transaction mentioned in the preceding Paragraph shall be calculated in accordance with Paragraph 2 of Article 27. The term within one year shall be the one-year period calculated retrospectively from the date of occurrence of fact in the present transaction. The part which has been submitted to the board of directors for resolution and acknowledgement is no longer required to be counted in.

In case of the equipment for business operation use acquired or disposed of by and among the Company, the parent company and subsidiaries, the board of directors authorizes the chairman to go ahead first within a certain limit of capital before it is to be reported to the latest upcoming board of directors meeting for acknowledgement retrospectively.

- III. The following tasks shall be conducted in the event that the outcome of appraised cost is found lower than the price of transaction:
  - (I) A special reserve shall be set aside in accordance with Paragraph 1, Article 41, of the Securities and Exchange Act against the differential discrepancy between the real property transaction price and the appraised cost, and shall not be distributed or used for capital increase or issuance of bonus shares. Where the Company uses the equity method to account for its investment in another company, then the special reserve shall be duly set aside pro rata in a proportion consistent with the share of the Company's equity stake in the other company. The special reserve so set aside shall not be disbursed until the asset procured at high price has been recognized for loss in price decline, or has been disposed of or provided with appropriate compensation or been restored to the status quo ante or proven without irrationality and officially approved by the Financial Supervisory Commission
  - (II) The supervisors shall comply with Article 218 of the Company Act.
  - (III) Due actions shall be duly taken pursuant to Subparagraphs (I) (II) of Paragraph III of this Article and shall be reported to a shareholders meeting, and the details of the transaction shall be disclosed in the annual report and the Investment Prospectus.
- IV. Where the Company acquires real estate from a related party and there is proof indicating the transaction inconsistent with regular business practice, acts shall be duly taken in accordance with Subparagraphs (I) (II) of Paragraph III of this Article as well.
- V. Where the following circumstances are found existent, objective evidence has been submitted and specific opinions on reasonableness have been obtained from a professional real property appraiser and a Certified Public Accountant have been obtained, nevertheless, the acts enumerated under Paragraph III of this Article may be exempted:
  - (I) Where the related party acquired undeveloped virgin land or leased land for development, it may submit proof of compliance with one of the following conditions :
    1. Where the undeveloped virgin land is appraised in accordance with the means in Paragraph I of this Article, and structures according to the related party's construction cost plus reasonable construction profit are valued in excess of the actual transaction price. The term "reasonable construction profit" as set forth shall be deemed the average gross operating profit margin of the related party's

construction division over the most recent three (3) years or the gross profit margin for the construction industry for the most recent period as announced by the Ministry of Finance, whichever the lower may be.

2. Completed transactions by unrelated parties within the preceding year involving other floors of the same property or neighboring or closely valued parcels of land, where the land area and transaction terms are similar after calculation of reasonable price discrepancies in floor or area land prices in accordance with standard property market practices.
  3. Completed leasing transactions by an unrelated party for other floors of the same property from within the preceding year, where the transaction terms are similar after calculation of reasonable price discrepancies among floors in accordance with standard property leasing market practices.
- (II) Where the Company acquiring real property from a related party provides evidence that the terms of the transaction are similar to the terms of transactions completed for the acquisition of neighboring or closely valued parcels of land of a similar size by unrelated parties within the preceding year.

Note: The completed transactions for neighboring or closely valued parcels of land in the preceding paragraph in principle refers to parcels on the same or an adjacent block and within a distance of no more than 500 meters or parcels close in publicly announced current value; transaction for similarly sized parcels in principle refers to transactions completed by unrelated parties for parcels with a land area of no less than 50% of the property in the planned transaction; within the preceding year refers to the year preceding the date of occurrence of the acquisition of the real property.

Article IX: Where the Company has set up Audit Committee as required, the provisions set forth under these Procedures toward supervisors are applicable mutatis mutandis to the Audit Committee.

Article X: Procedures to manage acquisition or disposal of intangible assets:

- I. Patent rights  
The host organizers shall duly fill out application form for patent and submit it to the co-organizer after being submitted to and approved in accordance with Article IV. The relevant operating procedures shall be duly handled in accordance with the "Regulations Governing Management over Patent Operations".
- II. Trademark rights  
Where the Company intends to apply for trademark right registration or to expand the scope designated for use of trademark rights, the host organizers shall duly obtain approval in accordance with the Company's delegation of authorization and hand the issue over to the co-organizer for further actions.
- III. Copyrights:  
Where the Company intends to apply for copyright registration, the host organizer shall get approval in accordance with the relevant delegation of

authorization, submit the supporting data to the co-organizer for further actions.

IV. Authorization

The Company shall proceed with authorization for intellectual property rights as mentioned in the three preceding Paragraphs exactly in accordance with the Company's delegation of authorization disregarding authorization upon another for implementation or acquirement from another for authorized implementation.

Article XI: Procedures to manage acquisition or disposal of derivative financial instruments: The host organizers shall act on a secure and steady policy through hedge principle and strategy proceed with the issues on the grounds of the supporting data on budgeting in cash submitted by various co-organizers to proceed with analyses and operate derivative financial instruments exactly in accordance with the Company's delegation of authorization. The host organizer shall proceed with the transaction principles, strategies, categories, processing procedures, risk control, internal control system, stop-loss point setting and superintendent and such operating procedures exactly in accordance with the "Procedures to Engage in Transaction and Disposal of Derivatives",

Article XII: The procedures to deal with merger, demerger, acquisition, or transfer of shares

- I. The unit in charge shall retain Attorney-at-Law, Certified Public Accountant and underwriter to jointly study the legal procedures, the scheduled timetable and shall further organize the Project Task Force (Panel) to enforce the practice according to law. Furthermore, prior to convening the board of directors meeting to resolve on the matter, the unit in charge shall retain a Certified Public Accountant, Attorney-at-Law, or securities underwriter to give an opinion on the reasonableness of the share exchange ratio, acquisition price, or distribution of cash or other property to shareholders, and submit it to the board of directors for deliberation and passage.
- II. The Company shall prepare a public report to shareholders detailing important contractual content and matters relevant to the merger, demerger, or acquisition prior to the shareholders meeting and include it along with the expert opinion referred to in paragraph 1 of this Article when sending shareholders notification of the shareholders meeting for reference in deciding whether to approve the merger, demerger, or acquisition. Provided, where a provision of another act exempts a company from convening a shareholders meeting to approve the merger, demerger, or acquisition, this restriction shall not apply. Besides, where the shareholders meeting of any one of the companies participating in a merger, demerger, or acquisition fails to convene or pass a resolution due to lack of a quorum, insufficient votes, or other legal restriction, or the proposal is rejected by the shareholders meeting, the companies participating in the merger, demerger or acquisition shall immediately publicly explain the reason, the follow-up measures, and the preliminary date of the next shareholders meeting.
- III. Other key points that call for attention:
  - (I) Date to convene the Board meeting: A company participating in a merger, demerger, or acquisition shall convene a board of directors meeting and shareholders meeting on the day of the transaction to resolve matters

relevant to the merger, demerger, or acquisition, unless another act provides otherwise or the Financial Supervisory Commission is notified in advance of extraordinary circumstances and grants consent. A company participating in a transfer of shares shall call a board of directors meeting on the day of the transaction, unless another act provides otherwise or the FINANCIAL SUPERVISORY COMMISSION is notified in advance of extraordinary circumstances and grants consent.

- (II) Commitment to non-disclosure obligation for confidentiality beforehand: Each and every person participating in or privy to the plan for merger, demerger, acquisition, or transfer of shares shall issue a written undertaking of confidentiality and may not disclose the content of the plan prior to public disclosure of the information and may not trade, in their own name or under the name of another person, in any stock or other equity security of any company related to the plan for merger, demerger, acquisition, or transfer of shares.
- (III) Enactment of share swap percentage or acquisition price and principles of change: A company participating in a merger, demerger, acquisition, or transfer of shares shall duly conduct the issues as set forth under Paragraphs I, II of this Article and shall not arbitrarily alter the share exchange ratio or acquisition price unless under the below-listed circumstances, and shall stipulate the circumstances permitting alteration in the contract for the merger, demerger, acquisition, or transfer of shares:
  - 1. Cash capital increase, issuance of issuance of bonus shares, issuance of corporate bonds with warrants, preferred shares with warrants, stock warrants, or other equity based securities.
  - 2. An action such as a disposal of major assets, that affects the company's financial operations.
  - 3. An event such as a major disaster or major change in technology, that affects shareholder equity or share price.
  - 4. An adjustment where any of the companies participating in the merger, demerger, acquisition, or transfer of shares from another company, buys back treasury stock.
  - 5. An increase or decrease in the number of entities or companies participating in the merger, demerger, acquisition, or transfer of shares.
  - 6. Other terms/conditions that the contract stipulates may be altered and that have been publicly disclosed.
- (IV) Contents indispensable to the contract: The contract for participation by a company in a merger, demerger, acquisition, or of shares shall record the record the following particulars:
  - 1. Handling of breach of contract.
  - 2. Principles for the handling of equity-type securities previously issued or treasury stock previously bought back by any company that is extinguished in a merger or that is demerged.
  - 3. The quantity of treasury stock participating companies are permitted under law to buy back after the record date of calculation of the share exchange ratio, and the principles for handling thereof.
  - 4. The manner of handling changes in the number of participating

- entities or companies.
5. The preliminary progress schedule for plan execution, and anticipated completion date.
  6. The date Scheduled for convening the legally mandated shareholders meeting if the plan exceeds the deadline without completion, and relevant procedures.
- (V) In case of change in the number of companies participating merger, demerger, acquisition or transfer of shares: 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 that where the number of participating companies is decreased and a participating company's shareholders meeting has adopted a resolution authorizing the board of directors to alter the limits of authority, such participating company may be exempted from calling another shareholders meeting to resolve on the matter anew.
- (VI) Where any of the companies participating in a merger, demerger, acquisition, or transfer of shares is not a public company, the Company shall sign an agreement with such non-public company whereby the latter is required to abide by the provisions set forth under Subparagraphs (I), (II), (V), Paragraph III of this Article.
- IV. A company participating in a merger, demerger, or acquisition or transfer of shares or a company having its stocks transacted in the business premises of a securities dealer shall work out records in writing for the information and data enumerated below which shall be archived for five(5) years ready for check:
- (I) The basic identification data for personnel: Including the occupational titles, names, and national ID numbers (or passport numbers in the case of foreign nationals) of all persons involved in the planning or implementation of any merger, demerger, acquisition, or transfer of another company's shares prior to disclosure of the information.
  - (II) The dates of material events: Including the signing of any letter of intent or memorandum of understanding, the hiring of a financial or legal advisor, the execution of a contract, and the convening of a board of directors meeting.
  - (III) The material documents and minutes: Including merger, demerger, acquisition, and share transfer plans, any letter of intent or memorandum of understanding, material contracts, and minutes of board of directors meetings.
- V. Where participating in a merger, demerger, acquisition, or transfer of another company's shares, a company that is listed on an exchange or has its shares traded at the business premises of a securities dealer shall, within two (2) days counting inclusively from the date of passage of a resolution by the board of directors, report in the prescribed format and via the Internet-based information system the information set out in subparagraphs I and II of the preceding paragraph to the Financial Supervisory Commission for recordation.
- VI. 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 business premises of a securities dealer, 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 Paragraphs IV and V of this Article.

Article XIII: Decision on transaction prices:

- I. In a case of acquisition or disposal of negotiable securities having been traded in the centralized stock exchange or securities dealers' business premises, the Company shall take reference to the prices of equity or bonds prevalent at that time into a decision.
- II. In a case of acquisition or disposal of negotiable securities having not been traded in the centralized stock exchange or securities dealers' business premises, the Company shall take reference to the net worth per share, interest rates in the market, face interest rate, profitability, potential of future development, the investees' credit standing and shall listen to the expert opinions on securities analyses before determining the prices.
- III. In a case of acquisition or disposal of real estate, equipment, membership certificates and intangible assets, the Company shall take reference to official land price latest promulgated by the government, current value appraised, replacement costs and trading prices of similar merchandise in the markets prevalent that time and shall further consult with experts for evaluation in accordance with Article XVII before coming to the final decision.
- IV. Transaction with related parties shall be subject to evaluation in accordance with Article VIII before final decision.

Article XIV: Declaration of public announcement

- I. Where the Company acquires or disposes of assets and where any among the situations enumerated below occurs, the Company shall provide public announcement and declaration through the website promulgated by the competent authority within two (2) days from occurrence of the event:
  - (I) Where the Company intends to acquire or dispose of real property from or to a related party, or when it intends to acquire or dispose of assets other than real property from or to a related party and the transaction amount reaches 20% or more of the Company's paid-in capital, 10% or more of the Company's total assets, or NT\$300 million or more, except, provided, that, in trading of government bonds or bonds under repurchase and resale agreements, or subscription to or redemption of money market funds issued by domestic securities investment trust enterprises.
  - (II) In progress of merger, demerger, acquisition, or transfer of shares.
  - (III) In transaction of derivative financial instruments with loss in transaction up to the amount specified under the Procedures in full or the maximum limit of the loss in respective contract.
  - (IV) Where an asset transaction other than any of those referred to in the three preceding subparagraphs, a disposal of receivables by a financial institution, or an investment in the mainland China area reaches 20% or more of paid-in capital or NT\$300 million; provided, this shall not apply to the following circumstances:

1. Trading of government bonds.
  2. Securities trading on foreign or domestic securities exchanges or securities dealers' business premises, or subscription to securities by securities dealers through domestic primary market or securities duly subscribed to according to requirements.
  3. Trading of repurchase, resale agreement (repo and reverse repo), bonds or subscription to or redemption of domestic money market.
  4. Where the type of asset acquired or disposed of is equipment for business use, the trading counterparty is not a related party, and the transaction amount is up to NT\$500 million or more
  5. 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 does not reach NT\$500 million.
- II. The amount of the transaction mentioned in the preceding Paragraph shall be calculated in the formula below:
- (I) Amount of each case of transaction.
  - (II) The amount of transaction in acquisition or disposal of target of the same attribute with a same counterpart accumulated within one year.
  - (III) The amount of real estate in acquisition or disposal of a same development project accumulated (the acquisition or disposal shall be accumulated respectively) within one year.
  - (IV) The amount of same negotiable securities in acquisition or disposal of (the acquisition or disposal shall be accumulated respectively) within one year.

The term "within the preceding year" as set forth in the preceding Paragraph the year preceding the date of occurrence of the current transaction respectively. The part which has been promulgated according to these Regulations is no longer required to be counted.

- III. Where a subsidiary is not a domestic public company and if the assets so acquired or disposed of are up to the criteria for announcement and declaration to public under these Procedures, the parent company shall proceed with the announcement and declaration to public as well. The term up to 20% of the company's paid-in capital or 10% of the aggregate total assets" termed in the criteria for announcement and declaration to public by the subsidiary shall be based on the parent company's paid-in capital or aggregate total assets of the parent company as the grounds.
- IV. On a monthly basis, the transaction of derivative financial instruments by the Company and its subsidiaries not as domestic public companies as of the end of the preceding month shall be, at the specified formula, input into the information declaration website designated by the Company not later than the 10th day of every month.
- V. Unless otherwise prescribed in laws, the relevant contracts, minutes, memorandum books, expert opinions issued by a Certified Public Accountant, attorney or securities underwriter shall be archived by the Company for a minimum of five (5) years.
- VI. Whenever an error or omission is found after completion of public

announcement which calls for a supplementary public announcement, all items shall be put into announcement and declaration to public anew.

- Article XV: A correction of announcement and declaration to public:  
After a transaction by the Company having been put into announcement and declaration to public in accordance with the preceding Article meets a situation falling within those enumerated below, the Company shall launch announcement and declaration to public through the website designated by the competent authority within two (2) days from the date of occurrence:
- I. The contract relevant to execution of the original transaction is changed, terminated or rescinded.
  - II. Where the merger, demerger, acquisition, or transfer of shares have not been completed on the date as scheduled under the contract.
  - III. Where the contents of the previous announcement and declaration to public have been changed.

- Article XVI: Retaining experts to issue expertise opinions
- I. Where the Company is acquiring or disposing of real property or equipment, except a transaction with government authority, or engaging others to build on its own land, engaging others to build on rented land, or acquiring or disposing of equipment for business use, where the transaction amount reaches 20% of the Company's paid-in capital or NT\$300 million or more, the company, the Company shall obtain an appraisal report prior to the date of occurrence of the event from a professional appraiser and shall further comply with the following provisions:
    - (I) The appraisal shall be conducted based on normal pricing. 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, and the same procedure shall be followed for any future changes to the terms and conditions of the transaction.
    - (II) Where the transaction amounts to NT\$1 billion or more, appraisals from two or more professional appraisers shall be obtained.
    - (III) Where any of the following circumstances applies with respect to the professional appraiser's appraisal results, unless all the appraisal results for the assets to be acquired are higher than the transaction amount, or all the appraisal results for the assets to be disposed of are lower than the transaction amount, a certified public accountant shall be retained to perform the appraisal in accordance with the provisions of Statement of Auditing Standards No. 20 published by ARDF:
      1. Where the discrepancy between the appraisal result and the transaction amount is 20% or more of the transaction amount.
      2. Where the discrepancy between the appraisal results of two or more professional appraisers is 10% or more of the transaction amount.
    - (IV) No more than three (3) months may elapse between the date of the appraisal report issued by a professional appraiser and the contract execution date; provided, where the publicly announced current value for the same period is used and not more than six(6) months have elapsed, an opinion may still be issued by the original professional

- appraiser to make up.
- (V) Except where a limited price, specified price, or special price is adopted by an enterprise as the reference basis for the transaction price, if an appraisal report cannot be obtained in time and there is a justifiable reason for the delay, the report, and the certified public accountant's opinion under subparagraph (III) of the preceding paragraph, shall be obtained within two (2) weeks counting inclusively from the date of occurrence.
- II. The Company shall, where acquiring or disposing of, prior to the date of occurrence of the event, obtain financial statements of the target company for the most recent period, certified or reviewed by a certified public accountant, for reference in appraising the transaction price, and if the amount of the transaction is 20% of the Company's paid-in capital or NT\$300 million or more, the Company shall additionally engage a certified public accountant prior to the date of occurrence of the event to provide an expertise opinion regarding the reasonableness of the transaction price. If the Certified Public Accountant needs to use the report of an expert as evidence, the Certified Public Accountant shall do so in accordance with the provisions of Statement of Auditing Standards No. 20 published by the ARDF. This requirement does not apply, nevertheless, to publicly quoted prices of securities that have an active market, or where otherwise provided by regulations of the Financial Supervisory Commission
  - III. Where the Company acquires or disposes of memberships or intangible assets and the transaction amount reaches 20% or more of paid-in capital or NT\$300 million or more, except in transactions with a government institution the company shall engage a certified public accountant prior to the date of occurrence of the event to render an opinion on the reasonableness of the transaction price; the Certified Public Accountant shall comply with the provisions of Statement of Auditing Standards No. 20 published by the ARDF.
  - IV. The calculation of the transaction amounts referred to in the preceding three paragraphs shall be done in accordance with Subparagraph (II), Paragraph II of Article XIV, herein, and the term "within the preceding year" as set forth herein denotes the year preceding the date of occurrence of the current transaction. Items for which an appraisal report from a professional appraiser or a CPA's opinion has been obtained need not be counted toward the transaction amount.
  - V. Where the Company acquires or disposes of assets through court auction procedures, the evidentiary documentation issued by the court may be substituted for the appraisal report or Certified Public Accountant opinion.
  - VI. Where the Company engages in any acquisition or disposal of assets from or to a related party, other than ensuring that the necessary decisions are resolved and the reasonableness of the transaction terms is appraised in accordance with Article VIII, if the transaction amount reaches 10% or more of the company's total assets, the company shall also obtain an appraisal report from a professional appraiser or a Certified Public Accountant's opinion in compliance with the provisions of the preceding Section. The amount of transaction as set forth under the preceding Paragraph shall be duly handled in accordance with Paragraph 4, Article XVII.
  - VII. Where the Company engages in merger, demerger, acquisition, or transfer of

shares, the Company shall duly conduct the issues as set forth under Paragraph I, Article XII.

VIII. In the event that the expert opinions issued by a professional appraiser or Certified Public Accountant are found containing a fact of misrepresentation or concealment, the Company and the Certified Public Accountant shall assume the responsibility according to law.

Article XVII: Matters should be conducted by a subsidiary:

- I. The acquisition or disposal of assets by the subsidiary shall be duly handled and implemented exactly in accordance with these Procedures.
- II. The matters required from the subsidiary for announcement and declaration to public under Article 14.

Article XVIII: Penalty clauses:

An employee of the Company who proves in contravention of these Procedures shall be duly penalized in accordance with the relevant personnel regulations.

Article XIX: Enforcement & amendment:

These Procedures, after being duly resolved in the board of directors, shall be submitted to the supervisors and declared to the shareholders' meeting for approval. This same provision is applicable *mutatis mutandis* to an event of amendment. Whenever a director expresses dissent and it is contained in the minutes or a written statement, the Company shall submit the director's dissenting opinion to each supervisor.

Where the Company has set up independent directors and when the procedures for the acquisition and disposal of assets are submitted for discussion by the board of directors pursuant to the preceding paragraph, the board of directors shall take into adequate consideration each independent director's opinions. Whenever an independent director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the board of directors meeting. Where an audit committee has been established and 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 majority 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" termed herein shall be counted as the actual number of persons currently holding the incumbent positions.

Article XX: Supplementary provisions

These Procedures were duly enacted on March 1, 1989, duly resolved by the board of directors and officially resolved in the shareholders' meeting on April 16, 1990.

Duly amended as the 1st amendment on June 10, 1995 and resolved by the board of directors for enforcement and duly reported to the shareholders' meeting on April 11, 1996.

Duly amended as the 2nd and 3rd amendments on February 20, 1997 & November 22, 1997; resolved by the board of directors for enforcement and duly reported to

the shareholders' meeting on April 15, 1998.

Duly amended as the 4th amendment on November 29, 1999; resolved by the board of directors for enforcement and duly reported to the shareholders' meeting on April 18, 2000.

Duly amended as the 5th amendment on March 5, 2003; resolved by the board of directors and the shareholders' meeting for enforcement on May 27, 2003.

Duly amended as the 6th amendment on March 1, 2004, resolved by the board of directors and the shareholders' meeting for enforcement on May 27, 2004.

Duly amended as the 7th and the 8th amendments on March 22, 2007; resolved by the board of directors on April 20, 2007 and by the shareholders' meeting for enforcement on June 12, 2007.

Duly amended as the 9th amendment on April 30, 2012; resolved by the board of directors and by the shareholders' meeting for enforcement on June 19, 2012.

Duly amended as the 10th amendment on March 28, 2014, resolved by the board of directors and by the shareholders' meeting on June 24, 2014 for enforcement.

Duly amended as the 11th amendment on May 11, 2015, resolved by the board of directors and by the shareholders' meeting on June 22, 2015 for enforcement.

Duly amended as the 12th amendment on May 12, 2016, resolved by the board of directors and by the shareholders' meeting on June 22, 2016 for enforcement.

## Shareholding Facts by All Directors of the Company

- Requirements as expressly provided for in Article 26 of Securities and Exchange Act and Rules and Review Procedures for Director and Supervisor Share Ownership Ratios at Public Companies:

Here at the Company, other than independent directors, the minimum shareholding by all directors shall be 34, 935, 773 shares. As of April 25, 2017, their actual shareholding was in total number of 82, 110, 952 shares.

- As of the date to discontinue share transfer registration on April 25, 2017, the shareholding facts as shown through the shareholders register are:

Position title	Name	Number of shares held when elected		Number of shares held currently	
		Aggregate total shares held	Shareholding ratio	Aggregate total shares held	Shareholding ratio
Chairman	Hsu, Sheng-Hsiung	27,183,942	1.86%	13,683,942	0.94%
Director	Hsu, Sheng-Chieh	4,498,985	0.31%	4,498,985	0.31%
Director	Shen, Shyh-Yong	14,253,000	0.98%	17,740,000	1.22%
Director	Ko, Charng-Chyi	4,707,915	0.32%	4,707,915	0.32%
Director	Chen, Jui-Tsung	2,143,952	0.15%	2,143,952	0.15%
Director	Hsu, Chieh-Li	1,456,230	0.10%	3,106,230	0.21%
Director	Chou, Yen-Chia	4,240,289	0.29%	4,240,289	0.29%
Director	Chen, Yi-Chang	2,432,592	0.17%	2,432,592	0.17%
Director	Hsu, Wei-Yang	999,804	0.07%	999,804	0.07%
Director	Chen, Pei-Yuan	2,238,372	0.15%	2,238,372	0.15%
Director	Huang, Yu-Hui	2,847,382	0.20%	3,146,382	0.22%
Director	Peng Pao Technology Co., Ltd.	23,172,489	1.59%	23,172,489	1.59%
Independent director	Chiang, Ping-Kun	0	0.00%	0	0.00%
Independent director	Ho, Mei-Yueh	0	0.00%	0	0.00%
Independent director	Huang, Chih-Peng	0	0.00%	0	0.00%
The number and percentage of shares held by all directors		90,174,952	6.19%	82,110,952	5.64%

Note 1: Date when elected June 22, 2016.

Note 2: Upon the date when elected, the aggregate total outstanding shares came to 1,458,113,211 shares.

Note 3: As of April 25, 2017, the aggregate total outstanding shares came to 1,458,113,211 shares in number.

**The impact by the present issuance of bonus shares upon the Company's business performance, earnings per share (EPS) and rate of investment return to shareholders**

Not applicable. No issuance of bonus shares by the Company in the present shareholders' meeting.

**Information relevant to proposals by a shareholder (s) holding over 1% of the aggregate total outstanding shares**

- I. Pursuant to Article 172~1 of the Company Act, the proposals posed by shareholders for the regular shareholders' meeting shall be accepted during April 7 ~April 17, 2017.
- II. During the aforementioned period, no shareholder holding over 1% of the aggregate total outstanding shares ever submitted a proposal.