

Stock code 2313

COMPEQ MANUFACTURING CO., LTD.

2019 Annual Shareholders' Meeting Handbook

THIS IS A TRANSLATION OF THE HANDBOOK FOR THE 2019 ANNUAL SHAREHOLDERS' MEETING (THE "HANDBOOK") OF COMPEQ MANUFACTURING CO., LTD. (THE "COMPANY"). THIS TRANSLATION IS INTENDED FOR REFERENCE ONLY AND NOTHING ELSE, THE COMPANY HEREBY DISCLAIMS ANY AND ALL LIABILITIES WHATSOEVER FOR THE TRANSLATION. THE CHINESE TEXT OF THE HANDBOOK SHALL GOVERN ANY AND ALL MATTERS RELATED TO THE INTERPRETATION OF THE SUBJECT MATTER STATED HEREIN.

June 13, 2019

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COMPEQ MANUFACTURING CO., LTD.

2019 Annual Shareholders' Meeting Agenda

Time : 9:00 a.m., June 13, 2019 (Thursday)

Place : No. 91, Ln. 814, Daxin Rd., Shin-juang Vil. Luzhu Dist., Taoyuan City, Taiwan.

1. Report the total number of shares represented at this Annual Shareholders' Meeting
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 - (5) Amendment to the Fund Loan Procedures of Compeq and its Subsidiaries
 - (6) Amendment to the Procedures for Acquisition and Disposal of Assets
 - (7) To release the prohibition on directors from participation in competitive business
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6. Meeting Adjourned

Report Items

1. 2018 Business Report

Explanation: Please refer to the attachment. (pages 7-8)

2. Audit Committee's review report

Explanation: Please refer to the attachment. (pages 9)

3. Report on the 2018 Employee Compensation Distributions

Explanation:

1. According to the Articles of Incorporation adopted by the Board, 2% of the company profit(if any) is to be set aside for employee remuneration. The employee remuneration totaled NT 70,981,606 in 2018 is distributed in cash.
2. No compensation to directors in 2018.

4. The Status of Endorsement and Guarantee

Explanation:

1. Up until December 31st, 2018, the balance for the Company's external endorsement/guarantee was US\$ 496,500,000. The entities and amounts are US\$23,500,000 for HUATON HOLDINGS LIMITED, US\$ 113,000,000 for PELICAN COVE INVESTMENT LTD., US\$70,000 for COMPEQ MANUFACTURING (HUIZHOU) CO., LTD., US\$5,000,000 for COMPEQ MANUFACTURING (SUZHOU) CO., LTD., US\$135,000,000 for COMPEQ TECHNOLOGY (HUIZHOU) CO., LTD., and US\$ 150,000,000 for COMPEQ MANUFACTURING (CHONGQING) CO., LTD. All the above mentioned cases are financing guarantees.
2. Article 4 of the Company's endorsement and guarantee procedures states that the sum of the Company and its subsidiaries' guarantees shall "not exceed 1.5 times

of the Company's net value as found in the most recent financial statement." Where the sum has exceeded 50% of the Company's net value, the necessity and rationality are described again below in accordance with the provisions of Article 12, Paragraph 1, Subparagraph 3 of the Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies:

2-1. Necessity : The Company's subsidiaries are mostly enterprises based in China. Since raising local funds is difficult, the subsidiaries are required to raise funds from banks in Taiwan. However, bank financing often requires endorsement from the parent company in Taiwan. Therefore, it is necessary for the Company and its subsidiaries to make endorsements and guarantees exceeding 50% of the Company's value.

2-2. Rationality: Due to the fact that the Company's subsidiaries own 100% of the direct or indirect voting rights, they all belong to the Group. Therefore, it follows the principle of rationality for the Company and its subsidiaries to make endorsements and guarantees exceeding 50% of the Company's value.

5.Implementation of Investments in the PRC

Explanation:

The 2018 new indirect investments in the PRC with the Company's own capital via the Company itself or its overseas subsidiaries are as follows,

Approval Code	Company Name	Amount Approved (US\$)
10600349330	COMPEQ MANUFACTURING (SUZHOU) CO., LTD.	33,710,000
10600349320	COMPEQ TECHNOLOGY (HUIZHOU) CO., LTD.	60,000,000

Proposals and Discussion

1.To approve 2018 Business Report and Financial Statements

(Proposed by the Board of Directors)

Explanation:

Please refer to the attachment. (pages 7-8, pages 10-35)

Resolution :

2.To approve the proposal for distribution of 2018 earnings

(Proposed by the Board of Directors)

Explanation:

1. As for the distribution of earnings, the retained earnings for 2018 is distributed first. The cash dividends for common stocks are NT\$ 0.8 per share. In the event that the total number of outstanding shares is impacted because the Company's treasury stock is repurchased or the employee stock option is exercised, the Company shall authorize the Chairman to distribute the common stock's sum of surplus based on the resolution of the shareholders' meeting, as well as adjusting distribution percentage based on the actual number of outstanding shares on the base date of the dividend.
2. Please refer to the attachment. (pages 36)
3. Subject to the approval of the general shareholders' meeting, the Board of Directors is authorized to determine the ex-dividend date for the cash dividend distribution and other related matters.
4. The distribution of cash dividends is based on the following principles: If the cash dividends are distributed to the nearest dollar (rounded down), the amount below one dollar should be added up. The sum of the cash dividends shall be adjusted from the decimal point in a descending order, until it reaches the right amount of the total cash dividend distribution.

Resolution :

3.Amendment to the Articles of Incorporation

(Proposed by the Board of Directors)

Explanation:

1. Articles 1, 11, 25 and 29 of the articles of incorporation have been revised in response to the Company Act revision of August 1st, 2018, as well as the

provisions of Taipei Exchange Operation Directions for the Appointment of Independent Directors by TPEX Listed Companies.

2. Please refer to the attachment. (pages 37)

Resolution :

4. Amendment to the Procedures for Endorsements and Guarantees

(Proposed by the Board of Directors)

Explanation:

1. Relevant provisions of the Company's " the Procedures for Endorsements and Guarantees " were revised in accordance with the No.1080304826 Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies issued by the FSC of the Executive Yuan dated March 7th, 2019.

2. Please refer to the attachment. (pages 38-39)

Resolution :

5. Amendment to the Fund Loan Procedures of Compeq and its Subsidiaries

(Proposed by the Board of Directors)

Explanation:

1. Relevant provisions of the Company's " the Fund Loan Procedures of Compeq and its Subsidiaries " were revised in accordance with the No.1080304826 Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies issued by the FSC of the Executive Yuan dated March 7th, 2019.

2. Please refer to the attachment. (pages 40-41)

Resolution :

6. Amendment to the Procedures for Acquisition and Disposal of Assets

(Proposed by the Board of Directors)

Explanation:

1. Relevant provisions of the Company's "Regulations Governing the Acquisition and Disposal of Assets" were revised in accordance with the No.1070341072 Regulations Governing the Acquisition and Disposal of Assets by Public Companies issued by the FSC of the Executive Yuan dated November 26th, 2018.

2. Please refer to the attachment. (pages 42-59)

Resolution :

7.To release the prohibition on directors from participation in competitive business

(Proposed by the Board of Directors)

Explanation:

1. According to the Article 209 of ROC Company Law, a director who acts for himself /herself or on behalf of another person that is within the scope of the company's business shall secure approval for such at the Annual Shareholders' Meeting.
2. Pursuant to Article 209 of Company Act, it is proposed to release non-competition restrictions on the directors, who may participate in investment or operation of another company that engages in the same or similar business scope, under the premise that no harm to the Company's interest.
3. List of releasing the prohibition on the directors and its representatives from participation in competitive business

Category	Name	Business scope/ Current positions
Independent Director	Tzu-Kuan Chiu	Investment Business Independent Director of Founder Fubon Fund Management Co.,ltd

Resolution :

Other Business and Special Motions

Meeting Adjourned

2018 Business Report

Due to the China-US trade war, the saturated smart phone market, and the dwindling demand from the market in Mainland China, the global economy experienced a downturn from 2018 to 2019. According to the IMF statistics, the global GDP growth rate in 2018 was 3.7%, and the overall PCB industry grew 6% from 2017. The Company's operating revenue for 2018 was NT\$50.83 billion, decreasing 5.8% from the NT\$53.96 billion in 2017. The net profit for 2018 was NT\$2.4 billion, decreasing NT\$1.18 billion from the net profit of NT\$3.58 billion in 2017. In response to the 5G high-frequency and high-speed product applications, the customer's product specifications will be higher in the future. The Company aims to establish a competitive management model based on a sound structure with great product quality and infrastructure. In 2019, most of the Company's products are mature products that do not require significant investment. Only products that have room for future growth will be invested in, and a more cautious attitude will be adopted in order to respond to market changes.

In 2019, the Company will continue to engage in environmental protection in order to achieve the goal of exceeding the requirements of government regulations. The Company will also implement corporate social responsibility and value labor interests in order to achieve the expectations of shareholders, customers and the government, as well as moving towards sustainable development.

2018 Operating report

A.Consolidated statements of comprehensive income

Compare to 2017, our 2018 profit reached NT\$ 2.4 billion; Our 2018 EPS was NT\$ 2.01 about NT\$ 0.99 less. (see in Table 1)

Table 1. 2018 Comprehensive income summary

Description (Hundred million of NTD)	2018	2017	Variation Rate / Difference
Operating revenue	508.3	539.6	-5.8%
Income before tax	39.2	49.1	-9.9
Net income	24.0	35.8	-11.8
Earnings per share (NTD)	2.01	3.00	-0.99

B.The Implementation Statements of Budget

Our major products are PCB and SMT assemblyservice. We have PCB manufacturing sites on Taiwan (Luchu、Tayuan) and China (Huizhou, including FPC、Chongqing). Total PCB capacity was 32.0 million square feet annually, actual sales was 26.0 million square feet. The SMT manufacturing sitesare locatedon China (Suzhou and Huizhou), actual sales was 180 million units.

C. Technology Development

Our long-term development is to be the leading high-end PCB and Rigid-flex PCB manufacturer. Our major enhance the ability and quality of research and development, and strengthen the industry and suppliers of information collection. We will continue to devote on new process development technologies, such as fine lines · automation applications · High Tg · Low loss material...etc. For SMT technology, we will continue on development of portable power management, automotive electronics, Connector module and related modular operations...etc.

The Outlines for 2019 Business Plan

(1) Operating Guidelines

- A. Manufacturing management will be perfected with excellent product quality that is based on a sound structure while focusing on the equipment. The Company requires an increased quality awareness from the entire staff, aligning plan with real actions to implement infrastructure in order for product quality to satisfy customer needs and achieving a competitive yield level.
- B. Establish a manufacturing-guided order fulfill procedure. To have each factory fully loaded with stable operation, we are first to setting up a capable factory, enabling the competitiveness on quality, delivery and cost. Then the orders are arranged on selected product market according to the capacity and capability of each factory.
- C. Continuous improve on effective management and to achieve a competitive operating system.
- D. Continue to accomplish our social responsibility and commitments to government, customers, share holders, and employee. Keep on environmental protection, respect human rights, and improve our employee's quality of life to become an everlasting green enterprise.

(2) Sale Volume Projection

Our core business and major products are print circuit boards. Among all of the production sites, the anticipated sale's volume is 31 million square feet. On SMT operation, we expect to output 180 million units.

(3) Important Production and Marketing Policy

The terminal products do not do the amount of expansion, mainly in the quality of the upgrade, product structure to enhance and improve the profit. The SMT factories in Suzhou and Huizhou, will focus on designated products and to expand customer base in the future for stable full load production.

Audit Committee's Review Report

The Board of Directors has prepared the Company's 2018 Business Report, Financial Statements, and proposal for allocation of earnings. The CPA firm of Baker Tilly Clock & Co was retained to audit COMPEQ Financial Statements and has issued an audit report relating to the Financial Statements. The Business Report, Financial Statements, and earnings allocation proposal have been reviewed and determined to be correct and accurate by the Audit Committee members of COMPEQ MANUFACTURING CO., LTD. According to relevant requirements of the Securities and Exchange Act and the Company Law, we hereby submit this report.

COMPEQ MANUFACTURING CO., LTD.

Chairman of the Audit Committee:

Teng Ling Liu

On the date of March 13th, 2019

INDEPENDENT AUDITORS' REPORT

NO.00151070EA

To the Board of Directors of Compeq Manufacturing Co., Ltd.

Opinion

We have audited the accompanying parent company only financial statements of Compeq Manufacturing Co., Ltd. (collectively referred to as “the Company”), which comprise the parent company only balance sheets as of December 31, 2018 and 2017, the parent company only statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2018 and 2017, and the notes to the parent company only financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying parent company only financial statements present fairly, in all material respects, the parent company only financial position of the Company as of December 31, 2018 and 2017, and its parent company only financial performance and its parent company only cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (“IFRSs”), International Accounting Standards (“IASs”), interpretations as well as related guidance endorsed by the 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 Parent Company only Financial Statements section of our report. We are independent of the Company in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China (“the Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the parent company only financial statements for the year ended December 31, 2018. These matters were addressed in the context of our audit of the parent company only financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters for the Company's parent company only financial statements for the year ended December 31, 2018 are explained as follows:

Revenue recognition from shipping warehouses

Description of the key audit matter

Refer to note 4(13), 5(4) and 6(16) of the parent company only financial statements for the information relating to revenue recognition.

The Company's sales come in two types of direct shipping from factories and shipping from warehouses, in which the revenue from shipping warehouses is recognized when the customer picks up the goods (the risk of the ownership of the goods sold is transferred and the profit is earned). The Company mainly recognizes its revenue in accordance with the statements or other information provided by the custodians of shipping warehouses and reconciliation with any change in recorded inventory. Given that the shipping warehouses spread many regions and the sales terms for each major customer also vary, such revenue recognition process often involves a lot of labor in operation, which is likely to result in inappropriate timing to recognize the revenue or inconsistency between physical quantity and recorded quantity of the inventory in custody. On the other hand, it requires both parties' labor judgment to determine if a shipment meets the terms for customer's acquisition of goods control right and such risk is the major measurement index adopted by the report users. As such, the deadline of the recognition of the revenue of the goods sold from shipping warehouses is listed as one of the key audit matter.

How the matter was addressed in our audit

We performed the following audit procedures in respect of the above key audit matter:

1. Understand and assess the propriety of the accounting policy for revenue recognition, and evaluate and test the internal control in relation to the timing of revenue recognition.

2. Implement the deadline test for the revenue from shipping warehouses in the periods before or after the balance sheet date, and check if customer account statement data, change in recorded inventory, revenue and cost carry-over were recorded at appropriate times.
3. Execute document enquiry or field stock-taking observation for the quantity of inventory in shipping warehouses, and check as well as reconcile the warehouse inventory quantity with the recorded inventory quantity. In case of any inconsistency with the recorded inventory quantity found from the enquiry response or stock-taking observation, the reasons for the inconsistency will be investigated and the test for the reconciliation items shall be executed, so as to confirm if material differences are properly adjusted and recorded.

Evaluation of allowance for loss on reduction of inventory to market

Description of the key audit matter

Refer to note 4(7), 5(2) and 6(4) of the parent company only financial statements for the information relating to inventory valuation.

The Company mainly engages in manufacture and sales of PCB(Printed Circuit Boards). Due to their short life cycle and severe competition in the industry, electronic products are susceptible to the volatility of market prices, so they have higher risk in losses on reduction of inventory to market and inventory obsolescence. The net realizable value adopted by The Company for invalid and obsolescent inventory often involves subjective judgment, so it is in a high degree of uncertainty. Given that The Company's inventory and its allowance for loss on reduction of inventory to market have a vital impact on its financial statements, the valuation of the allowance for loss on reduction of inventory to market is listed as one of the key audit matters.

How the matter was addressed in our audit

We performed the following audit procedures in respect of the above key audit matter:

1. Evaluate if the policy and procedure for setting aside the allowance for loss on reduction of inventory to market are appropriately and consistently adopted.

2. Understand the inventory warehouse management process, inspect the annual stock-taking plan and participate in the annual observation of stock-taking, so as to confirm the inventory management and status.
3. Acquire the statement to identify inventory obsolescence and invalidation and verify inventory aging propriety and rationality, so as to confirm the possibility for the loss of the inventory exceeding a certain inventory age and coverage of the invalid and obsolescent inventory items in the statement, and ensure the consistence of the statement information with the policy.
4. Inspect a variety of data adopted by the management for calculation of the inventory net realizable value, and give random check and calculation to evaluate the rationality of the inventory net realizable value and judge if relevant disclosures are adequate.

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

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

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

Those charged with governance, (including supervisors), are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Parent company only Financial Statements

Our objectives are to obtain reasonable assurance about whether the parent company only financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the 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 Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the parent company only financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the parent company only financial statements, including the disclosures, and whether the parent company only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the parent company only financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the parent company only financial statements for the year ended December 31, 2018 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Baker Tilly Clock & Co

Hung-Hsun Ting , CPA

Hsien-Hsiu Cheng, CPA

March 13, 2019

Notes to Readers

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

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

COMPEQ MANUFACTURING CO., LTD.
PARENT COMPANY ONLY BALANCE SHEETS
December 31, 2018 and 2017
(Expressed in thousands of New Taiwan Dollars)

ASSETS	NOTES	December 31,2018		December 31,2017	
		Amount	%	Amount	%
CURRENT ASSETS					
Cash and cash equivalents	6(1)	\$ 2,756,182	6.45	\$ 4,356,002	10.51
Financial assets at fair value through profit or loss-current	6(2)	—	—	386	—
Notes receivable	6(3)	7	—	77	—
Accounts receivable	6(3)	8,745,247	20.47	7,204,958	17.39
Receivables from related parties	6(3)	105,244	0.25	185,110	0.45
Other receivables		423,700	1.00	554,499	1.34
Inventories	6(4)	1,683,778	3.94	1,993,922	4.81
Prepayments		54,179	0.13	72,840	0.18
Other current financial assets	6(5)	546,876	1.28	—	—
Other current assets		16,988	0.04	17,954	0.04
Total current assets		14,332,201	33.56	14,385,748	34.72
NONCURRENT ASSETS					
Investments accounted for using equity method	6(6)	18,809,032	44.05	17,275,662	41.69
Property, plant and equipment	6(7),8	8,933,780	20.92	9,221,798	22.25
Intangible assets	6(8)	48,255	0.11	41,594	0.10
Deferred tax assets	6(21)	570,697	1.34	501,203	1.21
Refundable deposits		3,748	0.01	3,770	0.01
Other non-current assets		3,889	0.01	6,769	0.02
Total noncurrent assets		28,369,401	66.44	27,050,796	65.28
TOTAL		\$ 42,701,602	100.00	\$ 41,436,544	100.00

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

COMPEQ MANUFACTURING CO., LTD.
PARENT COMPANY ONLY BALANCE SHEETS

December 31, 2018 and 2017

(Expressed in thousands of New Taiwan Dollars)

LIABILITIES AND EQUITY	NOTES	December 31,2018		December 31,2017	
		Amount	%	Amount	%
CURRENT LIABILITIES					
Accounts payable	6(9)	\$ 1,964,660	4.60	\$ 1,994,599	4.81
Payable to related parties	6(9)	4,671,209	10.94	3,824,888	9.23
Other payables	6(10)	2,008,136	4.70	2,915,592	7.04
Current tax liabilities	6(21)	520,429	1.22	481,759	1.16
Provisions-current	6(11)	161,198	0.38	159,198	0.38
Receipts in advance		57	—	57	—
Current portion of long-term borrowings	6(12),8	1,114,434	2.61	644,434	1.56
Other current liabilities		463,222	1.09	100,242	0.24
Total current liabilities		10,903,345	25.54	10,120,769	24.42
NONCURRENT LIABILITIES					
Long-term borrowings	6(12),8	5,413,530	12.67	5,927,964	14.31
Deferred tax liabilities	6(21)	2,125,172	4.98	1,712,157	4.13
Net defined pension liabilities	6(13)	767,263	1.80	819,226	1.98
Total noncurrent liabilities		8,305,965	19.45	8,459,347	20.42
Total liabilities		19,209,310	44.99	18,580,116	44.84
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY					
Capital stock	6(14)	11,918,206	27.91	11,918,206	28.76
Capital surplus	6(14)	1,016,898	2.38	1,016,898	2.46
Retained earnings	6(14)	10,414,078	24.39	9,468,558	22.85
Legal reserve		1,657,697	3.88	1,299,992	3.14
Unappropriated earnings		8,756,381	20.51	8,168,566	19.71
Other equity	6(14)	143,110	0.33	452,766	1.09
Total equity		23,492,292	55.01	22,856,428	55.16
TOTAL		\$ 42,701,602	100.00	\$ 41,436,544	100.00

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

COMPEQ MANUFACTURING CO., LTD.

PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED ON DECEMBER 31, 2018 AND 2017

(Expressed in thousands of New Taiwan Dollars, Except Earnings Per Share)

DESCRIPTION	NOTE	2018		2017	
		Amount	%	Amount	%
OPERATING REVENUES	6(16)	\$ 34,972,503	100.00	\$ 37,157,973	100.00
OPERATING COSTS	6(4)	(32,540,183)	(93.05)	(33,606,406)	(90.44)
GROSS PROFIT BEFORE UNREALIZED GROSS		2,432,320	6.95	3,551,567	9.56
UNREALIZED PROFIT FROM SALES		(20,168)	(0.06)	(31,037)	(0.08)
REALIZED PROFIT ON FROM SALES		31,037	0.09	30,500	0.08
GROSS PROFIT		2,443,189	6.98	3,551,030	9.56
OPERATING EXPENSES					
Selling and marketing expenses		(396,406)	(1.13)	(495,095)	(1.33)
General and administrative expenses		(374,973)	(1.07)	(417,014)	(1.13)
Research and development expenses		(604,243)	(1.73)	(375,528)	(1.01)
Expected credit impairment income	6(3)	73,338	0.21	—	—
Total operating expenses		(1,302,284)	(3.72)	(1,287,637)	(3.47)
OTHER OPERATING INCOME AND EXPENSES, NET	6(3)	—	—	(25,095)	(0.07)
INCOME FROM OPERATIONS		1,140,905	3.26	2,238,298	6.02
NON-OPERATING INCOME AND EXPENSES					
Other income	6(17)	681,708	1.95	557,923	1.50
Other gains and losses	6(18)	(103,982)	(0.30)	(844,882)	(2.27)
Finance costs	6(19)	(144,046)	(0.41)	(137,622)	(0.37)
Share of profit of subsidiaries and associates	6(20)	1,903,514	5.44	2,585,204	6.96
Total non-operating income and expenses		2,337,194	6.68	2,160,623	5.82
INCOME BEFORE INCOME TAX		3,478,099	9.94	4,398,921	11.84
INCOME TAX EXPENSE	6(21)	(1,078,368)	(3.08)	(821,877)	(2.21)
NET INCOME		\$ 2,399,731	6.86	\$ 3,577,044	9.63
OTHER COMPREHENSIVE INCOME (LOSS)					
Items that will not be reclassified subsequently to profit or loss					
Remeasurement of defined benefit obligation	6(13)	(39,901)	(0.11)	(45,669)	(0.12)
Income tax benefit (expense) related to items that will not be reclassified subsequently	6(21)	15,875	0.05	7,764	0.02
Items that may be reclassified subsequently to profit or loss					
Exchange differences arising from the translation of the foreign operations	6(14)	(366,613)	(1.05)	(259,473)	(0.70)
Income tax relating to the components of other comprehensive income(loss)	6(21)	56,957	0.16	44,110	0.12
Other comprehensive (loss) income, net of income tax		(333,682)	(0.95)	(253,268)	(0.68)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		\$ 2,066,049	5.91	\$ 3,323,776	8.95
EARNING PER SHARE					
Basic	6(15)	\$ 2.01		\$ 3.00	
Diluted	6(15)	\$ 2.00		\$ 2.99	

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

COMPEQ MANUFACTURING CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(Expressed in thousands of New Taiwan Dollars)

DESCRIPTION	Equity attributable to the owners of the Company					Total equity
	Capital Stock	Capital surplus	Retained earnings		Other equity	
			Legal reserve	Unappropriated earnings	Exchange differences arising from the translation of the foreign operations	
BALANCE, JANUARY 1, 2017	\$ 11,918,206	\$ 1,016,898	\$ 1,137,452	\$ 5,507,059	\$ 668,129	\$ 20,247,744
Appropriations of prior year's earnings						
Legal reserve	—	—	162,540	(162,540)	—	—
Cash dividends	—	—	—	(715,092)	—	(715,092)
Net income in 2017	—	—	—	3,577,044	—	3,577,044
Other comprehensive income in 2017, net of income tax	—	—	—	(37,905)	(215,363)	(253,268)
Total comprehensive income in 2017	—	—	—	3,539,139	(215,363)	3,323,776
BALANCE, JANUARY 1, 2018	11,918,206	1,016,898	1,299,992	8,168,566	452,766	22,856,428
Appropriations of prior year's earnings						
Legal reserve	—	—	357,705	(357,705)	—	—
Cash dividends	—	—	—	(1,430,185)	—	(1,430,185)
Net income in 2018	—	—	—	2,399,731	—	2,399,731
Other comprehensive income in 2018, net of income tax	—	—	—	(24,026)	(309,656)	(333,682)
Total comprehensive income in 2018	—	—	—	2,375,705	(309,656)	2,066,049
BALANCE, DECEMBER 31, 2018	\$ 11,918,206	\$ 1,016,898	\$ 1,657,697	\$ 8,756,381	\$ 143,110	\$ 23,492,292

For the years ended December 31, 2018 and 2017, the Company's employee compensation were \$70,982 thousand and \$89,774 thousand respectively, the compensation to directors were both \$0 thousand, which were deducted from the statement of comprehensive income for each period.

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

COMPEQ MANUFACTURING CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED ON DECEMBER 31, 2018 AND 2017

(Expressed in thousands of New Taiwan Dollars)

DESCRIPTION	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 3,478,099	\$ 4,398,921
Adjustments for:		
Income and expense (loss) items		
Depreciation expense	1,252,178	1,119,072
Amortization expense	17,274	12,400
Expected credit impairment loss (income)	(73,338)	—
Provision for Bad Debts Losses	—	25,095
Net (gain) loss on financial assets and liabilities at fair value through profit or loss	386	(11,230)
Interest expense	144,046	137,622
Interest income	(52,135)	(25,809)
Share of profit of subsidiaries and associates	(1,903,514)	(2,585,204)
Loss on disposal of property, plant and equipment	27,252	36,845
Unrealized profit from sales	20,737	22,719
Realized profit on from sales	(22,719)	(7,326)
Changes in operating assets and liabilities		
Notes receivable	70	(39)
Accounts receivable	(1,466,951)	(488,037)
Receivables from related parties	79,866	(44,953)
Other receivables	131,902	219,820
Inventories	310,144	101,646
Prepayments	19,921	(7,862)
Other current assets	585	2,963
Other current financial assets	(546,876)	—
Accounts payable	(29,939)	98,690
Payables to related parties	846,321	454,803
Other payables	(482,750)	370,798
Provisions	2,000	40,034
Other current liabilities	363,760	(99,370)
Accrued pension liabilities	(91,864)	(90,058)
Cash generated from operations	2,024,455	3,681,540
Interest received	51,032	25,474
Interest paid	(142,909)	(137,546)
Income taxes paid	(623,345)	(280,695)
Net cash generated by operating activities	\$ 1,309,233	\$ 3,288,773

(Continued)

COMPEQ MANUFACTURING CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED ON DECEMBER 31, 2018 AND 2017
(Expressed in thousands of New Taiwan Dollars)

DESCRIPTION	2018	2017
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of investments accounted for under the equity method	(922,200)	(60,000)
Payments for property, plant and equipment	(1,489,719)	(1,945,809)
Proceeds from disposal of property, plant and equipment	80,476	60,794
Increase in Refundable Deposits	(26,294)	(25,805)
Decrease in Refundable Deposits	26,697	14,554
Purchase of Intangible Assets	(22,315)	(8,325)
Increase in deferred charges	—	(5,104)
Dividends received from investment accounted for using equity method	919,701	—
Net cash generated by (used in) investing activities	(1,433,654)	(1,969,695)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in short-term borrowings	2,403,130	3,014,586
Decrease in short-term borrowings	(2,403,130)	(3,014,586)
Increase in long-term borrowings	5,810,000	5,410,000
Decrease in long-term borrowings	(5,854,434)	(5,549,140)
Increase in guarantee deposits received	2,010	10,977
Decrease in guarantee deposits received	(2,790)	(2,220)
Cash dividends	(1,430,185)	(715,092)
Net cash generated by (used in) financing activities	(1,475,399)	(845,475)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,599,820)	473,603
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	4,356,002	3,882,399
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	\$ 2,756,182	\$ 4,356,002

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

INDEPENDENT AUDITORS' REPORT

NO.00151070ECA

To the Board of Directors of Compeq Manufacturing Co., Ltd.

Opinion

We have audited the accompanying consolidated financial statements of Compeq Manufacturing Co., Ltd. and its subsidiaries (collectively referred to as “the Company”), which comprise the consolidated balance sheets as of December 31, 2018 and 2017, the consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2018 and 2017, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as of December 31, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (“IFRSs”), International Accounting Standards (“IASs”), interpretations as well as related guidance endorsed by the 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 in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China (“the Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2018. 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.

Key audit matters for the Company's consolidated financial statements for the year ended December 31, 2018 are explained as follows:

Revenue recognition from shipping warehouses

Description of the key audit matter

Refer to note 4(14), 5(4) and 6(17) of the consolidated financial statements for the information relating to revenue recognition.

The Company's sales come in two types of direct shipping from factories and shipping from warehouses, in which the revenue from shipping warehouses is recognized when the customer picks up the goods (the risk of the ownership of the goods sold is transferred and the profit is earned). The Company mainly recognizes its revenue in accordance with the statements or other information provided by the custodians of shipping warehouses and reconciliation with any change in recorded inventory. Given that the shipping warehouses spread many regions and the sales terms for each major customer also vary, such revenue recognition process often involves a lot of labor in operation, which is likely to result in inappropriate timing to recognize the revenue or inconsistency between physical quantity and recorded quantity of the inventory in custody. On the other hand, it requires both parties' labor judgment to determine if a shipment meets the terms for customer's acquisition of goods control right and such risk is the major measurement index adopted by the report users. As such, the deadline of the recognition of the revenue of the goods sold from shipping warehouses is listed as one of the key audit matter.

How the matter was addressed in our audit

We performed the following audit procedures in respect of the above key audit matter:

1. Understand and assess the propriety of the accounting policy for revenue recognition, and evaluate and test the internal control in relation to the timing of revenue recognition.

2. Implement the deadline test for the revenue from shipping warehouses in the periods before or after the balance sheet date, and check if customer account statement data, change in recorded inventory, revenue and cost carry-over were recorded at appropriate times.
3. Execute document enquiry or field stock-taking observation for the quantity of inventory in shipping warehouses, and check as well as reconcile the warehouse inventory quantity with the recorded inventory quantity. In case of any inconsistency with the recorded inventory quantity found from the enquiry response or stock-taking observation, the reasons for the inconsistency will be investigated and the test for the reconciliation items shall be executed, so as to confirm if material differences are properly adjusted and recorded.

Evaluation of allowance for loss on reduction of inventory to market

Description of the key audit matter

Refer to note 4(11), 5(2) and 6(4) of the consolidated financial statements for the information relating to inventory valuation.

The Company mainly engages in manufacture and sales of PCB(Printed Circuit Boards). Due to their short life cycle and severe competition in the industry, electronic products are susceptible to the volatility of market prices, so they have higher risk in losses on reduction of inventory to market and inventory obsolescence. The net realizable value adopted by The Company for invalid and obsolescent inventory often involves subjective judgment, so it is in a high degree of uncertainty. Given that The Company's inventory and its allowance for loss on reduction of inventory to market have a vital impact on its financial statements, the valuation of the allowance for loss on reduction of inventory to market is listed as one of the key audit matters.

How the matter was addressed in our audit

We performed the following audit procedures in respect of the above key audit matter:

1. Evaluate if the policy and procedure for setting aside the allowance for loss on reduction of inventory to market are appropriately and consistently adopted.

2. Understand the inventory warehouse management process, inspect the annual stock-taking plan and participate in the annual observation of stock-taking, so as to confirm the inventory management and status.
3. Acquire the statement to identify inventory obsolescence and invalidation and verify inventory aging propriety and rationality, so as to confirm the possibility for the loss of the inventory exceeding a certain inventory age and coverage of the invalid and obsolescent inventory items in the statement, and ensure the consistence of the statement information with the policy.
4. Inspect a variety of data adopted by the management for calculation of the inventory net realizable value, and give random check and calculation to evaluate the rationality of the inventory net realizable value and judge if relevant disclosures are adequate.

Other Matter

We have also audited the parent company only financial statements of Compeq Manufacturing Co., Ltd as of and for the years ended December 31, 2018 and 2017 on which we have issued an unmodified opinion.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs, IASs, interpretations as well as related guidance endorsed by the 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 Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, (including supervisors), are responsible for overseeing the Company's financial reporting process.

Auditors' 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 auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the 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 Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the 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 auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2018 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Baker Tilly Clock & Co

Hung-Hsun Ting , CPA

Hsien-Hsiu Cheng, CPA

March 13, 2019

Notes to Readers

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

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

COMPEQ MANUFACTURING CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

December 31, 2018 and 2017

(Expressed in thousands of New Taiwan Dollars)

ASSETS	NOTES	December 31,2018		December 31,2017	
		Amount	%	Amount	%
CURRENT ASSETS					
Cash and cash equivalents	6(1)	\$ 6,743,559	11.69	\$ 7,920,755	14.06
Financial assets at fair value through profit or loss-current	6(2)	78,532	0.14	128,221	0.23
Notes receivable	6(3)	86,333	0.15	271,781	0.48
Accounts receivable	6(3)	13,344,770	23.14	13,349,660	23.69
Other receivables		217,908	0.38	640,044	1.13
Inventories	6(4)	6,942,268	12.04	6,099,940	10.82
Prepayments		440,162	0.76	1,031,823	1.83
Other current financial assets	6(5)	1,597,368	2.77	—	—
Other current assets		81,984	0.14	68,589	0.12
Total current assets		29,532,884	51.21	29,510,813	52.36
NONCURRENT ASSETS					
Property, plant and equipment	6(6),8	26,947,965	46.73	25,619,194	45.46
Intangible assets	6(7)	87,979	0.15	78,128	0.14
Deferred tax assets	6(21)	821,067	1.42	719,103	1.28
Prepayments for equipment		39,436	0.07	171,202	0.30
Refundable deposits		4,357	0.01	4,393	0.01
Long-term prepayments for lease	6(8)	229,685	0.40	241,598	0.43
Other non-current assets		4,558	0.01	9,994	0.02
Total noncurrent assets		28,135,047	48.79	26,843,612	47.64
TOTAL		\$ 57,667,931	100.00	\$ 56,354,425	100.00

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

COMPEQ MANUFACTURING CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

December 31, 2018 and 2017

(Expressed in thousands of New Taiwan Dollars)

LIABILITIES AND EQUITY	NOTES	December 31,2018		December 31,2017	
		Amount	%	Amount	%
CURRENT LIABILITIES					
Short-term borrowings	6(9)	\$ —	—	\$ 178,560	0.32
Notes payable	6(10)	811,166	1.41	637,902	1.13
Accounts payable	6(10)	8,540,102	14.81	8,959,402	15.90
Other payables	6(11)	5,928,969	10.28	5,956,057	10.57
Current tax liabilities	6(21)	662,777	1.15	684,845	1.22
Provisions-current	6(12)	244,848	0.42	217,335	0.38
Receipts in advance		2,469	—	114,377	0.20
Current portion of long-term borrowings	6(13),8	1,346,637	2.34	1,539,723	2.73
Other current liabilities		513,592	0.89	115,790	0.21
Total current liabilities		18,050,560	31.30	18,403,991	32.66
NONCURRENT LIABILITIES					
Long-term borrowings	6(13),8	13,458,225	23.34	12,808,117	22.73
Deferred tax liabilities	6(21)	1,871,822	3.24	1,466,663	2.60
Net defined pension liabilities	6(14)	767,263	1.33	819,226	1.45
Other non-current liabilities, others		27,769	0.05	—	—
Total noncurrent liabilities		16,125,079	27.96	15,094,006	26.78
Total liabilities		34,175,639	59.26	33,497,997	59.44
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY					
Capital stock	6(15)	11,918,206	20.67	11,918,206	21.15
Capital surplus	6(15)	1,016,898	1.76	1,016,898	1.81
Retained earnings	6(15)	10,414,078	18.06	9,468,558	16.80
Legal reserve		1,657,697	2.87	1,299,992	2.31
Unappropriated earnings		8,756,381	15.19	8,168,566	14.49
Other equity	6(15)	143,110	0.25	452,766	0.80
Total equity attributable to owners of the Company		23,492,292	40.74	22,856,428	40.56
NON-CONTROLLING INTERESTS					
		—	—	—	—
Total equity		23,492,292	40.74	22,856,428	40.56
TOTAL		\$ 57,667,931	100.00	\$ 56,354,425	100.00

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

COMPEQ MANUFACTURING CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED ON DECEMBER 31, 2018 AND 2017

(Expressed in thousands of New Taiwan Dollars, Except Earnings Per Share)

DESCRIPTION	NOTE	2018		2017	
		Amount	%	Amount	%
OPERATING REVENUES	6(17)	\$ 50,828,101	100.00	\$ 53,964,193	100.00
OPERATING COSTS	6(4)	(43,602,667)	(85.79)	(45,873,484)	(85.01)
GROSS PROFIT		7,225,434	14.21	8,090,709	14.99
OPERATING EXPENSES					
Selling and marketing expenses		(864,878)	(1.70)	(937,534)	(1.74)
General and administrative expenses		(946,267)	(1.86)	(995,466)	(1.84)
Research and development expenses		(860,613)	(1.69)	(375,528)	(0.70)
Expected credit impairment income	6(3)	67,384	0.13		
Total operating expenses		(2,604,374)	(5.12)	(2,308,528)	(4.28)
OTHER OPERATING INCOME AND EXPENSES, NET	6(3)	—	—	(24,545)	(0.04)
INCOME FROM OPERATIONS		4,621,060	9.09	5,757,636	10.67
NON-OPERATING INCOME AND EXPENSES					
Other income	6(18)	628,706	1.24	278,931	0.52
Other gains and losses	6(19)	(856,667)	(1.69)	(741,519)	(1.38)
Finance costs	6(20)	(474,459)	(0.93)	(388,051)	(0.72)
Total non-operating income and expenses		(702,420)	(1.38)	(850,639)	(1.58)
INCOME BEFORE INCOME TAX		3,918,640	7.71	4,906,997	9.09
INCOME TAX EXPENSE	6(21)	(1,518,909)	(2.99)	(1,329,953)	(2.46)
NET INCOME		\$ 2,399,731	4.72	\$ 3,577,044	6.63
OTHER COMPREHENSIVE INCOME (LOSS)					
Items that will not be reclassified subsequently to profit or loss					
Remeasurement of defined benefit obligation	6(14)	(39,901)	(0.08)	(45,669)	(0.08)
Income tax benefit (expense) related to items that will not be reclassified subsequently	6(21)	15,875	0.03	7,764	0.01
Items that may be reclassified subsequently to profit or loss					
Exchange differences arising from the translation of the foreign operations	6(15)	(366,613)	(0.72)	(259,473)	(0.48)
Income tax relating to the components of other comprehensive income(loss)	6(21)	56,957	0.11	44,110	0.08
Other comprehensive (loss) income, net of income tax		(333,682)	(0.66)	(253,268)	(0.47)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		\$ 2,066,049	4.06	\$ 3,323,776	6.16
NET INCOME ATTRIBUTABLE TO :					
Shareholders of the parent		\$ 2,399,731	4.72	\$ 3,577,044	6.63
Non-controlling interests		—	—	—	—
		\$ 2,399,731	4.72	\$ 3,577,044	6.63
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO :					
Shareholders of the parent		\$ 2,066,049	4.06	\$ 3,323,776	6.16
Non-controlling interests		—	—	—	—
		\$ 2,066,049	4.06	\$ 3,323,776	6.16
EARNING PER SHARE					
Basic	6(16)	\$ 2.01		\$ 3.00	
Diluted	6(16)	\$ 2.00		\$ 2.99	

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

COMPEQ MANUFACTURING CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(Expressed in thousands of New Taiwan Dollars)

DESCRIPTION	Equity attributable to the owners of the Company						Non-controlling interests	Total equity
	Capital Stock	Capital surplus	Retained earnings		Other equity	Subtotal		
			Legal reserve	Unappropriated earnings	Exchange differences arising from the translation of the foreign operations			
BALANCE, JANUARY 1, 2017	\$ 11,918,206	\$ 1,016,898	\$ 1,137,452	\$ 5,507,059	\$ 668,129	\$ 20,247,744	\$ —	\$ 20,247,744
Appropriations of prior year's earnings								
Legal reserve	—	—	162,540	(162,540)	—	—	—	—
Cash dividends	—	—	—	(715,092)	—	(715,092)	—	(715,092)
Net income in 2017	—	—	—	3,577,044	—	3,577,044	—	3,577,044
Other comprehensive income in 2017, net of income tax	—	—	—	(37,905)	(215,363)	(253,268)	—	(253,268)
Total comprehensive income in 2017	—	—	—	3,539,139	(215,363)	3,323,776	—	3,323,776
BALANCE, JANUARY 1, 2018	11,918,206	1,016,898	1,299,992	8,168,566	452,766	22,856,428	—	22,856,428
Appropriations of prior year's earnings								
Legal reserve	—	—	357,705	(357,705)	—	—	—	—
Cash dividends	—	—	—	(1,430,185)	—	(1,430,185)	—	(1,430,185)
Net income in 2018	—	—	—	2,399,731	—	2,399,731	—	2,399,731
Other comprehensive income in 2018, net of income tax	—	—	—	(24,026)	(309,656)	(333,682)	—	(333,682)
Total comprehensive income in 2018	—	—	—	2,375,705	(309,656)	2,066,049	—	2,066,049
BALANCE, DECEMBER 31, 2018	\$ 11,918,206	\$ 1,016,898	\$ 1,657,697	\$ 8,756,381	\$ 143,110	\$ 23,492,292	\$ —	\$ 23,492,292

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

COMPEQ MANUFACTURING CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED ON DECEMBER 31, 2018 AND 2017
(Expressed in thousands of New Taiwan Dollars)

DESCRIPTION	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 3,918,640	\$ 4,906,997
Adjustments for:		
Income and expense (loss) items		
Depreciation expense	3,532,436	3,162,135
Amortization expense	41,042	38,807
Expected credit impairment loss (income)	(67,384)	—
Provision for Bad Debts Losses	—	24,545
Net (gain) loss on financial assets and liabilities at fair value through profit or loss	386	(11,229)
Interest expense	474,459	388,051
Interest income	(134,122)	(62,406)
Loss on disposal of property, plant and equipment	157,674	97,929
Exchange loss (gain) on long-term debts	(79,539)	(349,186)
Changes in operating assets and liabilities		
Increase in financial assets held for trading	—	(25,722)
Financial assets mandatorily at fair value through profit or loss	49,304	—
Notes receivable	186,818	(55,271)
Accounts receivable	4,129	(1,685,033)
Other receivables	441,674	(99,937)
Inventories	(1,024,326)	180,654
Prepayments	584,310	(420,462)
Other current assets	(18,933)	30,120
Other current financial assets	(1,594,477)	91,591
Notes payable	183,035	378,680
Accounts payable	(303,756)	654,410
Other payables	42,836	561,994
Provisions	31,402	7,738
Receipts in advance	(111,979)	(4,732)
Other current liabilities	397,675	(58,609)
Accrued pension liabilities	(91,864)	(90,058)
Cash generated from operations	6,619,440	7,661,006
Interest received	135,613	57,394
Interest paid	(468,650)	(384,186)
Income taxes paid	(1,161,060)	(848,859)
Net cash generated by operating activities	\$ 5,125,343	\$ 6,485,355

(Continued)

COMPEQ MANUFACTURING CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED ON DECEMBER 31, 2018 AND 2017
(Expressed in thousands of New Taiwan Dollars)

DESCRIPTION	2018	2017
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of financial assets at cost	\$ —	\$ (63,142)
Payments for property, plant and equipment	(5,443,476)	(4,780,428)
Proceeds from disposal of property, plant and equipment	7,686	19,055
Increase in Refundable Deposits	(37,365)	(29,282)
Decrease in Refundable Deposits	42,588	32,932
Purchase of Intangible Assets	(43,672)	(14,052)
Increase in prepayments for equipment	—	(120,298)
Decrease in Prepayments for equipment	134,618	—
Increase in other Noncurrent Assets	—	(5,105)
Net cash generated by (used in) investing activities	(5,339,621)	(4,960,320)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in short-term borrowings	4,512,912	4,571,595
Decrease in short-term borrowings	(4,699,923)	(4,677,436)
Increase in long-term borrowings	11,436,702	8,209,018
Decrease in long-term borrowings	(10,689,001)	(6,738,910)
Increase in guarantee deposits received	6,782	19,856
Decrease in guarantee deposits received	(5,613)	(3,138)
Increase in other non-current liabilities	27,743	—
Cash dividends	(1,430,185)	(715,092)
Net cash generated by (used in) financing activities	(840,583)	665,893
EFFECT OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS HELD IN FOREIGN CURRENCIES	(122,335)	8,453
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,177,196)	2,199,381
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	7,920,755	5,721,374
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	\$ 6,743,559	\$ 7,920,755

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

COMPEQ MANUFACTURING CO., LTD.
2018 PROFITS DISTRIBUTION TABLE

Unit: NTD \$

Items	Amount	Remarks
Beginning retained earnings	6,380,676,392	
Actuarial gain on the defined benefit plan	(24,025,934)	
Add : 2018 net profit	2,399,730,797	
Distributable net profit	8,756,381,255	
Less: 10% Legal Reserve Appropriated	239,973,080	
DISTRIBUTION ITEM		
Cash Dividends to Common Share holders (NT\$0.8 per share)	953,456,471	
Unappropriated Retained Earnings	7,562,951,704	

Note: If the total amount of common shares outstanding has changed due to the repurchasing of treasury shares by the company, or the exercising of employee stock option certificates, so that the ratios of the dividends are changed and need to be adjusted. It is proposed that the Chairman of Board of Directors be authorized to adjust the dividends to be distributed to each common share based on the total amount of earnings resolved to be distributed and the number of actual common shares outstanding on the record date for distribution.

Comparison Table for the Articles of Incorporation Before and After Revision

Article NO.	Before the Version	After the Version
Article 1	The Company is incorporated under the Company Act of the Republic of China, with the name of “華通電腦股份有限公司”.	The Company is incorporated under the Company Act of the Republic of China, with the name of “華通電腦股份有限公司” <u>and “COMPEQ MANUFACTURING COMPANY LIMITED” in the English language.</u>
Article 11	A Shareholders’ Meeting may be a general meeting or an extraordinary meeting <u>that is called annually.</u> The Board of Directors calls the General Shareholders’ Meeting within six months after the closing of each fiscal year, and a notice shall be sent to each shareholder no later than 30 days prior to the scheduled meeting date. An Extraordinary Shareholders’ Meeting may be called when necessary in compliance with the provisions of the law.	A Shareholders’ Meeting may be a general meeting or an extraordinary meeting, <u>the former shall be called at least once every year.</u> The Board of Directors calls the General Shareholders’ Meeting within six months after the closing of each fiscal year, and a notice shall be sent to each shareholder no later than 30 days prior to the scheduled meeting date. An Extraordinary Shareholders’ Meeting may be called when necessary in compliance with the provisions of the law.
Article 25	The Company has <u>one</u> managerial officer whose appointment and dismissal shall be decided in accordance with Article 29 of the Company Act.	The Company has <u>a certain number</u> managerial officers whose appointment and dismissal shall be decided in accordance with Article 29 of the Company Act.
Article 29	II. The Company's current and future investment environment, capital needs, profitability, domestic and international competitiveness, and capital budget, etc., are proposed by the Board of Directors for surplus distribution <u>and</u> decided by the Shareholders' Meeting. When distributing the surplus, the available surplus' amount shall not be less than 10% of the distributable surplus for the year.	II. The Company's current and future investment environment, capital needs, profitability, domestic and international competitiveness, and capital budget, etc., are proposed by the Board of Directors for surplus distribution. <u>The Company authorize the distributable dividends and bonuses in whole or in part may be paid in cash after a resolution has been adopted by a majority vote at a meeting of the Board of Directors attended by two-thirds of the total number of directors; and in addition thereto a report of such distribution shall be submitted to the Shareholders’ Meeting. If it is not issued or is issued in the form of shares, shall be decided by the Shareholders' Meeting.</u> When distributing the surplus, the available surplus' amount shall not be less than 10% of the distributable surplus for the year.
Article 32	This charter was enacted on August 21st, 1973. The first amendment was made on March 20th, 1974..... The 31st amendment was made on June 12th, 2014. The 32nd amendment was made on June 17th, 2016. The 33rd amendment was made on June 16th, 2017.	This charter was enacted on August 21st, 1973. The first amendment was made on March 20th, 1974..... The 31st amendment was made on June 12th, 2014. The 32nd amendment was made on June 17th, 2016. The 33rd amendment was made on June 16th, 2017. <u>The 34th amendment was made on June 13th, 2019.</u>

Comparison Table for the Procedures for Endorsements and Guarantees Before and After Revision

Article NO.	Before the Version	After the Version
<p>Article 2 Paragraph 1 Subparagraph 3</p>	<p>The endorsements mentioned in the procedures includes:</p> <p>III. Other Endorsements</p> <p>Any endorsements or guarantee cannot be classified as the <u>Paragraph</u> two categories.</p> <p>Any creation by the Company of a pledge or mortgage on its chattel or real property as security for the loans of another company shall also comply with these Procedures.</p> <p>Where a company's financial reports are prepared according to the International Financial Reporting Standards, "net worth" in these Procedures means the balance sheet equity attributable to the owners of the parent company under the Regulations Governing the Preparation of Financial Reports by Securities Issuers.</p> <p>"Date of occurrence" referred to in the Procedures shall mean the date of contract signing, date of payment, dates of Board of Directors' resolutions, or other dates that can confirm the counterpart and monetary amount of the <u>transaction</u>, whichever date is earlier.</p>	<p>The endorsements mentioned in the procedures includes:</p> <p>III. Other Endorsements</p> <p>Any endorsements or guarantee cannot be classified as the <u>Subparagraph</u> two categories.</p> <p>Any creation by the Company of a pledge or mortgage on its chattel or real property as security for the loans of another company shall also comply with these Procedures.</p> <p>Where a company's financial reports are prepared according to the International Financial Reporting Standards, "net worth" in these Procedures means the balance sheet equity attributable to the owners of the parent company under the Regulations Governing the Preparation of Financial Reports by Securities Issuers.</p> <p>"Date of occurrence" referred to in the Procedures shall mean the date of contract signing, date of payment, dates of Board of Directors' resolutions, or other dates that can confirm the counterpart and monetary amount of the <u>endorsements/guarantees</u>, whichever date is earlier.</p>
<p>Article 5 Paragraph 1 Subparagraph 3</p>	<p>Endorsement Decisions and Authorization Level:</p> <p>III. <u>Where the Company has established the position of independent director</u>, it shall take into full consideration the opinions of each independent director <u>during the discussion</u>. Independent directors' expressive assent or dissent and the reasons therefore shall be included in the minutes of the Board of Directors' meeting.</p>	<p>Endorsement Decisions and Authorization Level:</p> <p>III. <u>When the Board of Directors discussed the matter in the preceding paragraph</u>, it shall take into full consideration the opinions of each independent director. Independent directors' expressive assent or dissent and the reasons therefore shall be included in the minutes of the Board of Directors' meeting.</p>

Article NO.	Before the Version	After the Version
<p>Article 8 Paragraph 1 Subparagraph 2 Item 3, and Paragraph 2</p>	<p>The Company's endorsement shall be filed with the competent authority in accordance with the following provisions:</p> <p>II. In addition to the monthly announcement of the endorsement balance, if the Company and its subsidiaries' endorsements amount reaches one of the following standards, the Company shall file an announcement within two days from the date of occurrence:</p> <p>(3)The balance of endorsements/guarantees by the Company and its subsidiaries for a single enterprise reaches NT\$10 million or more and the aggregate amount of all endorsements/guarantees for, <u>investment of a long-term nature in</u>, and balance of loans to, such enterprise reaches 30 percent or more of the Company's net worth as stated in its latest financial statements.</p> <p>The Company shall announce and report on behalf of any subsidiary thereof that is not a public company of the Republic of China any matters that such a subsidiary is required to announce and report pursuant to <u>Subparagraph 4</u> in the preceding Article.</p>	<p>The Company's endorsement shall be filed with the competent authority in accordance with the following provisions:</p> <p>II. In addition to the monthly announcement of the endorsement balance, if the Company and its subsidiaries' endorsements amount reaches one of the following standards, the Company shall file an announcement within two days from the date of occurrence:</p> <p>(3)The balance of endorsements/guarantees by the Company and its subsidiaries for a single enterprise reaches NT\$10 million or more and the aggregate amount of all endorsements/guarantees for, <u>carrying value of investments accounted for using equity method</u>, and balance of loans to, such enterprise reaches 30 percent or more of the Company's net worth as stated in its latest financial statements.</p> <p>The Company shall announce and report on behalf of any subsidiary thereof that is not a public company of the Republic of China any matters that such a subsidiary is required to announce and report pursuant to <u>Subparagraph 2, item 4</u> in the preceding Article.</p>
<p>Article 9 Paragraph 1 Subparagraph 9</p>	<p>Miscellaneous</p> <p>IX. The provisions of these Procedures shall be submitted to the Audit Committee for approval and agreed by the Board of Directors, and then submitted to the shareholders' meeting for approval. If a director expresses objection and has a record or written declaration, the Company shall submit the objection to the Audit Committee and report to the shareholders' meeting for discussion. The same is applicable for the amendment. When reporting the procedures of endorsements to the Board of Directors, opinions from each Independent Director shall be taken into full consideration, and their specific ideas and reasons for consent or opposition shall also be included in the minutes of the Board of Directors' meeting.</p>	<p>Miscellaneous</p> <p>IX. The provisions of these Procedures shall be submitted to the Audit Committee for approval and agreed by the Board of Directors, and then submitted to the shareholders' meeting for approval. If a director expresses objection and has a record or written declaration, the Company shall submit the objection to the Audit Committee and report to the shareholders' meeting for discussion. The same is applicable for the amendment. When reporting the procedures of endorsements to the Board of Directors, opinions from each Independent Director shall be taken into full consideration, and their specific ideas and reasons for consent or opposition shall also be included in the minutes of the Board of Directors' meeting.</p>

Comparison Table for the Fund Loan Procedures of Compeq and its Subsidiaries Before and After Revision

Article NO.	Before the Version	After the Version
Article 2. Paragraph 4	"Date of occurrence" referred to in the Procedures shall mean the date of contract signing, date of payment, dates of Board of Directors' resolutions, or other dates that can confirm the counterpart and monetary amount of the <u>transaction</u> , whichever date is earlier.	"Date of occurrence" referred to in the Procedures shall mean the date of contract signing, date of payment, dates of Board of Directors' resolutions, or other dates that can confirm the counterpart and monetary amount of the <u>fund loans</u> , whichever date is earlier.
Article 3. Paragraph 4	When there are short-term financing needs among the foreign subsidiaries which are 100% owned directly and indirectly by the Company, the lending amount for any individual entity shall not exceed 15% of the net value of the lending subsidiary, and the total lending amount shall be subject to the limit of 30% of the net value of the lending subsidiary. The term and interest-bearing method of the loan shall be handled in accordance with the provisions of Articles 4 and 5 of these Procedures.	When there are short-term financing needs among the foreign subsidiaries which are 100% owned directly and indirectly by the Company, <u>or the Company have short-term financing needs from foreign subsidiaries which are 100% owned directly and indirectly by the Company</u> , the lending amount for any individual entity shall not exceed 15% of the net value of the lending subsidiary, and the total lending amount shall be subject to the limit of 30% of the net value of the lending subsidiary. The term and interest-bearing method of the loan shall be handled in accordance with the provisions of Articles 4 and 5 of these Procedures.
Article 4	<u>The loan of funds shall be based on the principle of short-term financing. The maximum term shall not exceed one year.</u> If the borrower has repaid the loan and needs to renew, a new application shall be made.	<u>The term of the Company's fund loans shall not exceed one year at a time, regardless of the counterpart of the loan.</u> If the borrower has repaid the loan and needs to renew, a new application shall be made.
Article 5	The interest of the loan shall be calculated with <u>a rate not lower than the maximum interest rate of the bank's short-term loan on the day of the loan.</u>	The interest of the loan shall be calculated with <u>reference to the deposits and borrowing interest rates of the Company in financial institutions.</u> <u>If the borrower of the loan is a foreign company, the method of interest-bearing and borrowing interest rate shall be applied according to the deposit and borrowing interest rate of the borrower's local financial institution.</u> <u>The borrower shall be notified to pay off the principal and interest before the expiration of the loan term. When the borrower repays the loan at maturity, the interest accrued shall be calculated first and paid off together with the principal.</u>

Article NO.	Before the Version	After the Version
Article 8	In addition to providing the promissory note of the preceding <u>paragraph</u> , the Company may separately request the borrower to provide an endorsement by the guarantor approved by the Company <u>chattel or real property as collateral.</u>	In addition to providing the promissory note of the preceding <u>article</u> , the Company may separately request the borrower to provide an endorsement by the guarantor approved by the Company <u>chattel or real property as collateral.</u>
Article 9 Paragraph 1 Subparagraph 1	The Company's fund lending control measures and overdue claims processing procedures: I. The responsible department shall pay attention to whether the borrower's operating status is normal, and submit a review report on a regular basis (every quarter). If the borrower has a record of overdue repayment, it shall be handled in accordance with the relevant provisions of the civil law debt claim.	The Company's fund lending control measures and overdue claims processing procedures: I. The responsible department shall pay attention to whether the borrower's operating status is normal, and submit a review report on a regular basis (every quarter).(<u> Provided that this restriction will not apply to subsidiaries whose voting shares are 100% owned, directly or indirectly, by the Company.</u>) If the borrower has a record of overdue repayment, it shall be handled in accordance with the relevant provisions of the civil law debt claim.
Article 11 Paragraph 1 Subparagraph 3	The Company's fund loans shall be reported to the competent authority in accordance with the following provisions: III. The Company shall announce and report on behalf of any subsidiary thereof that is not a public company of the Republic of China any matters that such a subsidiary is required to announce and report pursuant to the <u>previous paragraph of Subparagraph 3.</u>	The Company's fund loans shall be reported to the competent authority in accordance with the following provisions: III. The Company shall announce and report on behalf of any subsidiary thereof that is not a public company of the Republic of China any matters that such a subsidiary is required to announce and report pursuant to the <u>previous subparagraph of Item 3.</u>
Article 16 Paragraph 3	The "certain monetary limit" referred to in the preceding paragraph shall be in compliance with Article 3, paragraph <u>1, subparagraph 2.</u> In addition, the authorized limit on loans extended by the Company or any of its subsidiaries to any single entity shall not exceed 10% of the net worth of the lending company in the most current financial statements.	The "certain monetary limit" referred to in the preceding paragraph shall be in compliance with Article 3, paragraph <u>4.</u> In addition, the authorized limit on loans extended by the Company or any of its subsidiaries to any single entity shall not exceed 10% of the net worth of the lending company in the most current financial statements.
Article 19 Paragraph 2	When reporting the procedures of endorsements to the Board of Directors, opinions from each Independent Director shall be taken into full consideration, and their specific ideas and reasons for consent or opposition shall also be included in the minutes of the Board of Directors' meeting.	When reporting the procedures of endorsements to the Board of Directors, opinions from each Independent Director shall be taken into full consideration, and their specific ideas and reasons for consent or opposition shall also be included in the minutes of the Board of Directors' meeting.

Comparison Table for the Procedures for Acquisition and Disposal of Assets Before and After Revision

Article NO.	Before the Version	After the Version
Article 3.	<p>The term "assets" as used in these Procedures includes the following:</p> <ul style="list-style-type: none"> I. Long-term and short-term investment of marketable securities. (including stocks, bonds, corporate bonds, financial bonds, domestic beneficiary certificates, overseas mutual funds, securities of commended funds, depositary receipts, etc., subscription (sales) warrants, beneficiary securities and asset-based securities) II. Real property (including land, houses and buildings, investment properties and <u>land use rights</u>) and equipment III. Memberships. IV. Patents, copy rights, trademark rights, concessions and other intangible assets V. Claims of financial institutions (including receivables, bills purchased and discounted, loans, and overdue receivables). VI. Derivatives. VII. Assets acquired or disposed of in connection with mergers, demergers, acquisitions, or transfers of shares in accordance with law. VIII. Other major assets. 	<p>The term "assets" as used in these Procedures includes the following:</p> <ul style="list-style-type: none"> I. Long-term and short-term investment of marketable securities. (including stocks, bonds, corporate bonds, financial bonds, domestic beneficiary certificates, overseas mutual funds, securities of commended funds, depositary receipts, etc., subscription (sales) warrants, beneficiary securities and asset-based securities) II. Real property (including land, houses and buildings, investment properties) and equipment III. Memberships. IV. Patents, copy rights, trademark rights, concessions and other intangible assets V. <u>Right-of-use assets</u> VI. Claims of financial institutions (including receivables, bills purchased and discounted, loans, and overdue receivables). VII. Derivatives. VIII. Assets acquired or disposed of in connection with mergers, demergers, acquisitions, or transfers of shares in accordance with law IX. Other major assets.
Article 4. Paragraph 5	<p>"Derivatives": Refers to forward contracts, options contracts, futures contracts, leverage contracts, swap contracts, and compound contracts combining the aforementioned products whose value is derived from assets, interest rates, foreign exchange rates, indices or other interests. The term "forward contracts" does not include insurance contracts, performance contracts, after-sales service contracts, long-term leasing contracts, or long-term purchase (sales) agreements.</p>	<p>"Derivatives": Refers to forward contracts, options contracts, futures contracts, leverage contracts, <u>or</u> swap contracts, whose value is derived from <u>a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable; or hybrid contracts combining the above contracts; or hybrid contracts or structured products containing embedded derivatives.</u> The term "forward contracts" does not include insurance contracts, performance contracts, after-sales service contracts, long-term leasing contracts, or long-term purchase (sales) contracts.</p>
Article 4. Paragraph 6	<p>Assets acquired or disposed of through mergers, demergers, acquisitions or share transfers according to law: refers to assets acquired or disposed of as a consequence of mergers, demergers or acquisitions according to the Business Mergers and Acquisitions Act, the Financial Holding Company Act, the Financial Institutions Merger Act or other laws or through issuance of new shares as the consideration payable for an acquisition of shares of another company (hereinafter referred to as share transfer) according to <u>Paragraph 6, Article 156</u> of the Company Act.</p>	<p>Assets acquired or disposed of through mergers, demergers, acquisitions or share transfers according to law: refers to assets acquired or disposed of as a consequence of mergers, demergers or acquisitions according to the Business Mergers and Acquisitions Act, the Financial Holding Company Act, the Financial Institutions Merger Act or other laws or through issuance of new shares as the consideration payable for an acquisition of shares of another company (hereinafter referred to as share transfer) according to <u>Article 156-3</u> of the Company Act.</p>

Article NO.	Before the Version	After the Version
Article 5.	<p>Evaluation Procedures</p> <p>I. As a principle, the Company does not deal in the policy of the trading of acquisitions or disposal of claims of financial institutions. If these types of deals are to be formed subsequently, the Company shall obtain approval from the Audit Committee and the Board of Directors and establish its appraisal and operational procedures before the event takes place.</p> <p>II. The Company obtains or disposes of long-term, short-term securities investment or engages in derivative commodity transactions after the benefits and potential risks have been analyzed by the Finance Department. Capital expenditure related to the acquisition or disposal of real property and other assets shall be pre-planned by each unit. The feasibility of purpose and expected benefits shall be evaluated. If the related party obtains or disposes of the assets, the rationality of the trading conditions shall be assessed in accordance with the provisions of Chapter 2 of these Procedures. If the transaction shall exceed 10% of the Company's total assets, a valuation report from a professional appraiser or accountant's opinion shall also be obtained.</p> <p>III. Regarding acquisition or disposal of marketable securities, the Company shall, before the date of occurrence, obtain the target company's latest CPA-certified or reviewed financial statements as a reference for assessment of the trading price. In addition, where the trading amount exceeds 20 percent of the Company's paid-in capital or NT\$ 300 million, the Company shall, before the date of occurrence, contact CPAs for opinions on the reasonableness of the trading price. If the CPA requires expert reports, actions shall be taken in accordance with Statements of Auditing Standards No. 20 published by ARDF. Such requirement does not apply, however, to publicly quoted prices of securities that have an active market, or where otherwise provided by regulations of the securities competent authority.</p>	<p>Evaluation Procedures</p> <p>I. As a principle, the Company does not deal in the policy of the trading of acquisitions or disposal of claims of financial institutions. If these types of deals are to be formed subsequently, the Company shall obtain approval from the Audit Committee and the Board of Directors and establish its appraisal and operational procedures before the event takes place.</p> <p>II. The Company obtains or disposes of long-term, short-term securities investment or engages in derivative commodity transactions after the benefits and potential risks have been analyzed by the Finance Department. Capital expenditure related to the acquisition or disposal of real property and other assets shall be pre-planned by each unit. The feasibility of purpose and expected benefits shall be evaluated. If the related party obtains or disposes of the assets, the rationality of the trading conditions shall be assessed in accordance with the provisions of Chapter 2 of these Procedures. If the transaction shall exceed 10% of the Company's total assets, a valuation report from a professional appraiser or accountant's opinion shall also be obtained.</p> <p>III. Regarding acquisition or disposal of marketable securities, the Company shall, before the date of occurrence, obtain the target company's latest CPA-certified or reviewed financial statements as a reference for assessment of the trading price. In addition, where the trading amount exceeds 20 percent of the Company's paid-in capital or NT\$ 300 million, the Company shall, before the date of occurrence, contact CPAs for opinions on the reasonableness of the trading price. If the CPA requires expert reports, actions shall be taken in accordance with Statements of Auditing Standards No. 20 published by ARDF. Such requirement does not apply, however, to publicly quoted prices of securities that have an active market, or where otherwise provided by regulations of the securities competent authority.</p>

Article NO.	Before the Version	After the Version
	<p>IV. In acquiring or disposing of real property or equipment where the transaction amount reaches 20 percent of the Company's paid-in capital or NT\$300 million or more, the Company, unless transacting with a government agency, engaging others to build on its own land, engaging others to build on rented land, or acquiring or disposing of equipment for business use, shall obtain an appraisal report prior to the date of occurrence of the event from a professional appraiser and shall further comply with the following provisions:</p> <p>(1) Where due to special circumstances it is necessary to give a limited price, specified price, or special price as a reference basis for the transaction price, the transaction shall be submitted for approval in advance by the Audit Committee and passed by the Board of Directors. The same procedure shall be followed for any future changes to the terms and conditions of the transaction.</p> <p>(2) Where the transaction amount is NT\$ 1 billion or more, appraisals from two or more professional appraisers shall be obtained.</p> <p>(3) Where any one 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 engaged to perform the appraisal in accordance with the provisions of Statement of Auditing Standards No. 20 published by the ROC Accounting Research and Development Foundation (hereinafter abbreviated as "ARDF"). The certified public accountant shall render a specific opinion regarding the reason for the discrepancy and the suitability of the transaction price:</p> <ol style="list-style-type: none"> 1. The difference between the appraisals and the transaction amount amounts to 20% or higher. 2. The difference between appraisals from the two professional appraisal services amounts to 10% of the transaction amount or higher. 	<p>IV. In acquiring or disposing of real property equipment, <u>or right-of-use assets</u> where the transaction amount reaches 20 percent of the Company's paid-in capital or NT\$300 million or more, the Company, unless transacting with a <u>domestic</u> government agency, engaging others to build on its own land, engaging others to build on rented land, or acquiring or disposing of equipment <u>or right-of-use</u> for business use, shall obtain an appraisal report prior to the date of occurrence of the event from a professional appraiser and shall further comply with the following provisions:</p> <p>(1) Where due to special circumstances it is necessary to give a limited price, specified price, or special price as a reference basis for the transaction price, the transaction shall be submitted for approval in advance by the Audit Committee and passed by the Board of Directors. The same procedure shall be followed <u>whenever there is any subsequent change to terms and conditions</u> of the transaction.</p> <p>(2) Where the transaction amount is NT\$ 1 billion or more, appraisals from two or more professional appraisers shall be obtained.</p> <p>(3) Where any one 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 engaged to perform the appraisal in accordance with the provisions of Statement of Auditing Standards No. 20 published by the ROC Accounting Research and Development Foundation (hereinafter abbreviated as "ARDF"). The certified public accountant shall render a specific opinion regarding the reason for the discrepancy and the suitability of the transaction price:</p> <ol style="list-style-type: none"> 1. The difference between the appraisals and the transaction amount amounts to 20% or higher. 2. The difference between appraisals from the two professional appraisal services amounts to 10% of the transaction amount or higher.

Article NO.	Before the Version	After the Version
	<p>(4)No more than 3 months may elapse between the date of the appraisal report issued by a professional appraiser and the contract execution date. Where the publicly announced current value for the same period is used and not more than 6 months have elapsed, an opinion may still be issued by the original professional appraiser.</p> <p>V. When conducting a merger, demerger, acquisition, or transfer of shares, prior to convening the Board of Directors to resolve on the matter, the Company shall engage a CPA, attorney, or securities underwriter to give an opinion on the reasonableness of the share exchange ratio, acquisition price, or distribution of cash or other property to shareholders, and submit it to the Board of Directors for deliberation and passage. However, if the intended merger is with a subsidiary whose outstanding shares or total capital is directly or indirectly wholly owned by the Company or the merger is between subsidiaries whose outstanding shares or total capital is directly or indirectly wholly owned by the Company, the aforementioned specialist's opinion may be exempted.</p> <p>VI. When acquiring or disposing of memberships or intangible assets and the transaction amount reaches of 20 percent of paid-in capital or more or NT\$300 million or more, except for transactions with government agencies, the Company shall engage a certified public accountant prior to the date of occurrence of the event to provide an opinion on the reasonableness of the transaction price; the CPA shall comply with the provisions of No. 20 of the Statements of Auditing Standards released by the Accounting Research and Development Foundation.</p> <p>VII. If the Company obtains or disposes of assets from court auctions, the certification documents issued by the court can replace the valuation report or accountant's opinion.</p>	<p>(4)No more than 3 months may elapse between the date of the appraisal report issued by a professional appraiser and the contract execution date. Where the publicly announced current value for the same period is used and not more than 6 months have elapsed, an opinion may still be issued by the original professional appraiser.</p> <p>V. When conducting a merger, demerger, acquisition, or transfer of shares, prior to convening the Board of Directors to resolve on the matter, the Company shall engage a CPA, attorney, or securities underwriter to give an opinion on the reasonableness of the share exchange ratio, acquisition price, or distribution of cash or other property to shareholders, and submit it to the Board of Directors for deliberation and passage. However, if the intended merger is with a subsidiary whose outstanding shares or total capital is directly or indirectly wholly owned by the Company or the merger is between subsidiaries whose outstanding shares or total capital is directly or indirectly wholly owned by the Company, the aforementioned specialist's opinion may be exempted.</p> <p>VI. When acquiring or disposing of intangible assets <u>or right-of-use assets thereof or memberships</u> and the transaction amount reaches worthy of 20 percent of paid-in capital or more or NT\$300 million or more, except for transactions with <u>domestic</u> government agencies, the Company shall engage a certified public accountant prior to the date of occurrence of the event to provide an opinion on the reasonableness of the transaction price; the CPA shall comply with the provisions of No. 20 of the Statements of Auditing Standards released by the Accounting Research and Development Foundation.</p> <p>VII. If the Company obtains or disposes of assets from court auctions, the certification documents issued by the court can replace the valuation report or accountant's opinion.</p>

Article NO.	Before the Version	After the Version
	<p>VIII. The method for determining the price of the assets obtained or disposed of by the Company and the basis for reference shall be handled in accordance with the preceding paragraph, in addition to taking professional valuation, opinions of accountants and other relevant experts into consideration, and shall be handled in accordance with the following conditions:</p> <ol style="list-style-type: none"> (1) Acquiring or disposing of securities that have been traded in a centralized trading market or Taipei Exchange, depending on the equity or bond price at the time of the transaction. (2) For obtaining or disposing of securities that are not traded in a centralized trading market or Taipei Exchange, its net value per share, technology and profitability, future development potential, market interest rate, bond coupon rate and debtor's debt, etc. shall be taken into consideration. The price of recently-completed transactions shall also be referenced. (3) For obtaining or disposing of the membership card, the benefits that may be generated and the latest transaction price shall be taken into consideration. For obtaining or disposing of intangible assets such as patents, copyrights, trademarks, concessions, etc., international or market practices, the number of years of use and the impact on the Company's technology and business shall be taken into consideration. (4) For obtaining or disposing of real property and other fixed assets, the present value of the announcement, the present value of the assessment, the actual transaction price of the adjacent real property or the carrying value, and the supplier's quotation shall be taken into consideration. When purchasing real property from a related party , it shall first be determined whether the transaction price is reasonable according to the method specified in Chapter 2 of these Procedures. 	<p>VIII. The method for determining the price of the assets obtained or disposed of by the Company and the basis for reference shall be handled in accordance with the preceding paragraph, in addition to taking professional valuation, opinions of accountants and other relevant experts into consideration, and shall be handled in accordance with the following conditions:</p> <ol style="list-style-type: none"> (1) Acquiring or disposing of securities that have been traded in a centralized trading market or Taipei Exchange, depending on the equity or bond price at the time of the transaction. (2) For obtaining or disposing of securities that are not traded in a centralized trading market or Taipei Exchange, its net value per share, technology and profitability, future development potential, market interest rate, bond coupon rate and debtor's debt, etc. shall be taken into consideration. The price of recently-completed transactions shall also be referenced. (3) For obtaining or disposing of the membership card, the benefits that may be generated and the latest transaction price shall be taken into consideration. For obtaining or disposing of intangible assets such as patents, copyrights, trademarks, concessions, etc., international or market practices, the number of years of use and the impact on the Company's technology and business shall be taken into consideration. (4) For obtaining or disposing of real property and other fixed assets, the present value of the announcement, the present value of the assessment, the actual transaction price of the adjacent real property or the carrying value, and the supplier's quotation shall be taken into consideration. When purchasing real property from a related party, it shall first be determined whether the transaction price is reasonable according to the method specified in Chapter 2 of these Procedures.

Article NO.	Before the Version	After the Version
	<p>(5)When investing in derivative commodities, the needs of the Company's business shall first be considered before relevant commodity trading conditions and stock market transactions are taken into consideration. Trends for the future stock market, foreign exchange rates and interest rate forecast by reputable financial institutions and securities firms shall be referred to and evaluated in the report. Based on the above information, the timing of the appropriate undertaking, the commodity, and the amount of the commitment will be determined.</p> <p>(6)For mergers, divisions, acquisitions or share transfers, consideration should be given to the nature of its business, net value per share, asset value, technology and profitability, production capacity, future growth potential and overall efficiency.</p>	<p>(5)When investing in derivative commodities, the needs of the Company's business shall first be considered before relevant commodity trading conditions and stock market transactions are taken into consideration. Trends for the future stock market, foreign exchange rates and interest rate forecast by reputable financial institutions and securities firms shall be referred to and evaluated in the report. Based on the above information, the timing of the appropriate undertaking, the commodity, and the amount of the commitment will be determined.</p> <p>(6)For mergers, divisions, acquisitions or share transfers, consideration should be given to the nature of its business, net value per share, asset value, technology and profitability, production capacity, future growth potential and overall efficiency.</p> <p><u>IX. The calculation of the transaction amounts referred to in the paragraph 3,4,6above shall be done in accordance with Article 7, paragraph 2 herein, and "within the preceding year" as used herein refers to the year preceding the date of occurrence of the current transaction. Items for which an appraisal report from a professional appraiser or a CPA's opinion has been obtained need not be counted toward the transaction amount.</u></p>
Article 6.	<p>Operating Procedures</p> <p>I. The Company's acquisition or disposal of the assets listed in Article 2 of these Procedures shall be handled in accordance with the following provisions.</p> <p>(1)Securities:</p> <ol style="list-style-type: none"> 1.For securities that are not traded in a centralized trading market or Taipei Exchange, if the transaction amount is below NT\$ 10 million, the CEO is authorized to decide. If the amount exceeds NT\$ 10 million, the CEO will discuss the matter with the Board of Directors or ratify the decision. Relevant work is carried out by the Finance Department. 2.For securities that are traded in the centralized trading market or Taipei Exchange, the Board of Directors authorizes the Finance Department to trade through the centralized trading market or Taipei Exchange at the prevailing market price. 	<p>Operating Procedures</p> <p>I. The Company's acquisition or disposal of the assets listed in <u>Article 3</u> of these Procedures shall be handled in accordance with the following provisions.</p> <p>(1)Securities:</p> <ol style="list-style-type: none"> 1.For securities that are not traded in <u>domestic and foreign securities exchanges or OTC markets</u>, if the transaction amount is below NT\$ 10 million, the CEO is authorized to decide. If the amount exceeds NT\$ 10 million, the CEO will discuss the matter with the Board of Directors or ratify the decision. Relevant work is carried out by the Finance Department. 2.For securities that are traded in <u>domestic and foreign securities exchanges or OTC markets</u>, the <u>Board of Directors</u> authorizes the Finance Department to trade through the centralized trading market or Taipei Exchange at the prevailing market price.

Article NO.	Before the Version	After the Version
	<p>(2)Real property or equipment: Except for land which is thoroughly investigated and evaluated in accordance with market conditions by a unit approved by the CEO and reported to the CEO, upon acquisition, the capital expenditure plan shall be drawn up by each unit. For transactions amounting to NT\$10 million or above, the benefit evaluation report shall be submitted to the technical group for examination and approval. When the real property or equipment is to be used, a separate permission should be attached with the approval of the supervisors of each level according to the authority of the Company, and then processed through procurement procedures. For disposal, the unit shall fill out the form or project petition and proceed with the authority granted by the Company.</p> <p>(3)Derivative goods: The transaction of derivative goods shall be handled in accordance with the relevant provisions of Chapter 3 of these Procedures.</p> <p>(4)Obtaining or disposing of assets with the related party: Relevant materials shall be prepared in accordance with the provisions of Chapter 2 of these Procedures to be submitted to the Audit Committee for approval and executed after approval by the Board of Directors. However, within the scope of the NT\$2 billion between the Company and its parent company or its subsidiaries, the Board of Directors may authorize the Chairman to make a decision and then report to the upcoming Board of Directors for ratification. The abovementioned amount was recalculated after ratification by the upcoming Board of Directors meeting.</p> <p>(5)Merger, demerger, acquisition or transfer of shares: relevant procedures shall be followed and relevant materials shall be prepared in accordance with the provisions of Chapter 4 of the Procedures. Mergers, demergers and acquisitions shall be subject to the resolution of the shareholders' meeting except where the provisions of the shareholders' meeting are waived. Transfer of shares shall be submitted to the Audit Committee for approval and approved by the Board of Directors.</p> <p>(6)Others: Procedures shall be compliant with the internal control system and the operating procedures stipulated by the authority. If there is a stipulation in Article 185 of the Company Act, it shall be approved by the shareholders' meeting.</p>	<p>(2)Real property or <u>right-of-use assets</u>, equipment: Except for land which is thoroughly investigated and evaluated in accordance with market conditions by responsible department assigned by the CEO, upon acquisition, the capital expenditure plan shall be drawn up by responsible department. For transactions amounting to NT\$10 million or above, the benefit evaluation report shall get approved according to the Company capital assets Procedures. For execution, the department which requires process capital assets shall fill out the form or project in accordance with related regulations and proceed with the authority granted by the Company. For disposal, the department which processes capital assets shall fill out the form or project in accordance with related regulations and proceed with the authority granted by the Company.</p> <p>(3)Obtaining or disposing of assets with the related party: Relevant materials <u>shall be handled in accordance with the relevant provisions of Chapter 2 of these Procedures.</u></p> <p>(4)Derivative goods :The transaction of derivative goods shall be handled in accordance with the relevant provisions of Chapter 3 of these Procedures.</p> <p>(5)Merger, demerger, acquisition or transfer of shares: relevant procedures shall be followed and relevant materials <u>shall be handled in accordance with the relevant provisions of Chapter 4 of these Procedures.</u></p> <p>(6)Others: Procedures shall be compliant with the internal control system and the operating procedures stipulated by the authority. If there is a stipulation in Article 185 of the Company Act, it shall be approved by the shareholders' meeting.</p>

Article NO.	Before the Version	After the Version
	<p>II. Executing unit : The Company's executing units for long-term and short-term investment portfolios and derivative commodity transactions are those approved by the Finance Department and the people approved by the CEO. The executive units of real property and other assets are the relevant departments and units. For mergers, demergers, acquisition or transfer of shares, it is the execution unit approved by the Finance Department and the CEO. After the assets obtained or disposed of have been evaluated and approved, the executing unit shall perform the transaction process of contracting, receiving, paying, delivering and accepting, and shall handle the relevant procedures according to the internal control system depending on the nature of the assets. For the acquisition of real property from a related party , trading in derivative commodities and mergers, demergers, acquisitions or transfer of shares shall be governed by the provisions of Chapters 2 to 4 of these Procedures.</p>	<p>II. Executing unit: The Company's executing units for long-term and short-term investment portfolios and derivative commodity transactions are those approved by the Finance Department and the people approved by the CEO. The executive units of real property , <u>right-of-use assets</u> and other assets are the relevant departments and units. For mergers, demergers, acquisition or transfer of shares, it is the execution unit approved by the Finance Department and the CEO. After the assets obtained or disposed of have been evaluated and approved, the executing unit shall perform the transaction process of contracting, receiving, paying, delivering and accepting, and shall handle the relevant procedures according to the internal control system depending on the nature of the assets. For the acquisition of real property from a related party, trading in derivative commodities and mergers, demergers, acquisitions or transfer of shares shall be governed by the provisions of Chapters 2 to 4 of these Procedures.</p>
Article 7.	<p>Public Declaration Procedures</p> <p>I. When obtaining or disposing of assets, if any of the circumstances below occur, the Company shall fill in the information depending on the nature in accordance with the prescribed form, and submit the relevant information to the designated website of the competent authority within two days from the date of occurrence of declaration.</p> <p>(1)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 the Company's paid-in capital, 10% or more of total assets, or NT\$300 million or more. However, this does not apply to trading of government bonds or bonds under repurchase and resale agreements, or subscription or redemption of domestic money market funds.</p> <p>(2)Merger, demerger, acquisition, or transfer of shares.</p>	<p>Public Declaration Procedures</p> <p>I. When obtaining or disposing of assets, if any of the circumstances below occur, the Company shall fill in the information depending on the nature in accordance with the prescribed form, and submit the relevant information to the designated website of the competent authority within two days from the date of occurrence of declaration.</p> <p>(1)Acquisition or disposal of real property <u>or right-of-use assets</u> from or to a related party, or acquisition or disposal of assets other than real property <u>or right-of-use assets</u> from or to a related party where the transaction amount reaches 20% or more of the Company's paid-in capital, 10% or more of total assets, or NT\$300 million or more. However, this does not apply to trading of <u>domestic</u> government bonds or bonds under repurchase and resale agreements, or subscription or redemption of domestic money market funds.</p> <p>(2)Merger, demerger, acquisition, or transfer of shares.</p>

Article NO.	Before the Version	After the Version
	<p>(3) Losses from derivatives trading reaching the limits on aggregate losses or losses on individual contracts set out in the procedures adopted by the Company.</p> <p>(4) Where the type of assets acquired or disposed of is equipment for business use, the trading counter-party is not a related party, and the transaction amount meets any of the following criteria:</p> <ol style="list-style-type: none"> 1. Where the Company's paid-in capital is less than NT\$10 billion and the transaction amount is more than NT\$500 million. 2. Where the Company's paid-in capital is more than NT\$10 billion and the transaction amount is more than NT\$1 billion. <p>(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 reaches NT\$500 million.</p> <p>(6) Where an asset transaction other than any of those referred to in the preceding five subparagraphs, or an investment in the mainland China area reaches 20 percent or more of the Corporation's paid-in capital or NT\$300 million. The following situations are excluded :</p> <ol style="list-style-type: none"> 1. Trading of government bonds. 2. Where done by professional investors—securities trading on foreign or domestic securities exchanges or OTC markets, or subscription of ordinary corporate bonds that are offered and issued in the domestic primary market, or subscription or redemption of securities investment trust funds or futures trust funds, or subscription by a securities firm of securities as necessitated by its undertaking business or as an advisory recommending securities firm for an emerging stock company, in accordance with the rules of the Taipei Exchange. 	<p>(3) Losses from derivatives trading reaching the limits on aggregate losses or losses on individual contracts set out in the procedures adopted by the Company.</p> <p>(4) Where the type of assets acquired or disposed of is equipment <u>or right-of-use assets</u> for business use, the trading counter-party is not a related party, and the transaction amount meets any of the following criteria:</p> <ol style="list-style-type: none"> 1. Where the Company's paid-in capital is less than NT\$10 billion and the transaction amount is more than NT\$500 million. 2. Where the Company's paid-in capital is more than NT\$10 billion and the transaction amount is more than NT\$1 billion. <p>(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, <u>and furthermore the transaction counterparty is not a related party</u>, and the amount the Company expects to invest in the transaction reaches NT\$500 million</p> <p>(6) Where an asset transaction other than any of those referred to in the preceding five subparagraphs, or an investment in the mainland China area reaches 20 percent or more of the Corporation's paid-in capital or NT\$300 million. The following situations are excluded :</p> <ol style="list-style-type: none"> 1. Trading of <u>domestic</u> government bonds. 2. Where done by professional investors—securities trading on securities exchanges or OTC markets, or subscription of ordinary corporate bonds <u>or general bank debentures without equity characteristics (excluding subordinated debt)</u> that are offered and issued in the primary market, or subscription or redemption of securities investment trust funds or futures trust funds, or subscription by a securities firm of securities as necessitated by its undertaking business or as an advisory recommending securities firm for an emerging stock company, in accordance with the rules of the Taipei Exchange.

Article NO.	Before the Version	After the Version
	<p>3.Trading of bonds under repurchase/resale agreements, or subscription or redemption of domestic money market funds.</p> <p>The amount of the transactions above shall be calculated as follows :</p> <p>(1)The amount of any individual transaction.</p> <p>(2)The cumulative transaction amount of acquisitions and disposals of the same type of underlying asset with the same trading counterparty within the preceding year.</p> <p>(3)The cumulative transaction amount of real property acquisitions and disposals (cumulative acquisitions and disposals, respectively) within the same development project within the year.</p> <p>(4)The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of the same security within the year.</p> <p>"Within the preceding year" as used in the preceding paragraph refers to the year preceding the date of occurrence of the current transaction. Items duly announced in accordance with the provisions of the "Regulations Governing the Acquisition and Disposal of Assets by Public Companies" need not be counted toward the transaction amount.</p> <p>II. The Company shall compile monthly reports on the status of derivatives trading engaged in up to the end of the preceding month by itself and any subsidiaries that are not domestic public companies, and input into the information reporting website designated by the competent authority by the 10th day of each month.</p> <p>III. When the Company makes an error or omission in an item required by regulations to be publicly announced, all the items shall be properly corrected and publicly announced in entirety within 2 days upon knowledge of its error or omission.</p> <p>IV. When any of the following circumstances occurs with respect to a transaction that the Company has already publicly announced in accordance with the regulations, a public report of relevant information shall be made on the website designated by the competent authority within 2 days commencing immediately from the date of the event :</p>	<p>3.Trading of bonds under repurchase/resale agreements, or subscription or redemption of domestic money market funds.</p> <p>II. The amount of the transactions above shall be calculated as follows :</p> <p>(1)The amount of any individual transaction.</p> <p>(2)The cumulative transaction amount of acquisitions and disposals of the same type of underlying asset with the same trading counterparty within the preceding year.</p> <p>(3)The cumulative transaction amount of real property <u>or right-of-use assets</u> acquisitions and disposals (cumulative acquisitions and disposals, respectively) within the same development project within the year.</p> <p>(4)The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of the same security within the year.</p> <p>(5)"Within the preceding year" as used in the preceding paragraph refers to the year preceding the date of occurrence of the current transaction. Items duly announced in accordance with the provisions of the "Regulations Governing the Acquisition and Disposal of Assets by Public Companies" need not be counted toward the transaction amount.</p> <p>III. The Company shall compile monthly reports on the status of derivatives trading engaged in up to the end of the preceding month by itself and any subsidiaries that are not domestic public companies, and input into the information reporting website designated by the competent authority by the 10th day of each month.</p> <p>IV. When the Company makes an error or omission in an item required by regulations to be publicly announced, all the items shall be properly corrected and publicly announced in entirety within 2 days upon knowledge of its error or omission.</p> <p>V. When any of the following circumstances occurs with respect to a transaction that the Company has already publicly announced in accordance with the regulations, a public report of relevant information shall be made on the website designated by the competent authority within 2 days commencing immediately from the date of the event :</p>

Article NO.	Before the Version	After the Version
	<p>(1)Change, termination, or rescission of a contract signed in regards to the original transaction.</p> <p>(2)The merger, demerger, acquisition, or transfer of shares is not completed by the scheduled date set forth in the contract.</p> <p>(3)Change to the originally publicly announced and reported information.</p>	<p>(1)Change, termination, or rescission of a contract signed in regards to the original transaction.</p> <p>(2)The merger, demerger, acquisition, or transfer of shares is not completed by the scheduled date set forth in the contract.</p> <p>(3)Change to the originally publicly announced and reported information.</p>
Article 8.	<p>Total amount of non-commercial use real property or securities, and limit of individual security obtained by the Company and its various subsidiaries</p> <p>I. The total amount of real property acquired by the Company for non-business use shall not exceed 50% of the net value of its latest financial statements. The total amount of securities obtained shall not exceed 100% of the net value of the latest financial statements of the Company. The individual limit for obtaining securities may not exceed 50% of the net value of the latest financial statements of the Company, except for those approved by the shareholders' meeting.</p> <p>II. The total investment and quota of each subsidiary of the Company shall be handled in accordance with the following provisions. In case of approval by the subsidiary's Board of Directors, submission to the Company's Audit Committee and approval of the Board of Directors of the Company, the following provisions are exempted :</p> <p>(1)For a subsidiary that is not a professional investment company, the total amount of real property purchased for non-business use shall not exceed 50% of the net value of the latest financial statement of the subsidiary, the total amount of purchased securities shall not exceed 100% of the net value of the latest financial statement of the subsidiary, and the limit for investing in individual securities shall not exceed 50% of the net value of the latest financial statement of the subsidiary.</p> <p>(2)For a subsidiary that is a professional investment company, the total amount of real property purchased for non-business use shall not exceed 50% of the total assets of the subsidiary; the total amount of securities shall not exceed 100% of the total assets of the subsidiary; and the limit for individual securities is 100% of the total assets of the subsidiary.</p>	<p>Total amount of non-commercial use real property <u>and right-of-use assets</u> or securities, and limit of individual security obtained by the Company and its various subsidiaries</p> <p>I. The total amount of real property <u>and right-of-use assets</u> acquired by the Company for non-business use shall not exceed 50% of the net value of its latest financial statements. The total amount of securities obtained shall not exceed 100% of the net value of the latest financial statements of the Company. The individual limit for obtaining securities may not exceed 50% of the net value of the latest financial statements of the Company, except for those approved by the shareholders' meeting.</p> <p>II. The total investment and quota of each subsidiary of the Company shall be handled in accordance with the following provisions. In case of approval by the subsidiary's Board of Directors, submission to the Company's Audit Committee and approval of the Board of Directors of the Company, the following provisions are exempted :</p> <p>(1)For a subsidiary that is not a professional investment company, the total amount of real property <u>and right-of-use assets</u> purchased for non-business use shall not exceed 50% of the net value of the latest financial statement of the subsidiary, the total amount of purchased securities shall not exceed 100% of the net value of the latest financial statement of the subsidiary, and the limit for investing in individual securities shall not exceed 50% of the net value of the latest financial statement of the subsidiary.</p> <p>(2)For a subsidiary that is a professional investment company, the total amount of real property <u>–and right-of-use assets</u> purchased for non-business use shall not exceed 50% of the <u>latest financial statement</u> of the subsidiary; the total amount of securities shall not exceed 100% of the <u>latest financial statement</u> of the subsidiary; and the <u>limit for individual securities is 100% of the latest financial statement</u> of the subsidiary.</p>

Article NO.	Before the Version	After the Version
Article 9. Paragraph 2	The subsidiaries of the Company shall review whether the aforementioned procedures comply with the relevant standards and independently check whether the assets obtained or disposed of are handled in accordance with their prescribed procedures.	The subsidiaries of the Company shall review whether the aforementioned procedures comply with the relevant standards and independently check whether the assets obtained or disposed of are handled in accordance with their prescribed procedures.
Article 10.	Penalties: If the relevant personnel are in violation of <u>the provisions of the Company's procedures for obtaining or disposing of assets</u> , the penalties shall be imposed in accordance with the provisions of the Company's relevant rules.	Penalties: If the relevant personnel are in violation of <u>these Regulations</u> , the penalties shall be imposed in accordance with the provisions of the Company's relevant rules.
Article 12.	<p>Resolution procedures :</p> <p>When the Company intends to acquire or dispose of real property thereof from or to a related party , or when it intends to acquire or dispose of assets other than real property thereof from or to a related party and the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the Company's total assets, or NT\$300 million or more, except in 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 Company may not proceed to enter into a transaction contract or make a payment until the following matters have been audited by the Audit Committee and approved by the Board of Directors :</p> <p>I. The purpose, necessity and anticipated benefit of the acquisition or disposal of assets.</p> <p>II. The reason for choosing the related party as a trading counterparty.</p> <p>III. With respect to the acquisition of real property thereof from a related party, information regarding appraisal of the rationality of the preliminary transaction terms in accordance with Article 13 and Article 14.</p> <p>IV. The date and price at which the related party originally acquired the real property, the original trading counterparty, and that trading counterparty's relationship to the Company and the related party .</p> <p>V. Monthly cash flow forecasts for the year commencing from the anticipated month of signing of the contract, the evaluation of the necessity of the transaction, and rationality of the funds utilization.</p>	<p>Resolution procedures :</p> <p>I. When the Company intends to acquire or dispose of real property <u>or right-of-use assets</u> thereof from or to a related party, or when it intends to acquire or dispose of assets other than real property thereof from or to a related party and the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the Company's total assets, or NT\$300 million or more, except in trading of <u>domestic</u> 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 Company may not proceed to enter into a transaction contract or make a payment until the following matters have been audited by the Audit Committee and approved by the Board of Directors:</p> <p>(1) The purpose, necessity and anticipated benefit of the acquisition or disposal of assets.</p> <p>(2) The reason for choosing the related party as a trading counterparty.</p> <p>(3) With respect to the acquisition of real property <u>or right-of-use assets</u> thereof from a related party, information regarding appraisal of the rationality of the preliminary transaction terms in accordance with Article 13 and Article 14.</p> <p>(4) The date and price at which the related party originally acquired the real property, the original trading counterparty, and that trading counterparty's relationship to the Company and the related party.</p>

Article NO.	Before the Version	After the Version
	<p>VI. An appraisal report from a professional appraiser or a CPA's opinion obtained in compliance with the preceding article.</p> <p>VII. Restrictive covenants and other important stipulations associated with the transaction.</p> <p>With respect to the acquisition or disposal of business-use equipment between the Company and its parent or subsidiaries, the Company's board of directors may delegate the board chairman to decide such matters when the transaction is within a certain amount and have the decisions subsequently submitted to and ratified by the next board of directors meeting, pursuant to Article 6.</p>	<p>(5) Monthly cash flow forecasts for the year commencing from the anticipated month of signing of the contract, the evaluation of the necessity of the transaction, and rationality of the funds utilization.</p> <p>(6) An appraisal report from a professional appraiser or a CPA's opinion obtained in compliance with the preceding article.</p> <p>(7) Restrictive covenants and other important stipulations associated with the transaction.</p> <p><u>II. With respect to the types of transactions within NT\$2 billion listed below, when to conducted between the Company and its parent or subsidiaries, or between its subsidiaries in which it directly or indirectly holds 100 percents of the issued shares or authorized capital , the Company's board of directors may authorize the board chairman to decide and then report to the upcoming Board of Directors for ratification. The abovementioned amount was recalculated after ratification by the upcoming Board of Directors meeting</u></p> <p><u>(1) Acquisition or disposal of equipment or right-of-use assets thereof held for business use.</u></p> <p><u>(2) Acquisition or disposal of real property right-of-use assets held for business use.</u></p>
Article 13	<p>Assessment of the rationality of trading conditions:</p> <p>For the Company to acquire real property from a related party , the rationality of the transaction costs shall be evaluated by the following means. A CPA shall be engaged to review the appraisal and render a specific opinion.</p> <p>I. Based upon the related party's transaction price, necessary interest on funding and the costs that are legally to be duly borne by the buyer are calculated. "Necessary interest on funding" is imputed as the weighted average interest rate on borrowing in the year the Company purchases the property. It may not be higher than the maximum non-financial industry lending rate announced by the Ministry of Finance.</p>	<p>Assessment of the rationality of trading conditions:</p> <p>I. For the Company to acquire real property <u>or right-of-use assets</u> from a related party, the rationality of the transaction costs shall be evaluated by the following means. A CPA shall be engaged to review the appraisal and render a specific opinion.</p> <p>(1) Based upon the related party's transaction price, necessary interest on funding and the costs that are legally to be duly borne by the buyer are calculated. "Necessary interest on funding" is imputed as the weighted average interest rate on borrowing in the year the Company purchases the property. It may not be higher than the maximum non-financial industry lending rate announced by the Ministry of Finance.</p>

Article NO.	Before the Version	After the Version
	<p>II. If the related party has previously created a mortgage on the property as security for a loan, the total value of actual cumulative amount loaned by the financial institution shall have been 70 percent or more of the financial institution's appraised loan value of the property and the period of the loan shall have been 1 year or more. However, this shall not apply where the financial institution is a related party of one of the trading counterparties.</p> <p>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 in the preceding paragraph. In any of the following circumstances, the transaction shall be handled in accordance with the provisions of Article 12, and the preceding two articles shall not apply :</p> <p>I. The related party acquired the real property through inheritance or as a gift.</p> <p>II. More than 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.</p> <p>III. The real property is acquired through signing of a joint development contract with the related party, or through engaging a related party to build real property, either on the Company's own land or on rented land.</p>	<p>(2)If the related party has previously created a mortgage on the property as security for a loan, the total value of actual cumulative amount loaned by the financial institution shall have been 70 percent or more of the financial institution's appraised loan value of the property and the period of the loan shall have been 1 year or more. However, this shall not apply where the financial institution is a related party of one of the trading counterparties.</p> <p>II. Where land and structures thereupon are combined as a single property purchased or <u>leased</u> in one transaction, the transaction costs for the land and the structures may be separately appraised in accordance with either of the means listed in the preceding paragraph.</p> <p>III. In any of the following circumstances, the transaction shall be handled in accordance with the provisions of Article 12, and the preceding two articles shall not apply:</p> <p>(1)The related party acquired the real property <u>or right-of-use assets</u> through inheritance or as a gift.</p> <p>(2)More than 5 years will have elapsed from the time the related party signed the contract to obtain the real property <u>or right-of-use assets</u> to the signing date for the current transaction.</p> <p>(3)The real property is acquired through signing of a joint development contract with the related party, or through engaging a related party to build real property, either on the Company's own land or on rented land.</p> <p>(4)<u>The real property right-of-use assets for business use are acquired by the company with its parent or subsidiaries, or by its subsidiaries in which it directly or indirectly holds 100 percent of the issued shares or authorized capital.</u></p>
Article 14	<p>To-do items with when the transaction cost is lower than the transaction price. In accordance with the provisions of the preceding article, if the transaction costs set by the evaluation results are lower than the transaction price, except for the following circumstances, the objective evidence and the specific opinions of professional real property appraisers and accountants shall be submitted, and the provisions of Article 3 shall be followed :</p>	<p>To-do items with when the transaction cost is lower than the transaction price.</p> <p>I. In accordance with the provisions of the preceding article, if the transaction costs set by the evaluation results are lower than the transaction price, except for the following circumstances, the objective evidence and the specific opinions of professional real property appraisers and accountants shall be submitted, and the provisions of Article 3 shall be followed :</p>

Article NO.	Before the Version	After the Version
	<p>I. Where the related party acquired undeveloped land or leased land for development, it may submit proof of compliance with one of the following conditions:</p> <p>(1) In the case of an assessment of undeveloped land is conducted with the method specified in the preceding provisions, the house shall be added rational operating profits according to the related party's operating cost, and the total shall exceed the actual transaction price. The "reasonable construction profit" shall be deemed the average gross operating profit margin of the related party's construction division over the most recent three years or the gross profit margin for the construction industry for the most recent period as announced by the Ministry of Finance, whichever is lower.</p> <p>(2) Completed transactions of other floors of the same property or neighboring regions of unrelated parties within a year, where the area and conditions are similar with the trading terms including rational floors or regions' spread based on real property dealing practice after assessment.</p> <p>(3) Completed leasing transactions by unrelated related parties 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.</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 completed transactions involving neighboring or closely valued parcels of completed transactions involving neighboring or closely valued parcels of land of a similar size by unrelated parties within the preceding year.</p> <p>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 one year refers to one year from the actual date of acquisition of the real property .</p>	<p>(1) Where the related party acquired undeveloped land or leased land for development, it may submit proof of compliance with one of the following conditions:</p> <p>1. In the case of an assessment of undeveloped land is conducted with the method specified in the preceding provisions, the house shall be added rational operating profits according to the related party's operating cost, and the total shall exceed the actual transaction price. The "reasonable construction profit" shall be deemed the average gross operating profit margin of the related party's construction division over the most recent three years or the gross profit margin for the construction industry for the most recent period as announced by the Ministry of Finance, whichever is lower.</p> <p>2. Completed transactions of other floors of the same property or neighboring regions of unrelated parties within a year, where the area and conditions are similar with the trading terms including rational floors or regions' spread based on real property dealing practice after assessment.</p> <p>3. Completed leasing transactions by unrelated related parties 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.</p> <p>(4) Where the Company acquiring real property <u>or obtaining real property right-of-use assets through leasing</u>, from a related party provides evidence that the terms of the transaction are similar to the terms of completed transactions involving neighboring or closely valued parcels of land of a similar size by unrelated parties within the preceding year.</p> <p>II. 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 <u>right-of-use assets</u> in the planned transaction; within one year refers to one year from the actual date of acquisition of the real property .</p>

Article NO.	Before the Version	After the Version
	<p>When the Company obtains real property from a related party, if the transaction cost calculated by the assessment result in accordance with the preceding article is lower than the transaction price and there is no such situation as mentioned in the first paragraph of this Article, the following matters shall be attended to:</p> <p>I. A special reserve shall be set aside in accordance with Paragraph 1 of Article 41 of the Securities and Exchange Act against the difference between the real property transaction price and the appraised cost, and may not be distributed or used for capital increase. If a public company uses the equity method to account for its investment in this Company, the special reserve called for under Article 41-1 of the Securities and Exchange Act shall be set aside.</p> <p>II. Supervisors shall comply with Article 218 of the Company Act.</p> <p>III. The Company shall report the handling of the first and second paragraphs mentioned above to the shareholders' meeting and disclose the details of the transaction in the annual report and public notice.</p> <p>The special reserve specified in paragraph 3 of the Article may not be utilized until it has recognized a loss on decline in market value of the assets it purchased at a premium, or they have been disposed of, or adequate compensation has been made, or the status quo ante has been restored, or there is other evidence confirming that there was nothing unreasonable about the transaction, and the securities competent authority has given its consent.</p> <p>When the Company obtains real property from a related party, it shall also comply with the provisions of paragraph 3 and 4 in this Article if there is other evidence indicating that the acquisition was not an arm's length transaction.</p>	<p><u>III.</u> When the Company obtains real property from a related party, if the transaction cost calculated by the assessment result in accordance with the preceding article is lower than the transaction price and there is no such situation as mentioned in the first paragraph of this Article, the following matters shall be attended to:</p> <p>(1) A special reserve shall be set aside in accordance with Paragraph 1 of Article 41 of the Securities and Exchange Act against the difference between the real property transaction price and the appraised cost, and may not be distributed or used for capital increase. If a public company uses the equity method to account for its investment in this Company, the special reserve called for under Article 41-1 of the Securities and Exchange Act shall be set aside.</p> <p>(2) <u>Independent director members of the audit committee</u> shall comply with Article 218 of the Company Act.</p> <p>(3) The Company shall report the handling of the first and second paragraphs mentioned above to the shareholders' meeting and disclose the details of the transaction in the annual report and public notice.</p> <p><u>IV.</u> The special reserve specified in paragraph 3 of the Article may not be utilized until it has recognized a loss on decline in market value of the assets it purchased <u>or leased</u> at a premium, or they have been disposed of, <u>or the leasing contract has been terminated</u>, or adequate compensation has been made, or the status quo ante has been restored, or there is other evidence confirming that there was nothing unreasonable about the transaction, and the securities competent authority has given its consent.</p> <p><u>V.</u> When the Company obtains real property <u>right-of-use assets</u> from a related party, it shall also comply with the provisions of paragraph 3 and 4 in this Article if there is other evidence indicating that the acquisition was not an arm's length transaction.</p>

Article NO.	Before the Version	After the Version
Article 15 Paragraph 3 Subparagraph 1	Hedging transactions: The net foreign exchange liability position (including the net portion expected to be generated after the combination of assets and liabilities) is the upper limit of hedging.	Hedging transactions: The scope of hedge is according to the net position offset by foreign currency asset and foreign currency liability. For the net foreign currency position which may appear in the future, it shall be evaluate the feasibility, reasonability and necessary, and then execute.
Article 19	When conducting a merger, demerger, acquisition, or transfer of shares, prior to convening the Board of Directors to resolve on the matter, the Company shall engage a CPA, attorney, or securities underwriter to give an opinion on the reasonableness of the share exchange ratio, acquisition price, or distribution of cash or other property to shareholders, and submit it to the Board of Directors for deliberation and passage.	When conducting a merger, demerger, acquisition, or transfer of shares, prior to convening the Board of Directors to resolve on the matter, the Company shall engage a CPA, attorney, or securities underwriter to give an opinion on the reasonableness of the share exchange ratio, acquisition price, or distribution of cash or other property to shareholders, and submit it to the Board of Directors for deliberation and passage. <u>Among such cases, mergers, demergers and acquisitions shall be subject to the resolution of the shareholders' meeting except where the provisions of the shareholders' meeting are waived.</u>
Article 26	Professional appraisers and their officers, certified public accounts, attorneys, and securities underwriters that provide public companies with appraisal reports, certified public accountant's opinions, attorney's opinions, or underwriter's opinions shall not be a related party.	I. Professional appraisers and their officers, certified public accounts, attorneys, and securities underwriters that provide public companies with appraisal reports, certified public accountant's opinions, attorney's opinions, or underwriter's opinions shall <u>meet the following requirements:</u> <u>(1)May not have previously received a final and unappealable sentence to imprisonment for 1 year or longer for a violation of the Act, the Company Act, the Banking Act of The Republic of China, the Insurance Act, the Financial Holding Company Act, or the Business Entity Accounting Act, or for fraud, breach of trust, embezzlement, forgery of documents, or occupational crime. However, this provision does not apply if 3 years have already passed since completion of service of the sentence, since expiration of the period of a suspended sentence, or since a pardon was received.</u> <u>(2)May not be a related party or de facto related party of any party to the transaction.</u> <u>(3)If the company is required to obtain appraisal reports from two or more professional appraisers, the different professional appraisers or appraisal officers may not be related parties or de facto related parties of each other.</u>

Article NO.	Before the Version	After the Version
		<p><u>II. When issuing an appraisal report or opinion, the personnel referred to in the preceding paragraph shall comply with the following:</u></p> <p><u>(1) Prior to accepting a case, they shall prudently assess their own professional capabilities, practical experience, and independence.</u></p> <p><u>(2) When examining a case, they shall appropriately plan and execute adequate working procedures, in order to produce a conclusion and use the conclusion as the basis for issuing the report or opinion. The related working procedures, data collected, and conclusion shall be fully and accurately specified in the case working papers.</u></p> <p><u>(3) They shall undertake an item-by-item evaluation of the comprehensiveness, accuracy, and reasonableness of the sources of data used, the parameters, and the information, as the basis for issuance of the appraisal report or the opinion.</u></p> <p><u>(4) They shall issue a statement attesting to the professional competence and independence of the personnel who prepared the report or opinion, and that they have evaluated and found that the information used is reasonable and accurate, and that they have complied with applicable laws and regulations.</u></p>
Article 28	<p>The provisions of these guidelines relating to 10% of the total assets shall be calculated on the basis of the total assets in the latest individual or respective financial statements as stipulated in the guidelines for financial reports made by securities issuers.</p> <p>In the case of the Company whose shares have no par value or a par value other than NT\$10 per share, for the threshold of transaction amounts of 20% of paid-in capital under these procedures, 10% of equity attributable to owners of the parent shall be substituted.</p>	<p><u>I. The provisions of these guidelines relating to 10% of the total assets shall be calculated on the basis of the total assets in the latest individual or respective financial statements as stipulated in the guidelines for financial reports made by securities issuers.</u></p> <p><u>II. In the case of the Company whose shares have no par value or a par value other than NT\$10 per share, for the threshold of transaction amounts of 20% of paid-in capital under these procedures, 10% of equity attributable to owners of the parent shall be substituted; for calculations under the provisions of these Regulations regarding transaction amounts relative to paid-in capital of NT\$10 billion, NT\$20 billion of equity attributable to owners of the parent shall be substituted.</u></p>

COMPEQ MANUFACTURING CO., LTD.

Rules of Procedure for Shareholders' Meeting

Amendment was made on June 5th, 2012

- I. Except as otherwise provided by the law, shareholders' meeting of Compeq Manufacturing Co., Ltd. (hereinafter referred to as the Company) shall be compliant with these Rules.
- II. The term "shareholders" used in these Rules refers to the shareholders as well as the proxy the shareholders entrusted to attend the meeting.
- III. The attending shareholder (or proxy) shall wear the badge or hand in the sign-in card in order to represent a shareholder who is incapable of attending in person.

The number of shares in attendance shall be calculated according to the shares indicated by the sign-in cards handed in plus the number of shares whose voting rights are exercised by correspondence or electronically.
- IV. The Chairman shall call the meeting to order at the appointed meeting time. However, when the attending shareholders do not represent a majority of the total number of issued shares, the Chairman may announce a postponement. However, no more than two such postponements for a combined total of no more than 1 hour may be made. When two such postponements are made and the total shares represented still do not make up sufficient outstanding shares, if more than 1/3 of the total issued shares are in attendance, tentative resolutions may be made pursuant to Article 175, Paragraph 1 of the Company Act.

When, prior to the conclusion of the meeting, the attending shareholders represent a majority of the total number of issued shares, the Chairman may resubmit such tentative resolution for a vote by the shareholders pursuant to Article 174 of the Company Act.
- V. For a shareholders' meeting convened by the Board, the agenda is specified by it; a meeting shall be conducted in accordance with the order on the agenda as specified and may not change without a Board resolution. The provisions of the preceding paragraph apply to a Shareholder's Meeting convened by a party with the power to convene that is not the Board of Directors. Prior to concluding the two preceding agenda items (including extraordinary motions), the meeting Chairman may not declare the meeting

closed without a resolution. After the meeting is adjourned pursuant of a resolution, the shareholders may not appoint another Chairman and continue the meeting either at the same or a different venue.

- VI. During the meeting, the Chairman may declare a break as he/she sees fit. When the topics cannot be addressed with one meeting, a resolution can be passed by the Shareholders to postpone or reconvene within 5 days without giving notice or making a public announcement.
 - VII Before taking the floor, an attending shareholder must specify on a speaker's slip the subject of the speech, his/her shareholder account number (or attendance card number), and account name. The order in which shareholders speak will be set by the Chairman. A shareholder in attendance who has submitted a speaker's slip but does not actually speak shall be deemed to have not spoken. When the content of the speech does not correspond to the subject given on the speaker's slip, the spoken content shall prevail. When a shareholder speaks, other shareholders may not intervene except with the consent of the Chairman and the speaking shareholder. Violators may be restrained by the Chairman.
 - VIII Each attending shareholder shall make no more than two speeches for each motion, and each speech shall not exceed 5 minutes unless otherwise consented by the Chairman. If the attending shareholder's speech violates the provisions of the preceding paragraph, exceeds the scope of the subject issue, or violates the order of the meeting, the Chairman shall stop or suspend the speech. Other shareholders may also request the Chairman to do so
 - IX. When the Chairman deems that the discussion pertaining to a particular motion is sufficient to reach a resolution, the Chairman may announce an end to the discussion and ask for the meeting to proceed with the resolution.
 - X. Except as otherwise provided in the Company Act and in the Company's Articles of Association, the resolution of a proposal shall require an affirmative vote of a majority of the voting rights represented by the attending shareholders. During voting, if there are no dissenters when the question is raised, the Chairman shall pass the motion. The validity is the same as that of a vote.
- A shareholder shall be entitled to one vote for each share held, except when the shares are deemed as non-voting shares under Article 179-2 of the

Company Act.

Shareholders may delegate a proxy to attend the shareholders' meeting. Besides investment trust enterprises and shareholder service agencies approved by the securities authority, an individual delegated by two (or more) shareholders as a proxy at the same time may not have votes exceeding 3% of the total votes that represent all the outstanding shares. Excessive votes shall not be calculated.

- XI. The attendance and voting of the annual general shareholders' meeting shall be calculated based on the number of shares they represent.
- XII. Shareholders' meeting shall convene at the Company's registered office or a location that is convenient for the shareholders and suitable for such an occasion. The meeting shall be called no earlier than 9 a.m. and no later than 3 p.m.
- XIII. When shareholders' meeting is convened by the Board, the Chairman of the Board serves as the Chairman of the meeting. In case the Chairman of the Board is on leave or unable to exercise his power and authority for any reason, the vice Chairman shall act on his behalf. In case there is no vice Chairman or the vice Chairman is also absent or unable to exercise his power and authority for any reason, the Chairman of the Board shall designate one of the managing directors, or where there are no managing directors, one of the directors to act on his behalf. In the absence of such a designation, the managing directors or the directors shall elect from among themselves an acting Chairman of the Board.
If the shareholders' meeting is convened by any other party entitled to convene the meeting, the convening party shall preside at the meeting.
- XIV. The Company may designate its attorneys, certified public accountants (CPA) or other relevant persons to attend the shareholder's meeting. The administrative staff of shareholders' meeting shall wear an identification badge or arm-band.
- XV. The Company will record the sound or video of the shareholders' meetings. Along with the written or electronic information about how the shareholders exercise their voting rights, which will be kept for at least one year. If, however, a shareholder files a lawsuit, the recordings shall be retained until the conclusion of the litigation.

- XVI. In addition to the proposals listed in the agenda, motions regarding amendments or substitutions to the original proposal shall be subject to the approval of two or more shareholders. The same applies to changes to the agenda and the motion for the meeting to be adjourned.
- XVII. When an amendment that is incompatible with the original proposal or a substitution has been made, the Chairman shall decide on the order of the resolution of the proposals. When one proposal has reached a resolution, all other proposals shall be deemed as vetoed and shall no longer require a resolution.
- XVIII. When a legal person has been delegated to attend the shareholders' meeting, only one person should be delegated as proxy by the legal person. When a legal person shareholder delegates two or more proxies to attend a shareholders' meeting, only one of the proxies may speak on the same proposal
- XIX. In the wake of shareholder's speech, the Chairman of the meeting may answer in person or designate relevant personnel to reply.
- XX. The staff members that supervise or count the votes shall be appointed by the Chairman. The supervisors shall be chosen from the shareholders. The results of the voting shall be announced on-site at the meeting, and the records shall be made.
- XXI. The Chairman may command the pickets (or security personnel) to maintain order of the venue. The pickets (or security personnel) shall wear armbands with the word "picket" when trying to maintain order.
- XXII. In the event of a major disaster such as an air strike alarm, an earthquake or a fire, the meeting shall be ended or suspended. The personnel shall be evacuated. One hour after the situation has been resolved, the Chairman will announce the new meeting time.
- XXIII. Items unfulfilled by these Rules shall be addressed according to the Company Act, relevant legal provisions and the Company's Article of Association.
- XXIV. These Rules shall take effect upon being passed by the resolution of a Board meeting. The same holds true for amendments hereto.

COMPEQ MANUFACTURING CO., LTD.

Articles of Incorporation

Amendment was made on June 16th, 2017

Chapter 1. General Rules

- Article 1. The Company is incorporated under the Company Act of the Republic of China, with the name of “華通電腦股份有限公司”.
- Article 2. The Company's businesses are listed as below:
- I. Research, design, processing, manufacturing, repair and sales of computer products parts and materials.
 - II. Research, design, processing, manufacturing and sales of double-sided, multi-layer printed circuit boards, memory devices and their raw materials and equipment.
 - III. Research, design, processing, manufacturing, repair and sales of electronic, electrical engineering, electronic products and their spare parts and raw materials.
 - IV. Research, design, processing, manufacturing, repair, sales and service of electronic data processing equipment.
 - V. Research, processing, manufacturing and sales of copper sulfate, copper (electrolytic copper), tin, lead, aluminum fluoride, aluminum chloride, iron oxide, copper oxide and nickel chloride.
 - VI. Research, processing, manufacturing and sales of solder-preserving materials for printed circuit boards.
 - VII. The grinding and processing of steel plate surfaces.
 - VIII. Research, design, processing, manufacturing and sales of iron-nickel alloy, nickel alloy, copper alloy, copper-nickel alloy, steel, stainless steel and its parts, accessories, raw materials and equipment. (except aluminum)
 - IX. Research, design, processing, manufacturing and sales of business waste treatment and equipment.
 - X. Research, design, processing, manufacturing and sales of various batteries, their parts, accessories, raw materials and equipment.
 - XI. Research, design, processing, manufacturing and sales of flexible printed circuit boards.
 - XII. Research, design, processing, manufacturing and sales of solder ball array substrates for integrated circuits.
 - XIII. Research, design, processing, manufacturing and sales of metal pin array substrates for integrated circuits.
 - XIV. Research, design, processing, manufacturing and sales of ultra-fine lead frames for integrated circuits.
 - XV. Research, design, processing, manufacturing and sales of wafer-size packaging boards for integrated circuits.

- XVI. Acting as the import and export agent and sales of all above-mentioned products, their spare parts and raw materials.
- XVII. General import and export business. (except for business items requiring special approval)
- XVIII. ZZ99999 business items not prohibited or restricted by law except those requiring special approval.

- Article 2-1. The Company may provide guarantees externally when such need arises.
- Article 2-2. When the Company is a limited liability shareholder of another company, the total investment shall not exceed twice the paid-up capital of the Company.
- Article 3. The Company has its head office in Taoyuan City.
If necessary, the Board of Directors may decide to set up a branch office in the appropriate area.
- Article 4. All announcements made by this Company shall be conducted according to Article 28 of the Company Act.

Chapter 2. Shares

- Article 5. The capital of the Company is set at NT\$1.6 billion, divided into 160 million shares, each worth NT\$10. The unissued shares will be issued by the Board of Directors according to the Company's business needs. A total of 100 million shares are reserved for the issue of employee stock options from the total amount of the shares in the preceding paragraph.
- Article 5-1. Represented by the shareholders with more than half of the total number of issued shares, as well as the consent of more than two-thirds of the shareholders' voting rights, the Company shall be able to issue common stock at a price lower than the closing price of the date of issuance. The shares are transferred to employees as employee stock options at an average price lower than the actual purchasing price.
- Article 6. The shares of the Company shall be issued in the registered form, signed, stamped or numbered by 3 people including the Chairman and directors in compliance with the law.
When the Company issues new shares, it must merge and print the shares in the total number of shares issued, but the shares should be in the custody of the securities depository institutions. When issuing new shares in accordance with this paragraph, the provisions of stock numbering of the first paragraph in the Article shall not apply.
According to the Company Act, shares issued by the Company do not need to be paper-based, but shall be recorded by the securities depository institutions.
- Article 7. The transfer of the Company's shares shall be endorsed by the holder.
To transfer the Company's shares, the name of the transferee shall be recorded on the stock, and the name and address of the transferee shall be recorded on the Company's list of shareholders. The shares may not

be transferred against the Company.

All changes made to the list of shareholders shall be halted sixty days prior to an upcoming General Shareholders' Meeting, thirty days prior to a Extraordinary Shareholders' Meeting, or five days prior to the base date before the Company issues dividends, bonuses, or other interests.

When issuing new shares in accordance with the second paragraph of Article 6, the provisions of the first and second paragraphs regarding transfer by endorsements are not applicable.

Article 8. The shareholders of the Company shall provide the name, address and the seal pattern to the Company or the agency for keeping records. The same applies in case of change. When a shareholder receives dividends or exercises other rights from the Company, the seal on record should be used.

Article 9. If the stock has inheritance, gift, renewal, pledge setting, loss or damage, it shall be handled in accordance with the Company Act and relevant laws and regulations.

Article 10. The handling of the Company's stock affairs shall be handled in accordance with the Company Act and relevant laws and regulations.

Chapter 3. Shareholders' Meeting

Article 11. A Shareholders' Meeting may be a general meeting or an extraordinary meeting that is called annually. The Board of Directors calls the General Shareholders' Meeting within six months after the closing of each fiscal year, and a notice shall be sent to each shareholder no later than 30 days prior to the scheduled meeting date. An Extraordinary Shareholders' Meeting may be called when necessary in compliance with the provisions of the law.

Article 12. Each shareholder has one vote for each share in his or her possession, except those who are placed under restriction or specified as having no voting rights in Paragraph 2 of Article 179 of the Company Act.

Article 13. When a shareholder is unable to attend for any reason, he may, in accordance with the provisions of the Company Act, issue a power of attorney stating the scope of delegation. One person shall be delegated, and the notice shall be delivered to the Company five days prior to the meeting.

With the exception of a trust enterprise or a shareholder services agent approved by the competent securities authority, when one person is concurrently appointed as proxy by two or more shareholders, the voting rights represented by that proxy in excess of 3 percent of the voting rights represented by the total number of issued shares shall not be included in the calculation.

Article 14. The Chair of the Shareholders' Meeting shall be appointed by the chairman of the Board of Directors. When the chairman of the Board of

Directors is absent for any reason, the vice chairman shall act as the agent. When the vice chairman is absent for any reason, the directors should settle on one person as agent.

Article 15. Resolutions at a shareholders meeting shall, unless otherwise provided in the Company Act or the Company's articles of incorporation, be adopted by a majority vote of the attending shareholders, who represent more than one-half of the total number of voting shares. Electronic voting is one of the ways in which the shareholders of the Company exercise their voting rights. The relevant matters are specified in accordance with the law.

Article 16. The resolutions of the Shareholders' Meeting shall be recorded in the minute book, signed or sealed by the chairman. The minute book shall be kept for as long as the Company exists. The attendance book of the shareholders and the power of attorney the shareholders delegated must be kept for at least one year. If, however, a shareholder files a lawsuit pursuant to Article 189 of the Company Act, all files shall be retained until the conclusion of the litigation.

Chapter 4. Directors, Board of Directors and the Audit Committee

Article 17. The Company has seven to eleven directors. The number of directors shall be authorized by the Board of Directors. Three independent directors are included in the abovementioned number of directors, all of whom are elected at the Shareholders' Meeting. The term of service is three years with the possibility of being re-elected.

Independent directors and non-independent directors shall be elected together, and the votes shall be counted separately. All candidates for directors were nominated. Candidate nomination acceptance and announcement related matters shall be handled according to the Company Act, Securities and Exchange Act, as well as other relevant regulations.

The Company may purchase liability insurance for the directors, and the scope of insurance shall be decided by the Board of Directors. The remuneration of all directors of the Company is decided based on their participation and value of contribution regardless of profit or loss. The standards of domestic and international peers are equally taken into consideration.

Article 18. The total number of registered shares held by all directors shall not be lower than a certain percentage of issued shares required by the competent authority.

Article 19. When the number of Directors falls short by one third of the total number, or when all independent directors have been dismissed, the Company shall call an Extraordinary Shareholders' Meeting within 60 days to hold a by-election to fill the vacancies.

- Article 20. If the director's tenure has expired and it is too late for a re-election, his or her tenure shall be extended until the re-elected director takes office.
- Article 21. When the directors organize the Board of Directors, more than two-thirds of the directors shall be present, and more than half of the directors shall agree to appoint one person as the chairman of the board, and the other as the vice-chairman. Internally, the chairman serves as the Chair for the Shareholders' Meeting and the Board of Directors. Externally, he serves as the representative of the Company. Non-independent directors are allowed to concurrently hold other positions of the Company. Their remuneration shall be authorized by the Board of Directors to the managers in accordance with the internal management measures of the Company.
- Article 22. The Board of Directors shall convene at least once a quarter. The reasons shall be stated at the convening and the directors shall be notified 7 days prior to the meeting. In case of emergency, a meeting may be called at any time. Notifications by fax or email may replace the written notice. The first Board of Directors meeting for each term is convened by the directors who had the highest number of votes at the election.
- Article 23. The resolutions of the Board of Directors shall, except as otherwise provided by the Company Act, Securities and Exchange Act or other provisions, be attended by more than half of the directors, with the consent of more than half of the directors present.
- Article 24. When the Board of Directors meets, the directors shall attend in person. Directors may entrust other directors as proxies when they are unable to be present.
- Article 24-1. The Board of Directors of the Company may set up various functional committees. The membership, functional authority and other relevant matters shall be handled in accordance with the relevant laws and regulations, and determined by the Board of Directors. The Company has audit committee members, and the audit committee is responsible for implementing the Company Act, Securities and Exchange Act or other functional authorities provided by other provisions. The audit committee consists of all independent directors. The number of the directors is not less than three, with one of them as the convener. The exercising of their duties and relevant matters are specified in accordance with the relevant laws and regulations, decided by the Board of Directors.

Chapter 5: Managers

- Article 25. The Company has one managerial officer whose appointment and dismissal shall be decided in accordance with Article 29 of the Company Act.
- Article 26. Other employees of the Company are hired and dismissed by managers.

Article 27. The manager of the Company shall, in accordance with the resolutions of the Board of Directors and the instructions of the chairman, comprehensively manage all operations of the Company.

Chapter 6: Accounting

Article 28. At the end of each fiscal year, the following tables shall be prepared by the Board of Directors and submitted to the Shareholders' Meeting for recognition: 1. Business report; 2. Financial statements; 3. Proposal for surplus distribution or loss allocation.

Article 28-1. The Company's individual consolidated income statement for the year shows profit prior to calculating the employees' remuneration, 2% of the profit shall be added to the employees' remuneration. The aforementioned profit refers to the net profit before tax minus the benefits before the employee is paid. In case of accumulated loss, the Company shall retain figures to make up for the loss, and then allocate incentives according to the aforementioned Article.

The aforementioned employee benefits are to be issued in the form of shares or cash. Approval for such benefits should be adopted by a majority vote at a meeting of the Board of Directors attended by two-thirds of the total number of directors; and in addition thereto a report of such distribution shall be submitted to the Shareholders' Meeting.

Article 29. If there is a surplus after the final settlement of the Company's annual accounts, the loss shall first be made up according to law, and 10% shall be appropriated as legal capital reserve. However, this is not applicable when the legal capital reserve has reached the paid-in capital. After the legal capital reserve has been listed or transferred in accordance with the law or regulations of the competent authorities, the balance is the surplus that can be distributed in the current year. When the annual distributable surplus, together with the accumulated undistributed surplus at the beginning of the period is distributed as an available surplus, it is distributed according to the following principles:

I. The Company is part of the technology industry. In order to improve the financial structure of the Company, the status of operating surplus and the need to expand the scale of operations in the future, it is planned to adopt the remaining dividend policy to improve growth and sustainable operation of the Company.

II. The Company's current and future investment environment, capital needs, profitability, domestic and international competitiveness, and capital budget, etc., are proposed by the Board of Directors for surplus distribution and decided by the Shareholders' Meeting. When distributing the surplus, the available surplus' amount shall not be less than 10% of the distributable surplus for the year.

- III. The distribution of the Company's surplus can be paid in cash or in stock. The proportion of cash distribution shall not be less than 50% of the total dividend.

Chapter 7. Supplementary Provisions

- Article 30. Rules governing the organization and the procedures of the Company shall be stipulated separately.
- Article 31. The matters not covered in this charter shall be handled in accordance with the provisions of the Company Act and other relevant regulations.
- Article 32. This charter was enacted on August 21st, 1973. The first amendment was made on March 20th, 1974. The second was made on October 11th, 1974. The third amendment was made on January 15th, 1976. The fourth amendment was made on April 29th, 1981. The fifth amendment was made on May 3rd, 1983. The sixth amendment was made on March 24th, 1984. The seventh amendment was made on March 23rd, 1985. The eighth amendment was made on December 15th, 1986. The ninth amendment was made on March 19th, 1988. The tenth amendment was made on March 18th, 1989. The eleventh amendment was made on March 27th, 1990. The twelfth amendment was on made on May 15th, 1991. The thirteenth amendment was made on May 29th, 1992. The fourteenth amendment was made on May 17th, 1993. The fifteenth amendment was made on May 17th, 1994. The 16th amendment was made on May 15th, 1995. The 17th amendment was made on May 20th, 1997. The 18th amendment was made on May 18th, 1999. The 19th amendment was made on April 10th, 2000. The 20th amendment was made on June 12th, 2000. The 21st amendment was made on May 24th, 2002. The 22nd amendment was made on May 30th, 2003. The 23rd amendment was made on May 28th, 2004. The 24th amendment was made on June 10th, 2005. The 25th amendment was made on June 9th, 2006. The 26th amendment on June 13th, 2008. The 27th amendment on made on June 19th, 2009. The 28th amendment was made on June 10th, 2011. The 29th amendment was made on June 5th, 2012. The 30th amendment was made on June 13th, 2013. The 31st amendment was made on June 12th, 2014. The 32nd amendment was made on June 17th, 2016. The 33rd amendment was made on June 16th, 2017.

COMPEQ MANUFACTURING CO., LTD.

Chairman: Charles C.Wu

COMPEQ MANUFACTURING CO., LTD.

Procedures for Endorsements and Guarantees

Amendment was made on June 16th, 2017

Article 1. According to the "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies", the Company has set up these endorsement procedures. The Company's endorsement procedures are handled accordingly.

Article 2. The endorsements mentioned in the procedures includes:

I. Financing Endorsements:

(1) Discount financing for bills.

(2) Endorsements or guarantee for the purpose of financing other companies.

(3) Issuing a separate bill to a non-financial enterprise as a guarantee for the purpose of financing the Company.

II. Endorsements for Tariffs

Endorsements or guarantee for the Company or other companies in relation to tariffs.

III. Other Endorsements

Any endorsements or guarantee cannot be classified as the preceding two categories.

Any creation by the Company of a pledge or mortgage on its chattel or real property as security for the loans of another company shall also comply with these Procedures.

Where a company's financial reports are prepared according to the International Financial Reporting Standards, "net worth" in these Procedures means the balance sheet equity attributable to the owners of the parent company under the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

"Date of occurrence" referred to in the Procedures shall mean the date of contract signing, date of payment, dates of Board of Directors' resolutions, or other dates that can confirm the counterpart and monetary amount of the transaction, whichever date is earlier.

Article 3. The Company may endorse the following companies:

I. A company in which the Company directly and indirectly holds more than 50 percent of the voting shares.

II. A company that directly and indirectly holds more than 50 percent of the voting shares in the Company.

A company which the Company directly and indirectly holds more than 90% of the voting shares can be endorsed, but only after the audit committee of the Company approves and the decision is passed by the Board of Directors. The amount is limited to 10% of the Company's most recent financial statement. However, this is not applicable for the companies that the Company directly and indirectly holds 100% shares of the voting rights.

Those counterparts or co-creators have mutual guarantee according to contract regulations due to the needs of undertaking projects or endorse investees by all shareholders' contribution of capital based on their shareholding ratio as a result of the joint investment relationship, or the counterparts assume joint responsibilities for the performance bond of pre-sale house sale contract subject to Consumers Protection Act may conduct endorsements free of the restriction of the preceding two paragraphs.

Capital contribution referred to in the preceding paragraph shall mean capital contribution directly funded by the Company, or through a company in which the Company holds 100% of the voting shares.

Article 4. Limitations of Endorsements:

- I. The total amount of the Company's external endorsement is limited to 1.2 times the net value of the Company's most recent financial statement.
- II. The Company's endorsement for a single enterprise shall not exceed 10% of the net value of the latest financial statement of the Company. However, if the Company directly or indirectly holds more than 90% of the voting shares of the enterprise, the amount shall not exceed 60% of the net value of the Company's most recent financial statement.
- III. The total endorsement amount the Company and its subsidiaries is limited to 1.5 times the net value of the Company's most recent financial statement.
- IV. The Company and its subsidiaries as a whole can endorse a single enterprise if the amount does not exceed 20% of the net value of the latest financial statement of the Company. However, if the Company directly or indirectly holds more than 90% of the voting shares of the enterprise, the amount shall not exceed 70% of the net value of the Company's most recent financial statement.

Article 5. Endorsement Decisions and Authorization Level:

- I. When the Company handles endorsement, it shall be signed in accordance with the provisions of Article 6 of these Procedures. It shall then be submitted to the Audit Committee for approval and approved by the Board of Directors' resolution. However, in order to meet the time requirement, the Board of Directors can authorize the chairman to make a decision within the total amount of US\$ 20 million and 10 million for a single enterprise, before submitting to the board for approval.
- II. If there is a need for an endorsement to exceed the provisions of Article 4 of these Procedure due to the Company's business needs, it must first be reported to the Audit Committee for approval and agreed by the Board of Directors with more than half of the directors' signature and guarantee. These Procedures shall also be revised and submitted to the shareholders' meeting for ratification. When the shareholders disagree, a plan shall be made to retrieve the overrun limit within a certain period of time.
- III. Where the Company has established the position of independent director, it shall take into full consideration the opinions of each independent director during the discussion. Independent directors' expressive assent or dissent and the reasons therefore shall be included in the minutes of the Board of Directors' meeting.
- IV. Where as a result of changes of condition the entity for which an endorsement is made no longer meets the requirements of these Procedures, or the amount of endorsement exceeds the limit, the Company shall adopt rectification plans and submit the rectification plans to the Audit Committee, and shall complete the rectification according to the schedule set out in the plan.

Article 6. Endorsement Handling and control Procedures:

- I. When handling endorsement, the financial unit shall, according to the application for the endorsement, examine the qualifications and quota of the endorsements in accordance with the provisions of these Procedures and whether the required reporting standards have been met. It shall also analyze the operation, financial and credit status, etc. of the endorsement applicant, in order to assess the risk and list it in the records. If necessary, collateral should be obtained. After the relevant content, reason and risk assessment results of

the endorsement have been reported to the chairman for approval, they shall be submitted to the audit committee for approval and agreed by the Board of Directors. If it is within the prescribed authorization amount, the chairman shall guarantee the endorsement according to the credit level and financial status of the applicant.

- II. The financial unit shall establish a checklist for the endorsement guarantees. After the endorsement is approved by the Board of Directors or by the chairman, the details shall be recorded in the checklist specified by relevant laws and regulations. The relevant bills, agreements and other documents shall also be photocopied and kept.
- III. The financial unit shall prepare a detailed list of the guarantees incurred and cancelled on a monthly basis for control, tracking and public announcement. Contingent loss of the endorsement shall be analyzed and recognized on a quarterly basis. Information regarding the endorsement and accountants that provide verification should be disclosed in the financial report.
- IV. If the endorsement object becomes inconsistent with the provisions of Article 3 of these Procedures, or if the amount of the endorsement exceeds the prescribed amount due to the change in the basis of the calculation of the limit, the amount of the endorsement or the overrun limit shall be cancelled when the contract expires, or the plan shall be made by the financial unit after approval by the chairman for everything to be eliminated in a certain period of time before reporting to the audit committee and the Board of Directors.
- V. Before the end of the endorsement date, the financial unit shall take the initiative to notify the guaranteed enterprise to take back the guarantee notes of the retained bank or creditor institution, as well as canceling the relevant deeds of the endorsement.
- VI. The internal auditor of the Company shall at least quarterly audit the procedures concerning endorsement and guarantee and the execution status, as well as preparing written records accordingly. If violation is found, the audit committee should immediately be notified in writing.
- VII. If the endorsement of the Company or its subsidiaries is a subsidiary whose latest financial statement has a net value less than one-half of the amount of paid-in capital, follow-up control measures shall be taken in accordance with paragraph 4 of Article 5 of this operating procedure. In the case of a subsidiary with shares having no par value or a par value other than NT\$10, for the paid-in capital in the calculation under subparagraph 11 of the preceding paragraph, the sum of the share capital plus paid-in capital in excess of par shall be substituted.

Article 7. Seals Safekeeping and Procedures:

- I. The Company shall use the seal with which the Company applied for registration with the Ministry of Economic Affairs as a special seal for endorsement. The seal shall be kept by a custodian designated by the Board of Directors. When the seal custodian changes, it shall be reported to the Board of Directors for approval, and the seal should be listed for transfer.
- II. After the resolution of the Board of Directors or the chairman's approval, the financial unit shall fill in the "seal application form, " and together with the approval record and the endorsement contract or endorsement bill and so on, can the stamp be obtained from the seal custodian.
- III. When the seal custodian affixes the seal, he should check whether the approval record and the "seal application declaration" have been approved by the financial unit supervisor and whether the application that needed to be stamped are consistent. After the stamp has been given, it should be indicated on the application.

- IV. When making an endorsement for a foreign company, the endorsement agreement shall be signed by a chairman authorized by the Board of Directors or the CEO.

Article 8. The Company's endorsement shall be filed with the competent authority in accordance with the following provisions:

- I. The Company shall announce and report the previous month's balance of endorsements/guarantees of itself and its subsidiaries by the 10th day of each month. The public announcement refers to the information declaration website designated by the competent authority.
- II. In addition to the monthly announcement of the endorsement balance, if the Company and its subsidiaries' endorsements amount reaches one of the following standards, the Company shall file an announcement within two days from the date of occurrence:
 - (1)The aggregate balance of endorsements/guarantees by the Company and its subsidiaries reaches 50 percent or more of the Company's net worth as stated in its latest financial statements.
 - (2)The balance of endorsements/guarantees by the Company and its subsidiaries for a single enterprise reaches 20 percent or more of the Company's net worth as stated in its latest financial statements.
 - (3)The balance of endorsements/guarantees by the Company and its subsidiaries for a single enterprise reaches NT\$10 million or more and the aggregate amount of all endorsements/guarantees for, investment of a long-term nature in, and balance of loans to, such enterprise reaches 30 percent or more of the Company's net worth as stated in its latest financial statements.
 - (4)The amount of new endorsements/guarantees made by the Company or its subsidiaries reaches NT\$30 million or more and reaches 5 percent or more of the Company's net worth as stated in its latest financial statements.

The Company shall announce and report on behalf of any subsidiary thereof that is not a public company of the Republic of China any matters that such a subsidiary is required to announce and report pursuant to paragraph 4 in the preceding Article.

Article 9. Miscellaneous

- I. The external endorsement procedures of the subsidiaries are as follows:
 - (1)The external endorsement procedures of the subsidiaries shall be determined in accordance with the provisions of these Procedures and handled accordingly.
 - (2)The subsidiaries shall inspect whether the prescribed procedures comply with the relevant standards.
 - (3)The subsidiaries shall also check the endorsement by itself to ensure that it complies with the relevant procedures.
 - (4)The internal audit unit of the Company shall review the self-inspection report of the subsidiaries.
 - (5)When the subsidiaries and the parent company guarantee the same matter externally, they are not subject to the limit of the endorsement of Article 4 of these Procedures. The subsidiaries shall report to the Company the amount, object, and duration for the endorsement before the fifth day of each month. However, if the standard set in the second paragraph of Article 8 of these Procedures is reached, the Company shall immediately be notified in order to make an announcement.
- II. The endorsement of the Company and its subsidiaries during each business year and the relevant matters shall be reported to the shareholders' meeting for future reference next year.

- III. "Subsidiary" and "Parent Company" referred to in the Procedures shall be as determined under the Regulations Governing the Preparation of Financial Reports by Securities Issuers.
- IV. The Company's review procedures for endorsement operations shall include:
 - (1)The necessity of and rationality of the endorsement.
 - (2)Credit status and risk assessment of the entity for which the endorsement is made.
 - (3)Impact on the Company's business operations, financial status and shareholders' rights.
 - (4)Whether collateral shall be obtained and appraisal of the value thereof.
- V. When the Company's managers and employees in charge violate these Procedures, they will be punished according to the Company's relevant work rules.
- VI. Before making an endorsement/guarantee for others, the Company shall carefully evaluate whether the endorsement/guarantee is in compliance with these Procedures. The Company may make an endorsement/guarantee only after the evaluation results under this paragraph and Article 9, paragraph 4 have been submitted to and resolved upon by the Board of Directors, or approved by the chairman of the board, where empowered by the Board of Directors under Article 5 to grant endorsements/guarantees within a specific limit, for subsequent submission to and ratification by the next board of directors' meeting.
- VII. When submitting endorsements to the Board of Directors, opinions from each Independent Director shall be taken into full consideration, and their specific ideas and reasons for consent or opposition shall also be included in the minutes of the Board of Directors' meeting.
- VIII. The Company evaluates or recognizes the contingent loss of the endorsement in accordance with the provisions of the Financial Reporting Standards No. 9 to disclose information regarding the endorsement in the financial report, and provides relevant information of the verification accountant for the accountant to perform the necessary audit procedures.
- IX. The provisions of these Procedures shall be submitted to the Audit Committee for approval and agreed by the Board of Directors, and then submitted to the shareholders' meeting for approval. If a director expresses objection and has a record or written declaration, the Company shall submit the objection to the Audit Committee and report to the shareholders' meeting for discussion. The same is applicable for the amendment. When reporting the procedures of endorsements to the Board of Directors, opinions from each Independent Director shall be taken into full consideration, and their specific ideas and reasons for consent or opposition shall also be included in the minutes of the Board of Directors' meeting.
- X. According to these Procedures or other relevant provisions, a proposal that should be submitted for approval from the Audit Committee, needs to be approved by more than half of the total committee members. Any matter that has not been approved with the consent of one-half or more of the entire membership of the Audit Committee may be adopted with the consent of two-thirds or more of the entire Board of Directors, and the resolution of the Audit Committee shall be recorded in the Board of Directors meeting minutes. The expressions "all of the members of the Audit Committee" and "all of the Directors of the Board" as used herein shall refer to the number of members/Directors actually in office.

COMPEQ MANUFACTURING CO., LTD.

Fund Loan Procedures of Compeq and its Subsidiaries

Amendment was made on June 16th, 2017

Article 1. According to the “Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies”, the Company has formulated these Procedures of loaning funds to other people. The Company's fund loan procedures shall be handled accordingly.

Article 2. The object of the Company's fund loan (hereinafter referred to as the borrower) shall not be shareholders or any other person except for the following cases:

- I. Business contacts: only the suppliers of the Company.
- II. Those who need short-term financing funds: only subsidiaries that the Company has transferred more than 67% of the shares and has control rights, and only when the abovementioned companies are in need of financing due to operating turnover, purchase of materials, and repayment of short-term loans.

The term "short-term" in the preceding paragraph refers to a period of one year. Where the Company's operating cycle exceeds one year, one operating cycle.

Where a company's financial reports are prepared according to the International Financial Reporting Standards, "net worth" in these Procedures means the balance sheet equity attributable to the owners of the parent company under the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

"Date of occurrence" referred to in the Procedures shall mean the date of contract signing, date of payment, dates of Board of Directors' resolutions, or other dates that can confirm the counterpart and monetary amount of the transaction, whichever date is earlier.

Article 3. The total amount of capital loans of the Company shall not exceed 30% of the net value of the latest financial statements of the Company.

The Company only loans to business contacts, and the amount of an individual loan shall not exceed 70% of the total amount of orders placed by the Company to the supplier, and the maximum amount may not exceed NT\$20 million. If the fund is loaned to a company which the Company directly and indirectly holds 100% of the voting shares, the individual loan amount shall not exceed 10% of the net value of the latest financial statements of the Company. The total amount of loans mentioned above shall not exceed 30% of the Company's most recent financial statements.

In terms of the Company's capital loans to those who need short-term financing funds, the individual loan amount shall not exceed NT\$10 million. If the fund is loaned to a company which the Company directly and indirectly holds 100% of the voting shares, the individual loan amount shall not exceed 10% of the net value of the latest financial statements of the Company. The total amount of loans mentioned above shall not exceed 30% of the Company's most recent financial statements.

If the fund is loaned to a foreign company which the Company directly and indirectly holds 100% of the voting shares, the individual loan amount shall not exceed 15% of the net value of the object enterprise, and the total amount shall not exceed 30% of the object enterprise. The term and interest-bearing method of the loan shall be handled in accordance with the provisions of Articles 4 and 5 of these Procedures.

- Article 4. The loan of funds shall be based on the principle of short-term financing. The maximum term shall not exceed one year. If the borrower has repaid the loan and needs to renew, a new application shall be made.
- Article 5. The interest of the loan shall be calculated with a rate not lower than the maximum interest rate of the bank's short-term loan on the day of the loan.
- Article 6. When a borrower applies for a loan, the responsible department shall establish credit information, conduct a detailed investigation, and obtain the signature of the CEO before submitting the application to the Audit Committee for approval and resolution by the Board of Directors.
- Article 7. In order to ensure the creditor's rights of the Company, the borrower shall issue a commercial promissory note of the same value as a guarantee.
- Article 8. In addition to providing the promissory note of the preceding paragraph, the Company may separately request the borrower to provide an endorsement by the guarantor approved by the Company chattel or real property as collateral.
- Article 9. The Company's fund lending control measures and overdue claims processing procedures:
- I. The responsible department shall pay attention to whether the borrower's operating status is normal, and submit a review report on a regular basis (every quarter). If the borrower has a record of overdue repayment, it shall be handled in accordance with the relevant provisions of the civil law debt claim.
 - II. The Company shall prepare a memorandum book for its fund-lending activities to record the following information: borrower, amount, date of approval by the Board of Directors, lending/borrowing date, and matters to be carefully evaluated according to Article 14 for future reference.
 - III. The Company's internal auditors shall audit the Procedures and the implementation thereof no less frequently than quarterly and prepare written records accordingly. They shall promptly notify the members of the Audit Committee in writing if any violation were found.
- Article 10. Subsidiaries' procedures for the loan of funds to others are as follows:
- I. The subsidiary intending to lend funds to others shall comply with the provisions of these Procedures to set up the fund loan and operating procedures and execute accordingly.
 - II. The subsidiary shall check whether the prescribed procedures comply with the relevant standards.
 - III. The subsidiary shall examine if relevant matters are handled in accordance with the procedures when loaning funds to others.
 - IV. The internal audit unit of the Company shall review the self-inspection report of the subsidiary.
- Article 11. The Company's fund loans shall be reported to the competent authority in accordance with the following provisions:
- I. The Company shall announce and report the previous month's loan balances of itself and its subsidiaries by the 10th day of each month.
 - II. If the lending of funds reaches one of the following levels, the Company shall announce and report such an event within two days commencing immediately

from the date of occurrence:

- (1)The aggregate balance of loans to others by the Company and its subsidiaries reaches 20 percent or more of the Company's net worth as stated in its latest financial statements.
- (2)The balance of loans by the Company and its subsidiaries to a single enterprise reaches 10 percent or more of the Company's net worth as stated in its latest financial statements.
- (3)The amount of new loans of funds by the Company or subsidiaries reaches NT\$10 million or more, and reaches two 2 percent or more of the Company's net worth as stated in its latest financial statement.

III. The Company shall announce and report on behalf of any subsidiary thereof that is not a public company of the Republic of China any matters that such a subsidiary is required to announce and report pursuant to the previous paragraph of Article 3.

Article 12. "Subsidiary" and "parent company" referred to in the Procedures shall be as determined under the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Article 13. The term "declaration" as used in the Procedures refers to the information declaration website designated by the competent authority.

Article 14. The review procedures for the Company's fund loans to others include the following:

- I. The necessity of and rationality of granting loans to others.
- II. Borrower credit status and risk assessment.
- III. The impact on the Company's business operations, financial condition and shareholders' rights.
- IV. Whether collateral must be obtained and appraisal of the value thereof.

Article 15. When the Company's manager and people responsible for loans violate these Procedures, they will be punished according to the relevant rules of the Company.

Article 16. Before lending Company funds to others, the Company shall carefully assess whether it complies with the provisions of these Procedures and submit the results of the evaluation following Article 14 to the Audit Committee for approval. The decision must be made only if the Board of Directors passes the resolution. The loaning funds between the Company and its subsidiaries, or between subsidiaries, shall be submitted for a resolution pursuant to the previous paragraph. The Board of Directors must also pass the resolution for the Chairman to be authorized, for a specific borrowing counterparty, within a certain monetary limit resolved by the Board of Directors, and within a period not exceeding one year, to give loans in installments or to make a revolving credit line available for the counterparty to draw down.

The "certain monetary limit" referred to in the preceding paragraph shall be in compliance with Subparagraph 2, Paragraph 1, Article 3. In addition, the authorized limit on loans extended by the Company or any of its subsidiaries to any single entity shall not exceed 10% of the net worth of the lending company in the most current financial statements.

Where the Company lends funds to others, it shall take each independent director's

opinions into full consideration; independent directors' opinions specifically expressing assent or dissent and their reasons for dissent shall be included in the minutes of the Board of Directors meeting.

Article 17. If, as a result of a change in circumstances, an entity to which a fund is lent does not meet the requirements of the Procedures or the loan balance exceeds the limit, the Company shall adopt rectification plans and submit the rectification plans to the Audit Committee, and shall complete the rectification according to the schedule set out in the plan.

Article 18. The Company shall evaluate the status of its lending of funds and reserve sufficient allowance for bad debts, and shall adequately disclose relevant information in its financial reports and provide certified public accountants with relevant information for implementation of necessary auditing procedures.

Article 19. The provisions of these Procedures shall be submitted to the Audit Committee for approval and agreed by the Board of Directors, and then submitted to the shareholders' meeting for approval. If a director expresses objection and has a record or written declaration, the Company shall deliver the information to the Audit Committee and report to the shareholders' meeting for discussion. The same applies to the amendment.

When reporting the procedures of endorsements to the Board of Directors, opinions from each Independent Director shall be taken into full consideration, and their specific ideas and reasons for consent or opposition shall also be included in the minutes of the Board of Directors' meeting.

Article 20. The resolutions that should be submitted to the Audit Committee in accordance with the Procedures or other relevant laws and regulations shall be approved by more than one-half of all members of the Audit Committee. If it is not approved by more than one-half of the members of the Audit Committee, more than two-thirds of all directors have to agree. The resolutions of the Audit Committee should be stated in the minutes of the board meeting.

The expressions "all of the members of the Audit Committee" and "all of the Directors of the Board" as used herein shall refer to the number of members/Directors actually in office.

COMPEQ MANUFACTURING CO., LTD.

Procedures for Acquisition and Disposal of Assets

Amendment was made on June 16th, 2017

Chapter 1: General Provisions

- Article 1. According to the "Regulations Governing the Acquisition and Disposal of Assets by Public Companies", the Company shall formulate procedures for the acquisition or disposal of assets. Any such matters shall be addressed accordingly.
- Article 2. These Procedures include matters regarding the acquisition, sale and scrap of assets.
- Article 3. The term "assets" as used in these Procedures includes the following:
- I. Long-term and short-term investment of marketable securities. (including stocks, bonds, corporate bonds, financial bonds, domestic beneficiary certificates, overseas mutual funds, securities of commended funds, depository receipts, etc., subscription (sales) warrants, beneficiary securities and asset-based securities)
 - II. Real property (including land, houses and buildings, investment properties and land use rights) and equipment
 - III. Memberships.
 - IV. Patents, copy rights, trademark rights, concessions and other intangible assets
 - V. Claims of financial institutions (including receivables, bills purchased and discounted, loans, and overdue receivables).
 - VI. Derivatives.
 - VII. Assets acquired or disposed of in connection with mergers, demergers, acquisitions, or transfers of shares in accordance with law.
 - VIII. Other major assets.
- Article 4. Definition of nouns:
- I. "Date of occurrence" shall be the date of contract signature, date of payment, date of consignment trade, date of transfer, dates of boards of director's resolutions, or any other date on which the counterpart and amount of the transaction can be confirmed. However, with investments that require the approval of the competent authority, the earliest of the above dates or the date of receipt of approval by the competent authority shall apply.
 - II. Professional appraiser: Refers to a real property appraiser or other person duly authorized by law to engage in the value appraisal of real property or equipment.
 - III. "Within the preceding year": Refers to the year preceding the date of occurrence of the current transaction. Items duly announced in accordance with these Regulations need not be counted toward the transaction amount.
 - IV. "Most recent financial statements": Refers to the financial statements that have been publicly verified or audited by a CPA prior to the acquisition or disposal of assets.
 - V. "Derivatives": Refers to forward contracts, options contracts, futures contracts, leverage contracts, swap contracts, and compound contracts combining the aforementioned products whose value is derived from assets, interest rates, foreign exchange rates, indices or other interests. The term "forward contracts" does not include insurance contracts, performance contracts, after-sales service contracts, long-term leasing contracts, or long-term purchase (sales) agreements.
 - VI. Assets acquired or disposed of through mergers, demergers, acquisitions or share transfers according to law: refers to assets acquired or disposed of as a

consequence of mergers, demergers or acquisitions according to the Business Mergers and Acquisitions Act, the Financial Holding Company Act, the Financial Institutions Merger Act or other laws or through issuance of new shares as the consideration payable for an acquisition of shares of another company (hereinafter referred to as share transfer) according to Paragraph 6, Article 156 of the Company Act.

- VII. Related party or subsidiary: As defined in the Regulations Governing the Preparation of Financial Reports by Securities Issuers.
- VIII. Investment in Mainland China: Refers to investments in Mainland China that are 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.

Article 5. Evaluation Procedures

- I. As a principle, the Company does not deal in the policy of the trading of acquisitions or disposal of claims of financial institutions. If these types of deals are to be formed subsequently, the Company shall obtain approval from the Audit Committee and the Board of Directors and establish its appraisal and operational procedures before the event takes place.
- II. The Company obtains or disposes of long-term, short-term securities investment or engages in derivative commodity transactions after the benefits and potential risks have been analyzed by the Finance Department. Capital expenditure related to the acquisition or disposal of real property and other assets shall be pre-planned by each unit. The feasibility of purpose and expected benefits shall be evaluated. If the related party obtains or disposes of the assets, the rationality of the trading conditions shall be assessed in accordance with the provisions of Chapter 2 of these Procedures. If the transaction shall exceed 10% of the Company's total assets, a valuation report from a professional appraiser or accountant's opinion shall also be obtained.
- III. Regarding acquisition or disposal of marketable securities, the Company shall, before the date of occurrence, obtain the target company's latest CPA-certified or reviewed financial statements as a reference for assessment of the trading price. In addition, where the trading amount exceeds 20 percent of the Company's paid-in capital or NT\$ 300 million, the Company shall, before the date of occurrence, contact CPAs for opinions on the reasonableness of the trading price. If the CPA requires expert reports, actions shall be taken in accordance with Statements of Auditing Standards No. 20 published by ARDF. Such requirement does not apply, however, to publicly quoted prices of securities that have an active market, or where otherwise provided by regulations of the securities competent authority.
- IV. In acquiring or disposing of real property or equipment where the transaction amount reaches 20 percent of the Company's paid-in capital or NT\$300 million or more, the Company, unless transacting with a government agency, engaging others to build on its own land, engaging others to build on rented land, or acquiring or disposing of equipment for business use, shall obtain an appraisal report prior to the date of occurrence of the event from a professional appraiser and shall further comply with the following provisions:
 - (1) Where due to special circumstances it is necessary to give a limited price, specified price, or special price as a reference basis for the transaction price, the transaction shall be submitted for approval in advance by the Audit Committee and passed by the Board of Directors. The same procedure shall be followed for any future changes to the terms and conditions of the transaction.

- (2) Where the transaction amount is NT\$ 1 billion or more, appraisals from two or more professional appraisers shall be obtained.
 - (3) Where any one 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 engaged to perform the appraisal in accordance with the provisions of Statement of Auditing Standards No. 20 published by the ROC Accounting Research and Development Foundation (hereinafter abbreviated as "ARDF"). The certified public accountant shall render a specific opinion regarding the reason for the discrepancy and the suitability of the transaction price:
 1. The difference between the appraisals and the transaction amount amounts to 20% or higher.
 2. The difference between appraisals from the two professional appraisal services amounts to 10% of the transaction amount or higher.
 - (4) No more than 3 months may elapse between the date of the appraisal report issued by a professional appraiser and the contract execution date. Where the publicly announced current value for the same period is used and not more than 6 months have elapsed, an opinion may still be issued by the original professional appraiser.
- V. When conducting a merger, demerger, acquisition, or transfer of shares, prior to convening the Board of Directors to resolve on the matter, the Company shall engage a CPA, attorney, or securities underwriter to give an opinion on the reasonableness of the share exchange ratio, acquisition price, or distribution of cash or other property to shareholders, and submit it to the Board of Directors for deliberation and passage. However, if the intended merger is with a subsidiary whose outstanding shares or total capital is directly or indirectly wholly owned by the Company or the merger is between subsidiaries whose outstanding shares or total capital is directly or indirectly wholly owned by the Company, the aforementioned specialist's opinion may be exempted.
- VI. When acquiring or disposing of memberships or intangible assets reaches of 20 percent of paid-in capital or more or NT\$300 million or more, except for transactions with government agencies, the Company shall engage a certified public accountant prior to the date of occurrence of the event to provide an opinion on the reasonableness of the transaction price; the CPA shall comply with the provisions of No. 20 of the Statements of Auditing Standards released by the Accounting Research and Development Foundation.
- VII. If the Company obtains or disposes of assets from court auctions, the certification documents issued by the court can replace the valuation report or accountant's opinion.
- VIII. The method for determining the price of the assets obtained or disposed of by the Company and the basis for reference shall be handled in accordance with the preceding paragraph, in addition to taking professional valuation, opinions of accountants and other relevant experts into consideration, and shall be handled in accordance with the following conditions:
- (1) Acquiring or disposing of securities that have been traded in a centralized trading market or Taipei Exchange, depending on the equity or bond price at the time of the transaction.
 - (2) For obtaining or disposing of securities that are not traded in a centralized trading market or Taipei Exchange, its net value per share, technology and profitability, future development potential, market interest rate, bond coupon

- rate and debtor's debt, etc. shall be taken into consideration. The price of recently-completed transactions shall also be referenced.
- (3) For obtaining or disposing of the membership card, the benefits that may be generated and the latest transaction price shall be taken into consideration. For obtaining or disposing of intangible assets such as patents, copyrights, trademarks, concessions, etc., international or market practices, the number of years of use and the impact on the Company's technology and business shall be taken into consideration.
- (4) For obtaining or disposing of real property and other fixed assets, the present value of the announcement, the present value of the assessment, the actual transaction price of the adjacent real property or the carrying value, and the supplier's quotation shall be taken into consideration. When purchasing real property from a related party, it shall first be determined whether the transaction price is reasonable according to the method specified in Chapter 2 of these Procedures.
- (5) When investing in derivative commodities, the needs of the Company's business shall first be considered before relevant commodity trading conditions and stock market transactions are taken into consideration. Trends for the future stock market, foreign exchange rates and interest rate forecast by reputable financial institutions and securities firms shall be referred to and evaluated in the report. Based on the above information, the timing of the appropriate undertaking, the commodity, and the amount of the commitment will be determined.
- (6) For mergers, divisions, acquisitions or share transfers, consideration should be given to the nature of its business, net value per share, asset value, technology and profitability, production capacity, future growth potential and overall efficiency.

Article 6. Operating Procedures

- I. The Company's acquisition or disposal of the assets listed in Article 2 of these Procedures shall be handled in accordance with the following provisions.
- (1) Securities:
1. For securities that are not traded in a centralized trading market or Taipei Exchange, if the transaction amount is below NT\$ 10 million, the CEO is authorized to decide. If the amount exceeds NT\$ 10 million, the CEO will discuss the matter with the Board of Directors or ratify the decision. Relevant work is carried out by the Finance Department.
 2. For securities that are traded in the centralized trading market or Taipei Exchange, the Board of Directors authorizes the Finance Department to trade through the centralized trading market or Taipei Exchange at the prevailing market price.
- (2) Real property or equipment: Except for land which is thoroughly investigated and evaluated in accordance with market conditions by a unit approved by the CEO and reported to the CEO, upon acquisition, the capital expenditure plan shall be drawn up by each unit. For transactions amounting to NT\$10 million or above, the benefit evaluation report shall be submitted to the technical group for examination and approval. When the real property or equipment is to be used, a separate permission should be attached with the approval of the supervisors of each level according to the authority of the Company, and then processed through procurement procedures. For disposal, the unit shall fill out the form or project petition and proceed with the authority granted by the Company.
- (3) Derivative goods: The transaction of derivative goods shall be handled in

- accordance with the relevant provisions of Chapter 3 of these Procedures.
- (4) Obtaining or disposing of assets with the related party: Relevant materials shall be prepared in accordance with the provisions of Chapter 2 of these Procedures to be submitted to the Audit Committee for approval and executed after approval by the Board of Directors. However, within the scope of the NT\$2 billion between the Company and its parent company or its subsidiaries, the Board of Directors may authorize the Chairman to make a decision and then report to the upcoming Board of Directors for ratification. The abovementioned amount was recalculated after ratification by the upcoming Board of Directors meeting.
 - (5) Merger, demerger, acquisition or transfer of shares: relevant procedures shall be followed and relevant materials shall be prepared in accordance with the provisions of Chapter 4 of the Procedures. Mergers, demergers and acquisitions shall be subject to the resolution of the shareholders' meeting except where the provisions of the shareholders' meeting are waived. Transfer of shares shall be submitted to the Audit Committee for approval and approved by the Board of Directors.
 - (6) Others: Procedures shall be compliant with the internal control system and the operating procedures stipulated by the authority. If there is a stipulation in Article 185 of the Company Act, it shall be approved by the shareholders' meeting.

II. Executing unit :

The Company's executing units for long-term and short-term investment portfolios and derivative commodity transactions are those approved by the Finance Department and the people approved by the CEO. The executive units of real property and other assets are the relevant departments and units. For mergers, demergers, acquisition or transfer of shares, it is the execution unit approved by the Finance Department and the CEO. After the assets obtained or disposed of have been evaluated and approved, the executing unit shall perform the transaction process of contracting, receiving, paying, delivering and accepting, and shall handle the relevant procedures according to the internal control system depending on the nature of the assets. For the acquisition of real property from a related party, trading in derivative commodities and mergers, demergers, acquisitions or transfer of shares shall be governed by the provisions of Chapters 2 to 4 of these Procedures.

Article 7. Public Declaration Procedures

- I. When obtaining or disposing of assets, if any of the circumstances below occur, the Company shall fill in the information depending on the nature in accordance with the prescribed form, and submit the relevant information to the designated website of the competent authority within two days from the date of occurrence of declaration.
 - (1) 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 the Company's paid-in capital, 10% or more of total assets, or NT\$300 million or more. However, this does not apply to trading of government bonds or bonds under repurchase and resale agreements, or subscription or redemption of domestic money market funds.
 - (2) Merger, demerger, acquisition, or transfer of shares.
 - (3) Losses from derivatives trading reaching the limits on aggregate losses or losses on individual contracts set out in the procedures adopted by the

Company.

- (4) Where the type of assets acquired or disposed of is equipment for business use, the trading counter-party 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 and the transaction amount is more than NT\$500 million.
 2. Where the Company's paid-in capital is more than NT\$10 billion and the transaction amount is more than NT\$1 billion.
- (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 reaches NT\$500 million.
- (6) Where an asset transaction other than any of those referred to in the preceding five subparagraphs, or an investment in the mainland China area reaches 20 percent or more of the Corporation's paid-in capital or NT\$300 million. The following situations are excluded:
 1. Trading of government bonds.
 2. Securities traded by investment professionals on foreign or domestic securities exchanges or over-the-counter markets, or subscription of common corporate bonds and non-equity-linked common financial bonds offered in the primary market domestically, or subscription by securities firms having the need because of acting as underwriters or recommending securities firms for emerging companies in accordance with the TPEX regulations.
 3. Trading of bonds under repurchase/resale agreements, or subscription or redemption of domestic money market funds.

The amount of the transactions above shall be calculated as follows:

- (1) The amount of any individual transaction.
- (2) The cumulative transaction amount of acquisitions and disposals of the same type of underlying asset with the same trading counterparty within the preceding year.
- (3) The cumulative transaction amount of real property acquisitions and disposals (cumulative acquisitions and disposals, respectively) within the same development project within the year.
- (4) The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of the same security within the year.

The term referred to in the preceding paragraph is based on the date of the occurrence of the transaction, and is retroactively calculated for one year. The amount that has been declared in accordance with the provisions of the "Regulations Governing the Acquisition and Disposal of Assets by Public Companies" can be exempted.

- II. The Company shall compile monthly reports on the status of derivatives trading engaged in up to the end of the preceding month by itself and any subsidiaries that are not domestic public companies, and input into the information reporting website designated by the competent authority by the 10th day of each month.
- III. When the Company makes an error or omission in an item required by regulations to be publicly announced, all the items shall be properly corrected and publicly announced in entirety within 2 days upon knowledge of its error

or omission.

- IV. When any of the following circumstances occurs with respect to a transaction that the Company has already publicly announced in accordance with the regulations, a public report of relevant information shall be made on the website designated by the competent authority within 2 days commencing immediately from the date of the event:
- (1) Change, termination, or rescission of a contract signed in regards to the original transaction.
 - (2) The merger, demerger, acquisition, or transfer of shares is not completed by the scheduled date set forth in the contract.
 - (3) Change to the originally publicly announced and reported information.

Article 8.

Total amount of non-commercial use real property or securities, and limit of individual security obtained by the Company and its various subsidiaries

- I. The total amount of real property acquired by the Company for non-business use shall not exceed 50% of the net value of its latest financial statements. The total amount of securities obtained shall not exceed 100% of the net value of the latest financial statements of the Company. The individual limit for obtaining securities may not exceed 50% of the net value of the latest financial statements of the Company, except for those approved by the shareholders' meeting.
- II. The total investment and quota of each subsidiary of the Company shall be handled in accordance with the following provisions. In case of approval by the subsidiary's Board of Directors, submission to the Company's Audit Committee and approval of the Board of Directors of the Company, the following provisions are exempted:
 - (1) For a subsidiary that is not a professional investment company, the total amount of real property purchased for non-business use shall not exceed 50% of the net value of the latest financial statement of the subsidiary, the total amount of purchased securities shall not exceed 100% of the net value of the latest financial statement of the subsidiary, and the limit for investing in individual securities shall not exceed 50% of the net value of the latest financial statement of the subsidiary.
 - (2) For a subsidiary that is a professional investment company, the total amount of real property purchased for non-business use shall not exceed 50% of the total assets of the subsidiary; the total amount of securities shall not exceed 100% of the total assets of the subsidiary; and the limit for individual securities is 100% of the total assets of the subsidiary.

Article 9.

Control over the acquisition or disposal of assets by subsidiaries:

- I. The subsidiaries of the Company shall also stipulate and implement the "Acquisition Procedures for Obtaining or Disposing of Assets" as set out in the "Regulations Governing the Acquisition and Disposal of Assets by Public Companies" issued by the competent authority and the Procedures. It should be submitted to the supervisor and the shareholders' meeting. The same applies to the amendment. If a subsidiary of the Company has an Audit Committee set up, it shall first receive approval from more than one-half of the members of the Audit Committee. After being approved by the shareholders' meeting, it will then be submitted to the Board of Directors for approval.
- II. The subsidiaries of the Company shall review whether the aforementioned procedures comply with the relevant standards and independently check whether the assets obtained or disposed of are handled in accordance with their prescribed procedures.
- III. The internal audit unit of the Company shall review the self-inspection report

of the subsidiary.

- IV. The subsidiaries of the Company shall report to the Company in the case of trading in derivative commodities as of the end of last month before the 8th of each month. The subsidiary shall report to the Company the status of obtaining or disposing of assets in the previous month and the end of last month before the 12th of each month.
- V. If a subsidiary of the Company is not a publicly-issued company and the assets obtained or disposed of reach the standard of the announcement, it shall notify the Company within the day of the fact for the Company to file a declaration on the designated website in accordance with regulations.

Article 10. Penalties: If the relevant personnel are in violation of the provisions of the Company's procedures for obtaining or disposing of assets, the penalties shall be imposed in accordance with the provisions of the Company's relevant rules.

Chapter 2 Related party Transactions

Article 11. Basis for identification:

When the Company and its related parties obtain or dispose of assets, except for abiding by the provisions of these Procedures, if the transaction amount reaches more than 10% of the Company's total assets, a valuation report issued by a professional appraiser or accountants' opinion shall be obtained. When judging whether a trading counterpart is a related party, besides legal definitions, the substantial relations shall also be taken into consideration.

Article 12. Resolution procedures:

When 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 percent or more of paid-in capital, 10 percent 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 or redemption of money market funds issued by domestic securities investment trust enterprises, the Company may not proceed to enter into a transaction contract or make a payment until the following matters have been audited by the Audit Committee and approved by the Board of Directors:

- I. The purpose, necessity and anticipated benefit of the acquisition or disposal of assets.
- II. The reason for choosing the related party as a trading counterpart.
- III. With respect to the acquisition of real property from a related party, information regarding appraisal of the rationality of the preliminary transaction terms in accordance with Article 13 and Article 14.
- IV. The date and price at which the related party originally acquired the real property, the original trading counterpart, and that trading counterpart's relationship to the Company and the related party.
- V. Monthly cash flow forecasts for the year commencing from the anticipated month of signing of the contract, the evaluation of the necessity of the transaction, and rationality of the funds utilization.
- VI. An appraisal report from a professional appraiser or a CPA's opinion obtained in compliance with the preceding article.
- VII. Restrictive covenants and other important stipulations associated with the transaction.

With respect to the acquisition or disposal of business-use equipment between the Company and its parent or subsidiaries, the Company's board of directors may delegate the board chairman to decide such matters when the transaction is within a

certain amount and have the decisions subsequently submitted to and ratified by the next board of directors meeting, pursuant to Article 6.

Article 13. Assessment of the rationality of trading conditions:

For the Company to acquire real property from a related party, the rationality of the transaction costs shall be evaluated by the following means. A CPA shall be engaged to review the appraisal and render a specific opinion.

- I. Based upon the related party's transaction price, necessary interest on funding and the costs that are legally to be duly borne by the buyer are calculated. "Necessary interest on funding" is imputed as the weighted average interest rate on borrowing in the year the Company purchases the property. It may not be higher than the maximum non-financial industry lending rate announced by the Ministry of Finance.
- II. If the related party has previously created a mortgage on the property as security for a loan, the total value of actual cumulative amount loaned by the financial institution shall have been 70 percent or more of the financial institution's appraised loan value of the property and the period of the loan shall have been 1 year or more. However, this shall not apply where the financial institution is a related party of one of the trading counterparties.

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 in the preceding paragraph.

In any of the following circumstances, the transaction shall be handled in accordance with the provisions of Article 12, and the preceding two articles shall not apply:

- I. The related party acquired the real property through inheritance or as a gift.
- II. More than 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.
- III. The real property is acquired through signing of a joint development contract with the related party, or through engaging a related party to build real property, either on the Company's own land or on rented land.

Article 14. To-do items with when the transaction cost is lower than the transaction price.

In accordance with the provisions of the preceding article, if the transaction costs set by the evaluation results are lower than the transaction price, except for the following circumstances, the objective evidence and the specific opinions of professional real property appraisers and accountants shall be submitted, and the provisions of Article 3 shall be followed:

- I. Where the related party acquired undeveloped land or leased land for development, it may submit proof of compliance with one of the following conditions:
 - (1) In the case of an assessment of undeveloped land is conducted with the method specified in the preceding provisions, the house shall be added rational operating profits according to the related party's operating cost, and the total shall exceed the actual transaction price. The "reasonable construction profit" shall be deemed the average gross operating profit margin of the related party's construction division over the most recent three years or the gross profit margin for the construction industry for the most recent period as announced by the Ministry of Finance, whichever is lower.
 - (2) Completed transactions of other floors of the same property or neighboring regions of unrelated parties within a year, where the area and conditions are similar with the trading terms including rational floors or regions' spread based on real property dealing practice after assessment.

(3) Completed leasing transactions by unrelated related parties 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.

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 one year refers to one year from the actual date of acquisition of the real property.

When the Company obtains real property from a related party, if the transaction cost calculated by the assessment result in accordance with the preceding article is lower than the transaction price and there is no such situation as mentioned in the first paragraph of this Article, the following matters shall be attended to:

I. A special reserve shall be set aside in accordance with Paragraph 1 of Article 41 of the Securities and Exchange Act against the difference between the real property transaction price and the appraised cost, and may not be distributed or used for capital increase. If a public company uses the equity method to account for its investment in this Company, the special reserve called for under Article 41-1 of the Securities and Exchange Act shall be set aside.

II. Supervisors shall comply with Article 218 of the Company Act.

III. The Company shall report the handling of the first and second paragraphs mentioned above to the shareholders' meeting and disclose the details of the transaction in the annual report and public notice.

The special reserve specified in paragraph 3 of the Article may not be utilized until it has recognized a loss on decline in market value of the assets it purchased at a premium, or they have been disposed of, or adequate compensation has been made, or the status quo ante has been restored, or there is other evidence confirming that there was nothing unreasonable about the transaction, and the securities competent authority has given its consent.

When the Company obtains real property from a related party, it shall also comply with the provisions of paragraph 3 and 4 in this Article if there is other evidence indicating that the acquisition was not an arm's length transaction.

Chapter 3 Control of Derivative Commodity Trading

Article 15. Principles and Guidelines for Trading:

I. Transaction type:

The Company must engage in the types of derivative commodities, including forward contracts, options, interest rate and exchange rate exchanges, futures, and composite contracts of the above-mentioned commodities. If the need to engage in other commodity transactions arise, approval of the Audit Committee and the resolution of the Board of Directors shall first be obtained.

II. Operation or hedging strategy:

The Company engages in transactions in which derivative goods are traded for the purpose of hedging and non-hedging (i.e. for the purpose of trading). The strategy should aim at evading business risks. The choice of trading

commodities should be based on avoiding risks such as foreign exchange income, expenses, assets or liabilities arising from the business operations of the Company. If the objective environment changes, an appropriate time to engage in non-hedging transactions of derivative goods should be chosen in the hopes of increasing the Company's non-operating income or reducing non-operating losses. In addition, the trading partner should also be financial institutions that are in business with the Company to avoid credit risk. Prior to the transaction, it must be clearly defined as a hedging or financial operation for pursuing investment income, as the basis for accounting.

III. The transaction amount:

(1) Hedging transactions:

The net foreign exchange liability position (including the net portion expected to be generated after the combination of assets and liabilities) is the upper limit of hedging.

(2) Non-hedging transactions:

Depending on the market trend at the time of undertaking and the business needs of the Company, the trading personnel should submit an analysis and evaluation report before the execution of the case, the contents of which should contain market trends and risk analysis, and provide recommended operating methods and conditions as approved by the CEO.

IV. All and individual contract loss limit

(1) Hedging transactions:

The maximum contract loss limit is 15% of the total contract amount, and the individual contract loss limit is 20% of the individual contract amount.

(2) Non-hedging transactions:

The maximum amount of loss per transaction is 2% of the contract amount.

(3) When the loss is about to reach the limit of this Article, the person in charge shall immediately report it to the CEO and the Chairman. Any abnormality shall be reported to the Audit Committee and Board of Directors.

V. Authorization quota

(1) Hedging transactions:

For hedging-type of forward foreign exchange transactions, the highest authorization quota is US\$ 5 million. Authorization is granted by the operation supervisor. For other hedging type derivative commodity transactions, the highest authorization quota is US\$ 10 million.

Authorization is granted by the CEO and Chairman on a case-by-case basis.

(2) Non-hedging transactions:

In order to reduce risks, any cumulative transaction position under US\$5 million or less (including the equivalent in other currencies) must be approved by the CEO or senior executives authorized by the CEO.

Transactions over US\$ 5 million can only proceed with the approval of the President and the Chairman.

IV. Segregation of duties

The duties of the Company's personnel in charge of the trading of derivative commodities are as follows:

(1) Supervisor: Responsible for formulating operational strategies, hedging strategies, risk management (including credit liquidity, operations and laws, etc.) and operating within the authorized amount, reviewing the operation order, indicating the conditions and operational reasons of the transaction, and submitting to the trader.

(2) Trader: Studying the commodity market information and discussing the operation proposal with the authorizing supervisors, executing the

transaction according to the trading conditions listed in the approved operation list.

- (3) Delivering personnel: After executing the transaction, the delivering personnel are responsible for handling the delivery procedures and returning the delivery documents.
- (4) Record-confirming personnel: Confirming the transaction facts, filling in the record form, receiving external confirmations for the position balance, calculating the position profit and loss, and submitting the information to the highest supervisory authority authorized by the Board of Directors.
- (5) Risk management personnel: Aggregating unsettled balance of the derivative financial product classification position periodically for evaluation.

VII. Performance evaluation tips

- (1) Hedging transactions: based on the performance gains and losses between the Company's book-based exchange (profit) rate and the derivative financial transactions, the performance is assessed at least once a month and reported to the management level for reference.
- (2) Non-hedging transactions: The actual profit and loss is used as the performance evaluation basis. The evaluation is conducted at least once a week, and the performance is reported to the management for reference.

Article 16. Risk management measures:

The Company is engaged in derivative commodity trading, and its risk management scope and measures to be adopted are as follows:

- I. Credit risk considerations: The choice of trading banks shall be financial institutions with outstanding credit, large scale, and the ability to provide professional information.
- II. Market risk considerations: losses may occur based on the volatile price fluctuations of derivative products on the market. After the establishment of the position, the setting of the relevant stop-loss points shall be strictly observed.
- III. Liquidity considerations: the liquidity of trading commodities and the Company's cash flow shall be taken into consideration.
- IV. Operation considerations: authorization quota and transaction procedures shall be strictly complied with to avoid operational risks.
- V. Legal considerations: contracts regarding transactions shall be reviewed in advance to avoid future losses.
- VI. Commodity risk considerations: Operators should have excellent professional knowledge about the financial products traded. The banks are required to fully disclose risks to avoid losses caused by the misuse of financial products.
- VII. Cash delivery risk considerations: Authorized traders should strictly abide by the provisions in the authorization quota as well as paying attention to the Company's cash flow in order to ensure sufficient cash payment at the time of delivery.
- VIII. Personnel management considerations: Traders engaged in derivative commodity trading and operators in charge of confirmation and delivery shall not be interchangeable. The measurement, supervision and control of relevant risks shall be reported by different departments to the Audit Committee, Board of Directors, or senior executives not responsible for trading or decision making.

Article 17. Internal audit system:

The audit unit of the Company shall regularly investigate whether the internal control of derivative commodity transactions is acceptable, review the compliance of the derivative commodity transaction procedures on a monthly basis, and analyze the

transaction cycle to make an audit report. In the event of significant violations, the Audit Committee shall be notified in writing.

Before the end of February of the following year, the audit report of the preceding paragraph shall be submitted to the competent authority with the implementation of the annual audit plan. The improvement of any abnormality shall be reported to the competent authority for reference at the end of May of the following year.

Article 18. Supervision and management:

- I. The CEO is appointed by the Board of Directors as the highest supervisory director of derivative commodity trading. The CEO shall continuously supervise and control the risks of derivative commodity transactions.
- II. The Company shall report the relevant contents of the subsidiaries and the Company's transactions in derivative commodities as of the end of the previous period to the most recent Board of Director's meeting, so that the Board can understand whether the performance is in line with the business strategy and whether the risk is within the Company's allowed limit. In addition, a subsidiary shall obtain the approval of the CEO of the controlling Company prior to engaging in derivative financial commodity transactions.
- III. The CEO of the Company shall manage derivative commodity transactions in accordance with the following principles:
 - (1) Regularly assessing whether the risk management measures currently in place are appropriate in accordance with the "Regulations Governing the Acquisition and Disposal of Assets by Public Companies" set by the competent authority and the relevant provisions of these Procedures.
 - (2) Supervising the transaction and profit/loss. When abnormality is found, necessary measures shall be taken. The incident shall also be immediately reported to the Audit Committee and the Board of Directors. The Board of Directors shall have independent directors present to express their opinions.
- IV. The Company shall establish a checklist for the transaction of derivative commodities, detailing the type and amount of derivative commodity transactions, the date of the Board approval, a monthly or weekly assessment report, and the periodic evaluation by the senior managers authorized by the Board of Directors and the Board of Directors.

Chapter 4 Merger, Demerger, Acquisition or Share Transfer

Article 19. When conducting a merger, demerger, acquisition, or transfer of shares, prior to convening the Board of Directors to resolve on the matter, the Company shall engage a CPA, attorney, or securities underwriter to give an opinion on the reasonableness of the share exchange ratio, acquisition price, or distribution of cash or other property to shareholders, and submit it to the Board of Directors for deliberation and passage.

Article 20. When participating in a merger, demerger, acquisition, or transfer of shares, the Company shall prepare a public document for shareholders detailing important contractual content and matters relevant to the merger, demerger, or acquisition prior to the shareholders' meeting and include also the expert opinion referred to in the preceding paragraph to send to shareholders along with the shareholder meeting notice to serve as reference for them to decide whether to approve the merger, demerger, or acquisition. However, where a provision of another act exempts a company from convening a shareholder meeting to approve the merger, demerger, or acquisition, this restriction shall not apply. In the case of a company that is participating in the merger, demerger or acquisition, and the Shareholder's meeting of either party cannot be convened, resolved, or the proposal is rejected by the Shareholders' Meeting, the Company shall immediately publicly disclose the reasons,

- follow-up operations and the date of the upcoming Shareholders' Meeting.
- Article 21. Unless otherwise stipulated by other laws or special factors, the Company shall convene the Board of Directors' Meeting and the Shareholders' Meeting on the same day as the merger, demerger or acquisition. When the shares are transferred, the Board of Directors shall be convened on the same day as other companies. Companies listed at the TWSE or TPEX participating in a merger, demerger, acquisition or transfer of shares shall establish complete written records of the following information and keep them for five years for verification:
- I. 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. Dates of significant events: Including the signing of any letter of intent or memorandum, the delegation of a financial or legal advisor, the signing of a contract, and the convening of a board of directors meeting.
 - III. Important documents and minutes: Including merger, demerger, acquisition, and share transfer plans, any letter of intent or memorandum, important contracts and minutes of board of director's meetings.
- When participating in a merger, demerger, acquisition, or transfer of another company's shares, a company that is listed on an exchange or has its shares traded on an OTC market shall, within 2 days counting inclusively from the date of passage of a resolution by the Board of Directors, report (in the prescribed format and via the Internet-based information system) the information set out in subparagraphs 1 and 2 of the preceding paragraph to the FSC for recordation.
- Where any of the companies participating in a merger, demerger, acquisition, or transfer of another company's shares is neither listed on an exchange nor has its shares traded on an OTC market, the companies so listed or traded shall sign an agreement with such company whereby the latter is required to abide by the provisions of paragraphs 2 and 3.
- Article 22. Conversion ratio and purchase price:
The conversion ratio or purchase price of a merger, demerger, acquisition or share transfer shall not be arbitrarily changed except in the following cases:
- I. Cash capital increase, issuance of convertible corporate bonds, or the issuance of bonus shares, issuance of corporate bonds with warrants, preferred shares with warrants, stock warrants, or other equity based securities.
 - II. An action, such as a disposal of major assets, that affects the Company's financial operations.
 - III. An event, such as a major disaster or major change in technology, that affects shareholder equity or share price.
 - IV. An adjustment where any of the companies participating in the merger, demerger, acquisition, or transfer of shares from another company, buys back treasury stock.
 - V. An increase or decrease in the number of entities or companies participating in the merger, demerger, acquisition, or transfer of shares.
 - VI. Other terms/conditions that the contract stipulates may be altered and that have been publicly disclosed.
- Article 23. The contents that shall be included in the contract:
In the case of the Company participating in merger, demerger, acquisition or share transfer, the contract shall state the rights and obligations of the Company, the proportion of the shares changed or the purchase price mentioned in the preceding article, and the following items:

- I. Handling of breach of contract.
- II. 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.
- III. The amount of treasury stock participating companies are permitted under law to buy back after the record date of calculation of the share exchange ratio, and the principles for handling thereof.
- IV. The manner of handling changes in the number of participating entities or companies.
- V. Preliminary progress schedule for plan execution, and anticipated completion date.
- VI. Scheduled date for convening the legally mandated shareholders meeting if the plan exceeds the deadline without completion, and relevant procedures.

Article 24.

Other matters needing attention when the Company merges, demerges, acquires or transfers shares:

- I. 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.
- II. After public disclosure of the information, if the 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, the Company shall carry out anew the procedures or legal actions that had originally been completed toward the merger, demerger, acquisition, or share transfer. An exception to this is where the number of participating companies is decreased and a participating company's shareholder's meeting has adopted a resolution authorizing the Board of Directors to alter the limits of authority. In these cases, the Company may be exempted from calling another shareholders' meeting to resolve on the matter anew.
- III. If the Company that is merged, divided, acquired or transferred to a share is not a publicly-issued company, the Company shall sign an agreement with it and handle it in accordance with the provisions of Article 21 and the preceding two paragraphs of this handling procedure.

Chapter 5 Other important matters

Article 25.

When the Company acquires or disposes of assets, relevant contracts, minutes books, memorandum books, appraisal reports, and opinion books of CPA, attorney, or securities underwriter shall be kept in the Company for at least five years except as otherwise provided by other laws.

Article 26.

Professional appraisers and their officers, certified public accounts, attorneys, and securities underwriters that provide public companies with appraisal reports, certified public accountant's opinions, attorney's opinions, or underwriter's opinions shall not be a related party.

Article 27.

The provisions of these Procedures shall be submitted to the Audit Committee for approval and approved by the Board of Directors, and then submitted to the Shareholders' Meeting for resolution. The same applies to the amendment. When submitting these Procedures to the Board of Directors for discussion, the opinions of the independent directors shall be fully considered and their objections or reservations should be stated in the agenda of the Board of Directors; At the same

time, if a director expresses dissent and has a record or written statement, the information shall be sent to the Audit Committee.

When the Company obtains or disposes of assets, if it shall be approved by the Board of Directors in accordance with the Procedures or other laws, it shall first be submitted to the Audit Committee for approval. If it is approved by the Shareholders' Meeting according to the Procedures or other relevant laws and regulations, it shall be submitted for resolution at the Shareholders' Meeting. Once passed, it will be implemented. When submitting a transaction of obtaining or disposing of assets to the Board of Directors for discussion, the opinions of each independent director shall be fully considered. If the independent director has any objection or reservation, it shall be stated in the meeting minutes of the Board of Directors. At the same time, if any objection is voiced by a director and is put in the record or written statement, the information shall be sent to the Audit Committee. When a matter shall be submitted to the Board for resolution according to the Procedures or other laws and regulations, approval from one-half or more of all Audit Committee members need to be obtained. Any matter that has not been approved with the consent of one-half or more of the entire membership of the Audit Committee may be adopted with the consent of two-thirds or more of the entire Board of Directors, and the resolution of the Audit Committee shall be recorded in the Board of Directors meeting minutes. The expressions "all of the members of the Audit Committee" and "all of the Directors of the Board" as used herein shall refer to the number of members/Directors actually in office.

Article 28. The provisions of these guidelines relating to 10% of the total assets shall be calculated on the basis of the total assets in the latest individual or respective financial statements as stipulated in the guidelines for financial reports made by securities issuers.

In the case of the Company whose shares have no par value or a par value other than NT\$10 per share, for the threshold of transaction amounts of 20% of paid-in capital under the Handling Procedures, 10% of equity attributable to owners of the parent.

Shareholdings of All Directors

Book closure date : April 15, 2019

Position	Name	Date elected	Term (Years)	Shareholding while elected		Current shareholding	
				Shares	Shareholding ratio (%)	Shares	Shareholding ratio (%)
Chairman of the Board	Charles C.Wu	2017.6.16	3	34,078,243	2.86	34,078,243	2.86
Director	K.S Peng	2017.6.16	3	8,365,186	0.70	8,365,186	0.70
Director	P.K. Chiang	2017.6.16	3	503,450	0.04	943,450	0.08
Director	P.Y. Wu	2017.6.16	3	28,108,499	2.36	27,658,499	2.32
Director	P.H. Wu	2017.6.16	3	27,204,857	2.28	27,204,857	2.28
Director	Andrew Chen, on behalf of Chang-Zhi Investment Co., Ltd.	2017.6.16	3	15,653,000	1.31	16,353,000	1.37
Independent Director	Tung Chun Huang	2017.6.16	3	0	0.00	0	0.00
Independent Director	Tzu Kuan Chiu	2017.6.16	3	0	0.00	0	0.00
Independent Director	Teng Ling Liu	2017.6.16	3	1,416,565	0.12	1,366,565	0.11

The minimum required combined shareholding of all directors by law: 32,000,000 shares

The combined shareholding of all directors on the book closure date: 115,969,800 shares

Total shares Issued as of 4/15/2019 : 1,191,820,589 shares

The Company has three independent directors, and the minimum required shareholding by all directors except for independent directors is downsized to 80% of the minimum required based on Article 2, paragraph 2 of “Rules and Review Procedures for Director and Supervisor Share Ownership Ratios at Public Companies.