

Largan Precision Co., Ltd

2019 Annual General Shareholders' Meeting

Meeting Agenda Handbook
(Translation)

June 12, 2019

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This is a translation of the agenda for the 2019 Annual General Shareholders' Meeting of Largan Precision Co., Ltd. The translation is for reference only. If there is any discrepancy between the English version and Chinese version, the Chinese version shall prevail.

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Largan Precision Co., Ltd. 2019 Annual General Shareholders' Meeting Procedures

1. Call Meeting to Order
2. Chairman's Address
3. Report Items
4. Proposals
5. Discussion and Elections
6. Extemporaneous Motions
7. Meeting Adjourned

Largan Precision Co., Ltd. 2019 Annual General Shareholders' Meeting Agenda

Time: 9 a.m., June 12, 2019 (Wednesday)

Place: No. 300, Chenggong West Road, Wuri District, Taichung City (Nan Shan Life Insurance Company Ltd. Education & Training Center)

1. Call meeting to order (report number of shares in attendance)
2. Chairman's Address
3. Report Items
 - (1) 2018 Business Report
 - (2) 2018 Supervisors' Review Report
 - (3) 2018 Employee, Director and Supervisor Compensation Report
4. Proposals
 - (1) 2018 Business Report and Financial Statements
 - (2) 2018 Earnings Distribution
5. Discussions and Elections
 - (1) Amendment to the "Articles of Incorporation"
 - (2) Amendment to the "Procedures for the Acquisition or Disposal of Assets"
 - (3) Amendment to the "Procedures for Engaging in Derivatives Trading"
 - (4) Amendment to the "Rules for Loaning of Funds" and "Rules for Endorsements/Guarantees"
 - (5) Election of the Company's 17th-term of Directors and Supervisors
 - (6) Release of newly appointed Directors of the Company from non-compete restrictions
6. Extemporaneous Motions
7. Meeting Adjourned

Report Items

1. 2018 Business Report

Explanation: Please refer to Attachment I on page 9 of the Handbook.

2. 2018 Supervisors' Review Report

Explanation: Please refer to Attachment II on page 10 of the Handbook.

3. 2018 Employee, Director and Supervisor Compensation Report

Explanation: The Company's compensation for Directors, Supervisors and employees in 2018 are distributed in accordance with the Company's Articles of Incorporation. Directors and Supervisors compensation is NT\$328,787,097, and employee compensation is NT\$4,383,827,948. All compensation shall be distributed in cash.

Proposals

1. Adoption of 2018 Business Report and Financial Statements (Proposed by the Board of Directors)

Explanation:

- (1) The Parent Company Only Financial Statements and Consolidated Financial Statements prepared and delivered by the Board of Directors have been audited by KPMG Taiwan. The Financial Statements, along with the Business Report and Earnings Distribution Table, have been reviewed and verified by the Supervisors.
- (2) Please refer to Attachment I on page 9 of the Handbook and Attachment III on page 11-26 of the Handbook for the aforementioned Business Report, Independent Auditor's Report, and Financial Statements.
- (3) The proposed reports and statements are submitted for adoption.

Resolution:

2. Adoption of 2018 Earnings Distribution (Proposed by the Board of Directors)

Explanation: The Company's 2018 Earnings Distribution has been approved by the Board of Directors. Please refer to Attachment IV on page 27 of the Handbook for the detailed distribution statement.

Resolution:

Discussions and Elections

1. Discussion of amendments to the "Articles of Incorporation" (Proposed by the Board of Directors)

Explanation: The Company's Articles of Incorporation are revised to comply with amendments in the Company Act and the Company's actual business requirements. Please refer to Attachment V on page 28-29 of the Handbook for the comparison table of revisions to the Articles of Incorporation.

Resolution:

2. Discussion of amendments to the "Procedures for the Acquisition or Disposal of Assets" (Proposed by the Board of Directors)

Explanation:

- (1) The Company's "Procedures for the Acquisition or Disposal of Assets" is amended in accordance to Jin-Guan-Zheng-Fa No. 1070341072 issued by the Financial Supervisory Commission on November 26, 2018.
- (2) Please refer to Attachment VI on page 30-49 of the Handbook for the comparison table of revisions to the "Procedures for the Acquisition or Disposal of Assets".

Resolution:

3. Discussion of amendments to the "Procedures for Engaging in Derivatives Trading" (Proposed by the Board of Directors)

Explanation:

- (1) The Company's "Procedures for Engaging in Derivatives Trading" is amended in accordance to Jin-Guan-Zheng-Fa No. 1070341072 issued by the Financial Supervisory Commission on November 26, 2018.
- (2) Please refer to Attachment VII on page 50-51 of the Handbook for the comparison table of revisions to the "Procedures for Engaging in Derivatives Trading".

Resolution:

4. Discussion of amendments to the "Rules for Loaning of Funds" and "Rules for Endorsements/Guarantees" (Proposed by the Board of Directors)

Explanation:

- (1) The Company's "Rules for Loaning of Funds" and "Rules for Endorsements/Guarantees" are amended in accordance to Jin-Guan-Zheng-Shen No. 1080304826 issued by the Financial Supervisory Commission on March 7, 2019.
- (2) Please refer to Attachment VIII on page 52-73 of the Handbook for the

comparison table of revisions to the "Rules for Loaning of Funds" and "Rules for Endorsements/Guarantees".

Resolution:

5. Election of the Company's 17th-term of Directors and Supervisors (Proposed by the Board of Directors)

Explanation:

- (1) The term of office of the Company's current Directors and Supervisors will expire on June 7, 2019 and an election for Directors and Supervisors is called for at this annual general shareholders' meeting.
- (2) According to Article 16 of the Company's Articles of Incorporation, the Company shall elect seven Directors (including two Independent Directors) and two Supervisors. The Directors and Supervisors shall be elected based on a candidate nomination system for a term of three years and may be re-elected at the end of their term.
- (3) The term of office of the newly elected Directors and Supervisors will be from June 12, 2019 to June 11, 2022. The term of the previous Directors and Supervisors shall expire upon the completion of the annual general shareholders' meeting.
- (4) The list of candidates for the Directors, Supervisors and Independent Directors has been reviewed in the meeting of the Board of Directors on April 22, 2019, and is provided below;

Director Candidate	1	2	3	4	5
Name	<u>Mao Yu</u> <u>Commemorate Co.,</u> <u>Ltd.</u> <u>Representative:</u> <u>Yao-Ying Lin</u>	<u>Mao Yu</u> <u>Commemorate Co.,</u> <u>Ltd.: Representative:</u> <u>En-Chou Lin</u>	<u>Mao Yu</u> <u>Commemorate</u> <u>Co., Ltd.</u> <u>Representative:</u> <u>En-Ping Lin</u>	Shih-Ching Chen	Ming-Yuan Hsieh
Number of shares held	8,672,968 shares	8,672,968 shares	8,672,968 shares	6,756,831 shares	3,606,585 shares
Education	National Chung Hsing University Degree in Agricultural Chemistry	Tamkang University Degree in Insurance and Banking	Dominican University Master of Business Administration,	National Cheng Kung University Degree in Mechanical Engineering	Feng Chia University Degree in Applied Mathematics
Experience/Current Position	Largan Precision Chairman/Director	Largan Precision Director/Chairman	Largan Precision Director/CEO	Largan Precision Chairman/Director	Largan Precision Director

Independent Director Candidate	1	2
Name	Shan-Chieh Yen	Ming-Hua Peng
Number of shares held	None	56,604 shares
Education	Taichung Industrial High School Electrical Engineering,	Ming Chi Institute of Technology Mechanical Engineering
Experience/Current Position	Largan Precision Assistant Vice President/Independent Director	Largan Precision Assistant Vice President/Independent Director

Supervisor Candidate	1	2
Name	Chung-Jen Liang	Tsui-Ying Chiang
Number of shares held	2,098,721 shares	6,625,569 shares
Education	National Chengchi University Degree in Finance	Tamkang University Degree in German Studies
Experience/Current Position	Largan Precision Supervisor	Largan Precision Director

Results of the election:

6. Proposal to release newly appointed Directors from non-compete restrictions.
(Proposed by the Board of Directors)

Explanation:

- (1) Pursuant to Article 209 of the Company Act, a Director who does anything for himself or on behalf of another person that is within the scope of the Company's business, shall explain to the meeting of shareholders the essential contents of such an act and secure its approval.
- (2) To make use of the expertise and related experience of the Company's newly appointed Directors, it is proposed to the shareholders' meeting to release the Company's newly appointed Directors from non-compete restrictions.
- (3) Related information on the release of non-compete restrictions is as follows:

Position	Name	Other positions held currently
Representative of Corporate Director	Yao-Ying Lin	Director, Largan Digital Co., Ltd.
		Director, Largan Medical Co., Ltd.
Representative of Corporate Director	En-Chou Lin	Director, Largan Digital Co., Ltd.
		Director, Largan Medical Co., Ltd.
		Director, NEO (Shanghai) Medical Technology Co., Ltd.
Representative of Corporate Director	En-Ping Lin	Chairman, Largan Digital Co., Ltd.
		Chairman, Largan Medical Co., Ltd.
		Director, Alpha Holding Incorporated
		Director, Beta International Limited
		Director, Largan Health Technology Inc.
		Representative of Corporate Director, Largan Health Technology Co., Ltd.
Director	Shih-Ching Chen	Director, Largan Health AI-Tech Co., Ltd.
		Director, Largan Digital Co., Ltd.
		Director, Largan Medical Co., Ltd.

Resolution:

Extemporaneous Motions

Meeting Adjourned

Largan Precision Co., Ltd.

2018 Business Report

In 2018, the Company's consolidated revenue amounted to NT\$49,952,158 thousand and the net profit after tax amounted to NT\$24,369,534 thousand. Our 2018 business results and 2019 business plan are summarized below:

1. 2018 Business Report

- (1) Business results: Largan Precision's consolidated revenue in 2018 amounted to NT\$49,952,158 thousand, which was a 6% decline from NT\$53,127,510 thousand in 2017. The net profit after tax was NT\$24,369,534 thousand, which was a 6% decline from NT\$25,975,623 in 2017. The net profit per share after tax was NT\$181.67.
- (2) Financial performance and profitability: Please refer to the financial statements in the attachment for the financial overview of 2018.
- (3) Research and development: The Company invested a total of NT\$3,258,445 thousand in research and development for the current year, which was a 1% decline from NT\$3,277,712 thousand in the previous year.

2. 2019 Business Plan

- (1) Business strategy: Largan Precision upholds the business philosophy of "innovation, professionalism, speed, and flexibility" and all employees continuously pursue discipline and growth in the face of a changing business environment as they commit themselves to product development and quality improvement to continuously create profit and growth.
- (2) Production and sales forecast: The Company shall remain focused on the production and sales of mobile phone camera lenses and actively enhance manufacturing technology and output with the aim of maintaining the Company's advantages in production cost, and making overall production and sales more competitive.
- (3) Research and development plans: The Company shall continue to conduct research and development in mobile phone camera lenses. We shall continue to expand our R&D team, product range, add new product lines, and improve the scale and quality of products. We shall also commit ourselves to the development of other product applications and improvement in manufacturing capabilities to maintain long-term competitiveness in the industry.

Largan Precision shall continue to work hard and adopt a spirit of constant innovation in the production of each product. We shall fully develop the Company's core expertise and continue to strengthen the Company's competitiveness in all respects to live up to the expectations of the shareholders and the general public. We hereby express our most sincere gratitude for the support of all our customers, suppliers, shareholders, and employees.

Chairman: En-Chou Lin

Chief Executive Officer: En-Ping Lin

Chief Accounting Officer: Hsing-Ju Tsao

Largan Precision Co., Ltd.
Supervisors' Review Report

We hereby approve

The Company's 2018 Financial Statements (Parent Company Only Financial Statements and Consolidated Financial Statements) prepared and delivered by the Board of Directors have been audited by KPMG Taiwan who found them to be reasonably expressed to present the financial status, business performance, and cash flow of the Company. The Supervisors have reviewed and verified the Financial Statements along with the Business Report and earnings distribution proposal and found them to be compliant with applicable regulations. We hereby produce this report in accordance with Article 219 of the Company Act for your review.

The above is respectfully submitted to

Largan Precision 2019 Annual General Shareholders' Meeting

Largan Precision Co., Ltd.

Supervisors: Chung-Jen Liang

Hsiao-Pei Su

Hui-Fen Chen

Date: April 22nd, 2019

Independent Auditors' Report

To the Board of Directors of Largan Precision Co., Ltd.:

Opinion

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

In our opinion, the accompanying parent company only financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2018 and 2017, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

We conducted our audit in accordance with the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants and the 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 of 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 of the current period. 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. We have determined the matters described below to be the key audit matters to be communicated in our report.

1. Inventory valuation

Please refer to Note 4(g), Note 5(a), and Note 6(g) for accounting policies, uncertainty of accounting estimates and assumptions, and related disclosures for inventory valuation.

Description of key audit matter:

Inventories are stated at the lower of cost or net realizable value. With the rapid development of technology, and significant changes in market demand, the severe volatility to sales may lead to risks, wherein the costs of inventories may exceed its net realizable values. Therefore, the valuation of inventories has been identified as one of the key audit matters.

How the matter was addressed in our audit.

In relation to the key audit matter above, our principal audit procedures include obtaining an inventory aging report, analyzing the movement of inventory aging and evaluating the reasonableness of the Company's accounting policies, such as allowance for inventory valuation and obsolescence; performing a retrospective test of the Company's historical accuracy of judgments with reference to inventory valuation and comparing with the current period to evaluate the appropriateness of the estimation and assumptions used; examining whether the valuation of inventories are in compliance with the accounting policies of the Company; understanding the basis of the selling price the management used to ensure the reasonableness of net realizable value of inventories; reviewing sales in the subsequent period, as well as assessing the basis of the net realizable value the Company used to determine the sufficiency of allowance of inventories and whether the related disclosures are appropriate.

2. Accounts Receivable Valuation

Please refer to Note 4(f), note 5(b), and Note 6(e) for accounting policies, uncertainty of accounting estimates and assumptions, and related disclosures for accounts receivables valuation, respectively.

Description of key audit matter:

The Company's accounts receivable are concentrated within certain customers, and the determination of allowance for accounts receivable relies on the management's subjective judgment. Therefore, the valuation of accounts receivables is one of the key audit matters.

How the matter was addressed in our audit:

In relation to the key audit matter above, our principal audit procedures include estimating the loss allowance of trade receivables that is based on the risk of a default occurring and the rate of expected credit loss; reviewing the historical collection records, understanding the industry economic environment and the credit risk of receivables among limited customers to evaluate whether the method of estimation, assumptions, and related disclosures are appropriate.

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 with the IFRSs, IASs, IFRC, SIC endorsed and issued into effect 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 the supervisors) are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Parent Company Only Financial Statements

Our objectives are to obtain reasonable assurance about whether the parent company only financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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 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 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 financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information on the investment in other entities accounted for using the equity method in order to express an opinion on this financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partners on the audit resulting in this independent auditors' report are Tza-Hsin, Chang and Chiun-Mang, Chen.

KPMG

Taipei, Taiwan (Republic of China)
February 25, 2019

Notes to Readers

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

The independent 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 independent auditors' report and parent company only financial statements, the Chinese version shall prevail.

(English Translation of Parent Company Only Financial Statements and Report Originally Issued in Chinese)
LARGAN PRECISION CO., LTD.

Balance Sheets

December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars)

		December 31, 2018		December 31, 2017				December 31, 2018		December 31, 2017	
		Amount	%	Amount	%			Amount	%	Amount	%
Assets						Liabilities and Equity					
Current assets:						Current liabilities:					
1100	Cash and cash equivalents(Note6(a) and (w))	\$ 56,224,190	42	46,724,786	40	2100	Short-term borrowings(Note6(l) and (w))	\$ 552,868	-	395,774	1
1110	Current financial assets at fair value through profit or loss(Note6(b) and (w))	1,291,809	1	-	-	2150	Notes payable(Note6(w))	846	-	2,346	-
1120	Current financial assets at fair value through other comprehensive income (Note6(c) and (w))	23,389	-	-	-	2170	Accounts payable(Note6(w))	1,654,392	1	1,558,887	1
1125	Current available-for-sale financial assets(Note6(d) and (w))	-	-	2,010,555	2	2180	Accounts payable to related parties(Note6(w) and7)	708,418	1	2,240,098	2
1150	Notes receivable, net(Note6(e) and (w))	3	-	-	-	2200	Other payables(Note6(o) and (w))	18,147,993	14	16,603,841	14
1170	Accounts receivable, net(Note6(e) and (w))	2,639,484	2	4,783,338	4	2220	Other payables to related parties(Note6(w) and7)	2,529	-	711	-
1180	Accounts receivable from related parties, net(Note6(e) 、(w) and7)	7,716,994	6	6,697,809	6	2230	Current tax liabilities	4,194,745	3	3,825,097	3
1200	Other receivables(Note6(f) and (w))	213,210	-	170,515	-	2300	Other current liabilities	62,584	-	48,669	-
1210	Other receivables from related parties(Note6(f) 、(w) and7)	68,234	-	100,111	-			<u>25,324,375</u>	<u>19</u>	<u>24,675,423</u>	<u>21</u>
1310	Inventories(Note6(g))	3,460,712	3	1,933,334	1	2570	Deferred tax liabilities(Note6(n))	15,560	-	598	-
1470	Other current assets(Note6(k) and8)	553,490	-	109,404	-	2600	Other non-current liabilities(Note6(w))	4,473	-	3,179	-
		<u>72,191,515</u>	<u>54</u>	<u>62,529,852</u>	<u>53</u>	2640	Net defined benefit liabilities(Note6(m))	97,841	-	90,441	-
								<u>117,874</u>	<u>-</u>	<u>94,218</u>	<u>-</u>
Non-current assets:						Non-Current liabilities:		<u>25,442,249</u>	<u>19</u>	<u>24,769,641</u>	<u>21</u>
1550	Investments accounted for using equity method(Note6(h))	30,107,282	23	27,482,428	24		Total liabilities				
1600	Property, plant and equipment(Note6(i))	27,487,598	21	24,426,973	21		Equity attributable to owners of parent:(Note6(p))				
1780	Intangible assets(Note6(j))	80,345	-	83,718	-	3110	Share capital	1,341,402	1	1,341,402	1
1840	Deferred tax assets(Note6(n))	402,872	-	367,511	-	3200	Capital surplus	1,557,011	1	1,556,388	1
1900	Other non-current assets(Note6(k) and8)	2,772,208	2	2,276,390	2	3300	Retained earnings	106,503,622	80	91,870,266	79
						3400	Other equity interest	(1,802,464)	(1)	(2,370,825)	(2)
							Total equity attributable to owners of parent	<u>107,599,571</u>	<u>81</u>	<u>92,397,231</u>	<u>79</u>
		<u>60,850,305</u>	<u>46</u>	<u>54,637,020</u>	<u>47</u>		Total liabilities and equity	<u>\$ 133,041,820</u>	<u>100</u>	<u>117,166,872</u>	<u>100</u>
Total assets		<u>\$ 133,041,820</u>	<u>100</u>	<u>117,166,872</u>	<u>100</u>						

See accompanying notes to parent company only financial statements.

(English Translation of Parent Company Only Financial Statements and Report Originally Issued in Chinese)
LARGAN PRECISION CO., LTD.

Statements of Comprehensive Income

For the years ended December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars, Except for Earnings Per Common Share)

		2018		2017	
		Amount	%	Amount	%
4000	Operating revenues(Note6(r) 、(s) and 7)	\$ 47,178,620	100	49,497,163	100
5000	Operating costs(Note6(g) and (m))	14,668,012	31	15,055,204	30
		32,510,608	69	34,441,959	70
5910	Realized (unrealized) profit from sales	(119,881)	-	3,495	-
5900	Gross profit from operations	32,390,727	69	34,445,454	70
6000	Operating expenses(Note6(m) and 7):				
6100	Selling expenses	287,239	1	299,024	1
6200	Administrative expenses	1,084,235	2	1,087,938	2
6300	Research and development expenses	3,252,847	7	3,272,770	7
	Total operating expenses	4,624,321	10	4,659,732	10
6900	Operating income	27,766,406	59	29,785,722	60
7000	Non-operating income and expenses:				
7010	Other income(Note6(u) and 7)	623,077	1	333,771	1
7020	Other gains and losses(Note6(u) and 7)	374,959	1	(709,609)	(1)
7060	Share of profit (losses) of associates accounted for using equity method(Note6(h))	2,149,295	5	2,247,034	4
		3,147,331	7	1,871,196	4
7900	Profit before income tax	30,913,737	66	31,656,918	64
7950	Less: Income tax expense(Note6(n))	6,544,203	14	5,681,295	11
	Profit for the period	24,369,534	52	25,975,623	53
8300	Other comprehensive income:				
8310	Components of other comprehensive income that will not be reclassified to profit or loss:				
8311	Remeasurements of defined benefit obligation(Note6(m))	(12,995)	-	(17,775)	-
8316	Unrealized loss on investments in equity instruments measured at fair value through other comprehensive income	(51,935)	-	-	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	-	-	-	-
		(64,930)	-	(17,775)	-
8360	Components of other comprehensive income that will be reclassified to profit or loss:				
8361	Exchange differences on translation of foreign financial statement	622,277	1	(1,885,780)	(4)
8362	Unrealized gains on valuation of available-for-sale financial assets(Note6(v))	-	-	1,792	-
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss	-	-	-	-
		622,277	1	(1,883,988)	(4)
	Other comprehensive income (loss) for the period, net of tax	557,347	1	(1,901,763)	(4)
8500	Total comprehensive income for the period	\$ 24,926,881	53	24,073,860	49
	Earnings per share(NT dollars)(Note6(q))				
9750	Basic earnings per share	\$ 181.67		193.65	
9850	Diluted earnings per share	\$ 180.05		191.77	

See accompanying notes to parent company only financial statements.

(English Translation of Parent Company Only Financial Statements and Report Originally Issued in Chinese)

LARGAN PRECISION CO., LTD.

Statements of Changes in Equity

For the years ended December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars)

	Retained earnings						Other equity interest				
	Share Capital	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Total	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	Unrealized gains (losses) on available-for-sale financial assets	Total	Total equity
Balance at January 1, 2017	\$ 1,341,402	1,555,729	8,711,955	-	65,720,266	74,432,221	(484,100)	-	(2,737)	(486,837)	76,842,515
Appropriation and distribution of retained earnings:											
Legal reserve	-	-	2,273,302	-	(2,273,302)	-	-	-	-	-	-
Special reserve	-	-	-	486,837	(486,837)	-	-	-	-	-	-
Cash dividends of common stock	-	-	-	-	(8,517,903)	(8,517,903)	-	-	-	-	(8,517,903)
	-	-	2,273,302	486,837	(11,278,042)	(8,517,903)	-	-	-	-	(8,517,903)
Other changes in capital surplus	-	659	-	-	-	-	-	-	-	-	659
Profit for the period	-	-	-	-	25,975,623	25,975,623	-	-	-	-	25,975,623
Other comprehensive income for the period	-	-	-	-	(17,775)	(17,775)	(1,885,780)	-	1,792	(1,883,988)	(1,901,763)
Total comprehensive income for the period	-	-	-	-	25,957,848	25,957,848	(1,885,780)	-	1,792	(1,883,988)	24,073,860
Changes in equity of associates accounted for using equity method	-	-	-	-	(1,900)	(1,900)	-	-	-	-	(1,900)
Balance at December 31, 2017	\$ 1,341,402	1,556,388	10,985,257	486,837	80,398,172	91,870,266	(2,369,880)	-	(945)	(2,370,825)	92,397,231
Balance at January 1, 2018	\$ 1,341,402	1,556,388	10,985,257	486,837	80,398,172	91,870,266	(2,369,880)	-	(945)	(2,370,825)	92,397,231
Effect of retrospective application	-	-	-	-	1,967	1,967	-	(2,912)	945	(1,967)	-
Balance of January 1, 2018 after adjustments	1,341,402	1,556,388	10,985,257	486,837	80,400,139	91,872,233	(2,369,880)	(2,912)	-	(2,372,792)	92,397,231
Appropriation and distribution of retained earnings:											
Legal reserve	-	-	2,597,562	-	(2,597,562)	-	-	-	-	-	-
Special reserve	-	-	-	1,883,988	(1,883,988)	-	-	-	-	-	-
Cash dividends of common stock	-	-	-	-	(9,725,164)	(9,725,164)	-	-	-	-	(9,725,164)
	-	-	2,597,562	1,883,988	(14,206,714)	(9,725,164)	-	-	-	-	(9,725,164)
Other changes in capital surplus	-	623	-	-	-	-	-	-	-	-	623
Profit for the period	-	-	-	-	24,369,534	24,369,534	-	-	-	-	24,369,534
Other comprehensive income for the period	-	-	-	-	(12,995)	(12,995)	622,277	(51,935)	-	570,342	557,347
Total comprehensive income for the period	-	-	-	-	24,356,539	24,356,539	622,277	(51,935)	-	570,342	24,926,881
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	14	14	-	(14)	-	(14)	-
Balance at December 31, 2018	\$ 1,341,402	1,557,011	13,582,819	2,370,825	90,549,978	106,503,622	(1,747,603)	(54,861)	-	(1,802,464)	107,599,571

See accompanying notes to parent company only financial statements.

(English Translation of Parent Company Only Financial Statements and Report Originally Issued in Chinese)

LARGAN PRECISION CO., LTD.

Statements of Cash Flows

For the years ended December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars)

	2018	2017
Cash flows from operating activities:		
Profit before income tax	\$ 30,913,737	31,656,918
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	2,766,307	2,202,076
Amortization expense	61,476	30,052
Interest income	(613,196)	(326,352)
Share of loss (profit) of subsidiaries accounted for using equity method	(2,149,295)	(2,247,034)
Losses (Gains) on disposal of property, plant and equipment	1,618	(5,016)
Property, plant and equipment transferred to expenses	1,072	-
Gain on disposal of investment	-	(17,541)
Unrealized (realized) profit from sales	119,881	(3,495)
Unrealized foreign exchange loss	38,279	-
Total adjustments to reconcile profit	226,142	(367,310)
Changes in operating assets and liabilities:		
Changes in operating assets:		
Decrease in financial assets mandatorily measured at fair value through profit or loss	680,158	-
(Increase) decrease in notes receivable	(3)	132
Decrease (Increase) in accounts receivable	2,143,854	(1,059,982)
(Increase) decrease in accounts receivable from related parties	(1,019,185)	2,350,733
Increase in inventories	(1,527,378)	(178,515)
Increase in other current assets	(409,355)	(80,584)
Total changes in operating assets	(131,909)	1,031,784
Changes in operating liabilities:		
(Decrease) increase in notes payable	(1,500)	2,247
Increase in accounts payable	95,505	220,523
(Decrease) increase in accounts payable to related parties	(1,531,680)	1,136,104
Increase in other current liabilities	2,108,116	2,898,539
Decrease in net defined benefit liabilities	(5,595)	(2,024)
Total changes in operating liabilities	664,846	4,255,389
Total changes in operating assets and liabilities	532,937	5,287,173
Cash inflow generated from operations	31,672,816	36,576,781
Interest received	567,647	308,592
Income taxes paid	(6,205,748)	(5,370,382)
Net cash flows from operating activities	26,034,715	31,514,991
Cash flows from investing activities:		
Proceeds from disposal of financial assets at fair value through other comprehensive income	1,233	-
Acquisition of investments accounted for using equity method	(8,800)	-
Acquisition of available-for-sale financial assets	-	(14,420,000)
Proceeds from disposal of available-for-sale financial assets	-	15,919,653
Acquisition of property, plant and equipment	(6,398,078)	(7,388,555)
Proceeds from disposal of property, plant and equipment	111	5,584
(Increase) decrease in refundable deposits	(396,100)	2,545
Acquisition of intangible assets	(47,712)	(79,555)
Increase in other non-current assets	(99,718)	(259,149)
Net cash flows used in investing activities	(6,949,064)	(6,219,477)
Cash flows from financing activities:		
Increase in short-term borrowings	137,000	358,167
Increase (decrease) in guarantee deposits received	1,294	(1,349)
Cash dividend paid	(9,725,164)	(8,517,903)
Overdue dividend transferred to capital surplus	623	659
Net cash flows used in financing activities	(9,586,247)	(8,160,426)
Net increase in cash and cash equivalents	9,499,404	17,135,088
Cash and cash equivalents at beginning of period	46,724,786	29,589,698
Cash and cash equivalents at end of period	\$ 56,224,190	46,724,786

See accompanying notes to parent company only financial statements.

Independent Auditors' Report

To the Board of Directors of Largan Precision Co., Ltd.:

Opinion

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

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 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 with the International Financial Reporting Standards (“IFRSs”), International Accounting Standards (“IASs”), Interpretations developed by the International Financial Reporting Interpretations Committee (“IFRIC”) or the former Standing Interpretations Committee (“SIC”) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audit in accordance with the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants and the 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 Group 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 of 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 of the current period. 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. We have determined the matters described below to be the key audit matters to be communicated in our report.

1. Inventory valuation

Please refer to Note 4(h), Note 5(a), and Note 6(g) for accounting policies, uncertainty of accounting estimates and assumptions, and related disclosures for inventory valuation.

Description of key audit matter:

Inventories are stated at the lower of cost or net realizable value. With the rapid development of technology, and significant changes in market demand, the severe volatility to sales may lead to risks, wherein the costs of inventories may exceed its net realizable values. Therefore, the valuation of inventories has been identified as one of the key audit matters.

How the matter was addressed in our audit:

In relation to the key audit matter above, our principal audit procedures include obtaining an inventory aging report, analyzing the movement of inventory aging and evaluating the reasonableness of the Group's accounting policies, such as allowance for inventory valuation and obsolescence; performing a retrospective test of the Group's historical accuracy of judgments with reference to inventory valuation and comparing with the current period to evaluate the appropriateness of the estimation and assumptions used; examining whether the valuation of inventories are in compliance with the accounting policies of the Group; understanding the basis of the selling price the management used to ensure the reasonableness of net realizable value of inventories; reviewing sales in the subsequent period, as well as assessing the basis of the net realizable value the Group used to determine the sufficiency of allowance of inventories and whether the related disclosures are appropriate.

2. Accounts Receivable Valuation

Please refer to Note 4(g), note 5(b), and Note 6(e) for accounting policies, uncertainty of accounting estimates and assumptions, and related disclosures for accounts receivables valuation, respectively.

Description of key audit matter:

The Group's accounts receivable are concentrated within certain customers, and the determination of allowance for accounts receivable relies on the management's subjective judgment. Therefore, the valuation of accounts receivables is one of the key audit matters.

How the matter was addressed in our audit:

In relation to the key audit matter above, our principal audit procedures include estimating the loss allowance of trade receivables that is based on the risk of a default occurring and the rate of expected credit loss; reviewing the historical collection records, understanding the industry economic environment and the credit risk of receivables among limited customers to evaluate whether the method of estimation, assumptions, and related disclosures are appropriate.

Other Matter

The Company has additionally prepared its parent company only financial statements as of and for the years ended December 31, 2018 and 2017, on which we have issued an unqualified 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 with the IFRSs, IASs, IFRC, SIC endorsed and issued into effect 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 Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the 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 Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our 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 Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partners on the audit resulting in this independent auditors' report are Tza-Hsin, Chang and Chiun-Mang, Chen.

KPMG

Taipei, Taiwan (Republic of China)
February 25, 2019

Notes to Readers

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

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

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)
LARGAN PRECISION CO., LTD. AND SUBSIDIARIES

Consolidated Balance Sheets

December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars)

		December 31, 2018		December 31, 2017				December 31, 2018		December 31, 2017	
		Amount	%	Amount	%			Amount	%	Amount	%
Assets						Liabilities and Equity					
Current assets:						Current liabilities:					
1100	Cash and cash equivalents(Note6(a) and (w))	\$ 83,403,426	62	67,896,008	59	2100	Short-term borrowings(Note6(l) and (w))	\$ 552,868	1	395,774	-
1110	Current financial assets at fair value through profit or loss(Note6(b) and (w))	1,291,809	1	-	-	2150	Notes payable(Note6(w))	846	-	2,346	-
1120	Current financial assets at fair value through other comprehensive income (Note6(c) and (w))	139,944	-	-	-	2170	Accounts payable(Note6(w))	1,794,692	1	2,149,716	2
1125	Current available-for-sale financial assets(Note6(d) and (w))	-	-	2,010,555	2	2180	Accounts payable to related parties(Note6(w) and7)	10,469	-	21,890	-
1150	Notes receivable, net(Note6(e) and (w))	827,521	1	734,036	1	2200	Other payables(Note6(o) and (w))	18,266,827	14	16,908,441	15
1170	Accounts receivable, net(Note6(e) and (w))	10,646,493	8	14,405,770	12	2220	Other payables to related parties(Note6(w) and7)	540	-	465	-
1180	Accounts receivable from related parties, net(Note6(e) 、(w) and7)	12,596	-	28,552	-	2230	Current tax liabilities	4,241,295	3	3,881,421	3
1200	Other receivables(Note6(f) and (w))	468,095	1	265,690	-	2300	Other current liabilities	63,442	-	49,653	-
1210	Other receivables from related parties(Note6(f) 、(w) and7)	15,638	-	39,968	-			<u>24,930,979</u>	<u>19</u>	<u>23,409,706</u>	<u>20</u>
1220	Current tax assets	9,661	-	-	-	2570	Deferred tax liabilities(Note6(n))	15,560	-	598	-
1310	Inventories(Note6(g))	3,893,350	2	2,576,832	2	2600	Other non-current liabilities(Note6(w))	4,473	-	3,257	-
1470	Other current assets(Note6(k) and8)	597,812	1	178,986	-	2640	Net defined benefit liabilities(Note6(m))	97,841	-	90,441	-
		<u>101,306,345</u>	<u>76</u>	<u>88,136,397</u>	<u>76</u>			<u>117,874</u>	<u>-</u>	<u>94,296</u>	<u>-</u>
Non-current assets:						Non-Current liabilities:		<u>25,048,853</u>	<u>19</u>	<u>23,504,002</u>	<u>20</u>
1550	Investments accounted for using equity method(Note6(h))	209,445	-	160,594	-	Total liabilities					
1600	Property, plant and equipment(Note6(i))	27,850,051	21	24,861,461	22	Equity attributable to owners of parent:(Note6(p))					
1780	Intangible assets(Note6(j))	80,566	-	84,159	-	3110	Share capital	1,341,402	1	1,341,402	1
1840	Deferred tax assets(Note6(n))	402,872	1	367,511	-	3200	Capital surplus	1,557,011	1	1,556,388	2
1900	Other non-current assets(Note6(k) and8)	2,799,145	2	2,291,111	2	3300	Retained earnings	106,503,622	80	91,870,266	79
		<u>31,342,079</u>	<u>24</u>	<u>27,764,836</u>	<u>24</u>	3400	Other equity interest	(1,802,464)	(1)	(2,370,825)	(2)
Total assets		<u>\$ 132,648,424</u>	<u>100</u>	<u>115,901,233</u>	<u>100</u>	Total equity attributable to owners of parent		107,599,571	81	92,397,231	80
						Total liabilities and equity		<u>\$ 132,648,424</u>	<u>100</u>	<u>115,901,233</u>	<u>100</u>

See accompanying notes to consolidated financial statements.

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

LARGAN PRECISION CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the years ended December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars , Except for Earnings Per Common Share)

		2018		2017	
		Amount	%	Amount	%
4000	Operating revenues(Note6(r) 、(s) and 7)	\$ 49,952,158	100	53,127,510	100
5000	Operating costs(Note6(g) and (m))	15,594,576	31	16,279,606	31
		34,357,582	69	36,847,904	69
5910	Realized (unrealized) profit from sales	(6,107)	-	8,026	-
5900	Gross profit from operations	34,351,475	69	36,855,930	69
6000	Operating expenses(Note6(m) and 7):				
6100	Selling expenses	353,440	1	364,139	1
6200	Administrative expenses	1,127,650	2	1,120,777	2
6300	Research and development expenses	3,258,445	7	3,277,712	6
	Total operating expenses	4,739,535	10	4,762,628	9
6900	Operating income	29,611,940	59	32,093,302	60
7000	Non-operating income and expenses:				
7010	Other income(Note6(u) and 7)	1,192,752	2	663,469	1
7020	Other gains and losses(Note6(u) and 7)	343,583	1	(756,800)	(1)
7060	Share of profit (losses) of associates accounted for using equity method(Note6(h))	47,596	-	(40,450)	-
		1,583,931	3	(133,781)	-
7900	Profit before income tax	31,195,871	62	31,959,521	60
7950	Less: Income tax expense(Note6(n))	6,826,337	13	5,983,898	11
	Profit for the period	24,369,534	49	25,975,623	49
8300	Other comprehensive income:				
8310	Components of other comprehensive income that will not be reclassified to profit or loss:				
8311	Remeasurements of defined benefit obligation(Note6(m))	(12,995)	-	(17,775)	-
8316	Unrealized loss on investments in equity instruments measured at fair value through other comprehensive income	(51,935)	-	-	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	-	-	-	-
		(64,930)	-	(17,775)	-
8360	Components of other comprehensive income that will be reclassified to profit or loss:				
8361	Exchange differences on translation of foreign financial statement	622,277	1	(1,885,780)	(4)
8362	Unrealized gains on valuation of available-for-sale financial assets(Note6(v))	-	-	1,792	-
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss	-	-	-	-
		622,277	1	(1,883,988)	(4)
	Other comprehensive income (loss) for the period, net of tax	557,347	1	(1,901,763)	(4)
8500	Total comprehensive income for the period	\$ 24,926,881	50	24,073,860	45
	Earnings per share(NT dollars)(Note6(q))				
9750	Basic earnings per share	\$ 181.67		193.65	
9850	Diluted earnings per share	\$ 180.05		191.77	

See accompanying notes to consolidated financial statements.

Equity attributable to owners of parent

See accompanying notes to consolidated financial statements.

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

LARGAN PRECISION CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the years ended December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars)

	2018	2017
Cash flows from operating activities:		
Profit before income tax	\$ 31,195,871	31,959,521
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	2,833,776	2,269,919
Amortization expense	61,692	30,649
Interest income	(1,182,871)	(656,050)
Share of (profit) loss of associates accounted for using equity method	(47,596)	40,450
Losses (Gains) on disposal of property, plant and equipment	22,971	(3,647)
Property, plant and equipment transferred to expenses	1,072	-
Gain on disposal of investment	-	(17,541)
Unrealized (realized) profit from sales	6,107	(8,026)
Unrealized foreign exchange loss	38,279	-
Total adjustments to reconcile profit	1,733,430	1,655,754
Changes in operating assets and liabilities:		
Changes in operating assets:		
Decrease in financial assets mandatorily measured at fair value through profit or loss	680,158	-
Increase in notes receivable	(93,485)	(3,807)
Decrease in accounts receivable(including from related parties)	3,775,233	2,658
(Increase) decrease in inventories	(1,316,518)	16,759
Increase in other current assets	(510,642)	(103,795)
Decrease in other operating assets	494	489
Total changes in operating assets	2,535,240	(87,696)
Changes in operating liabilities:		
(Decrease) increase in notes payable	(1,500)	2,247
(Decrease) increase in accounts payable(including to related parties)	(366,445)	288,330
Increase in other current liabilities	1,911,157	2,887,910
Decrease in net defined benefit liabilities	(5,595)	(2,024)
Total changes in operating liabilities	1,537,617	3,176,463
Total changes in operating assets and liabilities	4,072,857	3,088,767
Cash inflow generated from operations	37,002,158	36,704,042
Interest received	1,096,612	634,710
Income taxes paid	(6,507,317)	(5,763,025)
Net cash flows from operating activities	31,591,453	31,575,727
Cash flows from investing activities:		
Acquisition of available-for-sale financial assets	-	(14,420,000)
Proceeds from disposal of available-for-sale financial assets	-	15,919,653
Acquisition of financial assets at fair value through other comprehensive income	(154,386)	-
Proceeds from disposal of financial assets at fair value through other comprehensive income	1,233	-
Acquisition of investments accounted for using equity method	(8,800)	(110,898)
Acquisition of property, plant and equipment	(6,412,320)	(7,442,496)
Proceeds from disposal of property, plant and equipment	640	4,154
(Increase) decrease in refundable deposits	(395,839)	2,526
Increase in other non-current assets	(112,983)	(249,995)
Acquisition of intangible assets	(47,712)	(79,555)
Net cash flows used in investing activities	(7,130,167)	(6,376,611)
Cash flows from financing activities:		
Increase in short-term borrowings	137,000	358,167
Increase (decrease) in guarantee deposits received	1,216	(1,350)
Cash dividend paid	(9,725,164)	(8,517,903)
Overdue dividend transferred to capital surplus	623	659
Net cash flows used in financing activities	(9,586,325)	(8,160,427)
Effect of exchange rate changes on cash and cash equivalents	632,457	(1,883,088)
Net increase in cash and cash equivalents	15,507,418	15,155,601
Cash and cash equivalents at beginning of period	67,896,008	52,740,407
Cash and cash equivalents at end of period	\$ 83,403,426	67,896,008

See accompanying notes to consolidated financial statements.

Largan Precision Co., Ltd.
2018 Earnings Distribution Table

Unit: NT\$

Item	Amount	
	Subtotal	Total
Opening balance		66,191,458,164
Less: Remeasurements of defined benefit plans	(12,994,994)	
Plus: Adjustment for retrospective application of new standards	1,966,823	
Plus: Disposal of investments in equity instruments designated at fair value through other comprehensive income	14,379	
Opening balance after adjustment		66,180,444,372
Plus: Net income after tax for the current year	24,369,533,959	
Less: Appropriation for legal reserve	(2,436,953,396)	
Plus: Equity deduction reversed to special reserve	568,360,620	
Earnings available for distribution		88,681,385,555
Distribution items:		
Less: Shareholders' dividends- cash (\$68 per share)	(9,121,533,396)	
Unappropriated retained earnings at the end of the period		79,559,852,159

Chairman: En-Chou Lin

Chief Executive Officer: En-Ping Lin

Chief Accounting Officer: Hsing-Ju Tsao

1. After approval of the shareholders' cash dividends proposal by the general shareholders' meeting, the Board of Directors is authorized to determine the record date for distribution.
2. In the event that the number of shares outstanding are affected by changes in the Company's share capital, such that shareholders' cash dividend payout must be adjusted accordingly, it is proposed to the shareholders' meeting that the Board of Directors be authorized to make such adjustments at its full discretion.
3. The Company's 2018 earnings shall be distributed first.

Largan Precision Co., Ltd.

Comparison Table of Revisions to the "Articles of Incorporation"

Before Revision	After Revision	Explanation
Article 1 The Company is incorporated as a company limited by shares under the Company Act of the Republic of China, and its name is 大立光電股份有限公司.	Article 1 The Company is incorporated as a company limited by shares under the Company Act of the Republic of China, and its name is 大立光電股份有限公司. <u>The Company's name in English is Largan Precision Co., Ltd.</u>	Revised in accordance with the Company Act
Article 5 The total capital stock of the Company is in the amount of two billion New Taiwan Dollars (NT\$2,000,000,000) divided into 200 million (200,000,000) common shares, at a par value of Ten New Taiwan Dollars (NT\$10) each. The Board of Directors is authorized to issue the shares in multiple installments ~~and may issue stock certificates in large denominations.~~ A total of NT\$100,000,000 totaling 10 million (10,000,000) shares of the aforementioned capital shall be reserved for the issuance of employee stock options at NT\$10 per share, and may be issued in installments upon resolution by the Board of Directors.	Article 5 The total capital stock of the Company is in the amount of two billion New Taiwan Dollars (NT\$2,000,000,000) divided into 200 million (200,000,000) common shares, at a par value of Ten New Taiwan Dollars (NT\$10) each. The Board of Directors is authorized to issue the shares in multiple installments. A total of NT\$100,000,000 totaling 10 million (10,000,000) shares of the aforementioned capital shall be reserved for the issuance of employee stock options at NT\$10 per share, and may be issued in installments upon resolution by the Board of Directors.	Revised in accordance with the Company Act
Article 6 The Company's share certificates shall be name bearing, and registered, signed or sealed by the Chairman of the Board and at least two Directors. The share certificates shall be affixed with the Company's logo, numbered, and issued after certification by the competent authority. ~~When the Company issues new shares, it shall print share certificates based on the total number of shares distributed and register the certificates with the securities depository and custodian institution. The numbering requirement in the preceding paragraph is not applicable.~~ The Company may be exempted from printing share certificates for the shares issued. The Company not printing its	Article 6 The Company's share certificates shall be name bearing, and registered, signed or sealed by the Chairman of the Board and at least two Directors. The share certificates shall be affixed with the Company's logo, numbered, and issued after certification by the competent authority. The Company may be exempted from printing share certificates for the shares issued. The Company not printing its share certificate shall register the issued stock with the securities depository and custodian institution. Requirements in the two preceding paragraphs shall not apply.	Revised in accordance with the Company Act

Before Revision	After Revision	Explanation
share certificate shall register the issued stock with the securities depository and custodian institution. Requirements in the two preceding paragraphs shall not apply.		
Article 26-1 Where the Company has a profit at the end of each fiscal year, the Company shall distribute the earnings in the following order: (I) Pay income tax in accordance with applicable laws. (Omitted) (V) With the balance after deductions in the preceding paragraphs together with retained earnings from preceding years, the Board of Directors shall submit the earnings distribution proposal to its shareholders for their approval. (Omitted)	Article 26-1 Where the Company has a profit at the end of each fiscal year, the Company shall distribute the earnings in the following order: (I) Pay income tax in accordance with applicable laws. (Omitted) (V) With the balance after deductions in the preceding paragraphs together with retained earnings from preceding years, the Board of Directors shall submit the earnings distribution proposal to its shareholders for their approval. <u>Where dividends and bonuses are distributed in whole or in part in cash, the Board of Directors shall adopt a resolution by a majority vote at a meeting attended by over two thirds of the Directors and report such distribution to the shareholders' meeting.</u> (Omitted)	Revised based on the Company's actual requirements in accordance with Article 240 of the Company Act.
Article 29 Omitted The 37th amendment was made on June 12, 2018. These Articles of Incorporation shall be effective and implemented following approval from the shareholders' meeting.	Article 29 Omitted The 37th amendment was made on June 12, 2018. The 38th amendment was made on June 12, 2019. These Articles of Incorporation shall be effective and implemented following approval from the shareholders' meeting.	Addition of date of amendment.

Largan Precision Co., Ltd.
Comparison Table of Revisions to the "Procedures for the Acquisition or
Disposal of Assets"

Article	Before Revision	After Revision	Explanation
Article 1 to Article 38			Adjusted numbering of main text.
Article 1	1. Purpose To protect investments and implement information disclosure, the Company and its subsidiaries shall follow these Procedures in the acquisition or disposal of assets.	Article 1 Purpose To protect investments and implement information disclosure, the Company and its subsidiaries shall follow these Procedures in the acquisition or disposal of assets.	Revised wording for consistency in the main text.
Article 3	3. The term “assets” as used in the Procedures includes the following: I. Investments in stocks, government bonds, corporate bonds, financial bonds, securities representing interest in a fund, depositary receipts, call (put) warrants, beneficial interest securities, and asset-backed securities. II. Real property (including land, houses and buildings, investment property, ~~land usage rights~~ , inventory in construction business) and equipment. III. Memberships. IV. Patents, copyrights, trademarks, franchise rights, and other intangible assets. V. Derivatives. VI. Assets acquired or disposed of in connection with mergers, demergers, acquisitions, or transfer of shares in accordance with law. IX. Other major assets.	Article 3 The term “assets” as used in the Procedures includes the following: I. Investments in stocks, government bonds, corporate bonds, financial bonds, securities representing interest in a fund, depositary receipts, call (put) warrants, beneficial interest securities, and asset-backed securities. II. Real property (including land, houses and buildings, investment property, inventory in construction business) and equipment. III. Memberships. IV. Patents, copyrights, trademarks, franchise rights, and other intangible assets. <u>V. Right-of-use assets.</u> <u>VI. Derivatives.</u> <u>VII. Assets acquired or disposed of in connection with mergers, demergers, acquisitions, or transfer of shares in accordance with law.</u> <u>VIII. Other major assets.</u>	Amended in accordance with the FSC's Jin-Guan-Zheng-Fa No. 1070341072 dated November 26, 2018.
Article 4	4. Investment amount The limits on the Company and its subsidiaries' acquisition of real property or securities for non-business use shall be restricted to 60% of its total nominal assets (original investment amount). Investments in individual securities shall not exceed 50% of the	Article 4 Investment amount The limits on the Company and its subsidiaries' acquisition of real property, <u>right-of-use assets</u> , or securities for non-business use shall be restricted to 60% of its total nominal assets (original investment amount). Investments in individual securities shall not	Amended in accordance with the FSC's Jin-Guan-Zheng-Fa No. 1070341072 dated November 26, 2018.

Article	Before Revision	After Revision	Explanation
	aforementioned limit which equals 30% of total nominal assets.	exceed 50% of the aforementioned limit which equals 30% of total nominal assets.	
Article 5	Terms used in the Procedures are defined as follows: I. Derivatives: Forward contracts, options contracts, futures contracts, leverage contracts, swap contracts, whose value is derived from <u>assets</u>, interest rates, foreign exchange rates, indexes ~~or other interests~~; or hybrid contracts combining the above contracts; or hybrid contracts or structured products containing embedded derivatives. The term "forward contracts" does not include insurance contracts, performance contracts, after-sales service contracts, long-term leasing contracts, or long-term purchase (sales) contracts. II. Assets acquired or disposed of in connection with mergers, demergers, acquisitions, or transfer of shares in accordance with law: They refer to assets acquired or disposed through mergers, demergers, or acquisitions conducted under the Business Mergers and Acquisitions Act, Financial Holding Company Act, Financial Institution Merger Act and other acts, or to transfer of shares from another company through issuance of new shares of its own as the consideration therefor (hereinafter "transfer of shares") under Article 156, ~~Paragraph 8~~ of the Company Act. (Omitted) VI. Mainland China area investment: Refers to investments in the mainland China area approved by the Ministry of Economic Affairs Investment Commission or conducted in accordance with the provisions of the Regulations Governing Permission for Investment or Technical Cooperation in the	Article 5 Terms used in the Procedures are defined as follows: I. Derivatives: Forward contracts, options contracts, futures contracts, leverage contracts, or swap contracts, whose value is derived from a <u>specified</u> interest rate, <u>financial instrument price</u>, <u>commodity price</u>, foreign exchange rate, index <u>of prices or rates</u>, <u>credit rating or credit index or other variable</u>; or <u>hybrid contracts combining the above contracts</u>; or <u>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. II. Assets acquired or disposed of in connection with mergers, demergers, acquisitions, or transfer of shares in accordance with law: Refers to assets acquired or disposed through mergers, demergers, or acquisitions conducted under the Business Mergers and Acquisitions Act, Financial Holding Company Act, Financial Institution Merger Act and other acts, or to transfer of shares from another company through issuance of new shares of its own as the consideration therefor (hereinafter "transfer of shares") under Article 156-<u>3</u> of the Company Act. (Omitted) VI. Mainland China area investment: Refers to investments in the mainland China area approved by the Ministry of Economic Affairs Investment Commission or conducted in	Amended in accordance with the FSC's Jin-Guan-Zheng-Fa No. 1070341072 dated November 26, 2018.

Article	Before Revision	After Revision	Explanation
	Mainland Area.	accordance with the provisions of the Regulations Governing Permission for Investment or Technical Cooperation in the Mainland Area. <u>VII. Investment professional: Refers to financial holding companies, banks, insurance companies, bill finance companies, trust enterprises, securities firms operating proprietary trading or underwriting business, futures commission merchants operating proprietary trading business, securities investment trust enterprises, securities investment consulting enterprises, and fund management companies, that are lawfully incorporated and are regulated by the competent financial authorities of the jurisdiction where they are located.</u> <u>VIII. Securities exchange: "Domestic securities exchange" refers to the Taiwan Stock Exchange Corporation; "foreign securities exchange" refers to any organized securities exchange market that is regulated by the competent securities authorities of the jurisdiction where it is located.</u> <u>IX. Over-the-counter venue ("OTC venue", "OTC"): "Domestic OTC venue" refers to a venue for OTC trading provided by a securities firm in accordance with the Regulations Governing Securities Trading on the Taipei Exchange; "foreign OTC venue" refers to a venue at a financial institution that is regulated by the foreign competent authority and that is permitted to conduct securities business.</u>	
Article 6	~~6. Professional appraisers may not be a related party of any party to the transaction~~ Professional appraisers and their officers, certified public accounts, attorneys, and securities	Article 6 Professional appraisers and their officers, certified public accounts, attorneys, and securities underwriters that provide the Company with appraisal reports, certified public accountant's	Amended in accordance with the FSC's Jin-Guan-Zheng-Fa No. 1070341072

Article	Before Revision	After Revision	Explanation
	underwriters that provide the Company with appraisal reports, certified public accountant's opinions, attorney's opinions, or underwriter's opinions ~~for the acquisition or disposal of assets shall not be a related party of any party to the transaction.~~	opinions, attorney's opinions, or underwriter's opinions <u>shall meet the following requirements:</u> <u>I. May not have previously received a final and unappealable sentence to imprisonment for 1 year or longer for a violation of the Act, the Company Act, the Banking Act of The Republic of China, the Insurance Act, the Financial Holding Company Act, or the Business Entity Accounting Act, or for fraud, breach of trust, embezzlement, forgery of documents, or occupational crime. However, this provision does not apply if 3 years have already passed since completion of service of the sentence, since expiration of the period of a suspended sentence, or since a pardon was received.</u> <u>II. May not be a related party or de facto related party of any party to the transaction.</u> <u>III. If the Company is required to obtain appraisal reports from two or more professional appraisers, the different professional appraisers or appraisal officers may not be related parties or de facto related parties of each other. When issuing an appraisal report or opinion, the personnel referred to in the preceding paragraph shall comply with the following:</u> <u>(I) Prior to taking a case, they shall prudently assess their own professional capabilities, practical experience, and independence.</u> <u>(II) 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>	dated November 26, 2018.

Article	Before Revision	After Revision	Explanation
		<u>(III) 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> <u>(IV) They shall issue a statement attesting to the professional competence and independence of the personnel who prepared the report or opinion, and that they have evaluated and found that the information used is reasonable and accurate, and that they have complied with applicable laws and regulations.</u>	
Article 7	7. Operating procedures The Company's assessments and decision making regarding the transaction conditions and prices for the acquisition or disposal of assets shall be conducted in accordance with the following regulations: I. The Company's acquisition and disposal of assets specified in Article 3 that are long-term and short-term securities investments and derivatives shall be assessed and executed by the Finance Department; other assets other than those stated above shall be assessed and executed by relevant departments. II. For securities traded on Securities exchange or Over-the-counter venue, the transactions specified in the preceding paragraph shall be processed in accordance with the prevailing market prices and the price shall be determined through tenders, price comparison, or price negotiation.	Article 7 Operating procedures The Company's assessments and decision making regarding the transaction conditions and prices for the acquisition or disposal of assets shall be conducted in accordance with the following regulations: I. The Company's acquisition and disposal of assets <u>specified in Article 3 of the Procedures</u> for the Acquisition or Disposal of Assets that are long-term and short-term securities investments and derivatives shall be assessed and executed by the Finance Department; other assets other than those stated above shall be assessed and executed by relevant departments. II. For securities traded on Securities exchange or OTC, the transactions specified in the preceding subsection shall be processed in accordance with the prevailing market prices and the price shall be determined through tenders, price comparison, or price negotiation.	Revised wording and detailed description.
Article 8	8. Duties of the Board of Directors, Audit Committee, Independent	Article 8 Duties of the Board of Directors, Audit Committee,	Revised based on the

Article	Before Revision	After Revision	Explanation
	Directors, and Supervisors 8.1 With respect to any assets acquisition or disposal that is subject to the approval of the Board of Directors in accordance with the Procedures or other laws or regulation, if any Director expresses dissent and it is contained in the minutes or a written statement, the Company shall submit the Director's dissenting opinion to each Supervisor. ~~If the Company has established the position of Independent Directors and expressing any objections or reservations about any matter,~~ it shall be clearly recorded in the minutes of the board meeting. (Omitted)	Independent Directors, and Supervisors I. With respect to any assets acquisition or disposal that is subject to the approval of the Board of Directors in accordance with the Procedures or other laws or regulation, if any Director expresses dissent and it is contained in the minutes or a written statement, the Company shall submit information regarding the Director's objection to each Supervisor. <u>If there are any objections or reservations expressed by an Independent Director,</u> it shall be clearly recorded in the minutes of the board meeting. (Omitted)	Company's current conditions.
Article 9	9. Appraisal report In acquiring or disposing of real property ~~or~~ equipment where the transaction amount reaches 20% of the company's paid-in capital or NT\$300 million or more, the Company, unless transacting with a domestic government agency, engaging others to build on its own land, engaging others to build on rented land, or acquiring or disposing of equipment held for business use, the Company shall obtain an appraisal report prior to the date of occurrence of the event from a professional appraiser and shall further comply with the following provisions: I. Where it must adopt limited price, designated price, or special price due to extraordinary circumstances as a reference basis for the transaction price, the transaction shall be submitted for approval in advance by the Board of Directors; the same procedure shall also be followed ~~for any future~~ change to the terms and conditions of the transaction. II. Where the transaction amount is	Article 9 Appraisal report In acquiring or disposing of real property, equipment, or <u>right-of-use assets</u> thereof where the transaction amount reaches 20% 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 or <u>right-of-use assets</u> thereof held for business use, the Company shall obtain an appraisal report prior to the date of occurrence of the event from a professional appraiser and shall further comply with the following provisions: I. Where it must adopt limited price, designated price, or special price due to extraordinary circumstances as a reference basis for the transaction price, the transaction shall be submitted for approval in advance by the Board of Directors; the same procedure shall also be followed <u>whenever there is any subsequent</u> change to	Amended in accordance with the FSC's Jin-Guan-Zheng-Fa No. 1070341072 dated November 26, 2018.

Article	Before Revision	After Revision	Explanation
	NT\$1 billion or more, appraisals from two or more professional appraisers are required. (Omitted)	the terms and conditions of the transaction. II. Where the transaction amount is NT\$1 billion or more, appraisals from two or more professional appraisers are required. (Omitted)	
Article 11-1	11-1 The calculation of the transaction amounts for the acquisition or disposal of assets shall be done in accordance with ~~Article 28.2~~ 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.	Article 11-1 The calculation of the transaction amounts for the acquisition or disposal of assets shall be done in accordance with <u>Article 28, Subsection 2</u> 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.	Adjusted numbering of the Articles.
Article 13	13. When the Company engages in any acquisition or disposal of assets from or to a related party, in addition to ensuring that provisions in Chapter 2 and ~~this Chapter~~ of the Procedures and necessary resolutions are adopted and the reasonableness of the transaction terms is appraised, if the transaction amount reaches 10% or more of the Company's total assets, the Company shall also obtain an appraisal report from a professional appraiser or a CPA's opinion in accordance with provisions in ~~the preceding Chapter~~ . The calculation of the transaction amount referred to in the preceding paragraph shall be made in accordance with Article 11-1 herein.	Article 13 When the Company engages in any acquisition or disposal of assets from or to a related party, in addition to ensuring that provisions in Chapter 2 <u>and Chapter 3</u> of the Procedures and necessary resolutions are adopted and the reasonableness of the transaction terms is appraised, if the transaction amount reaches 10% or more of the Company's total assets, the Company shall also obtain an appraisal report from a professional appraiser or a CPA's opinion in accordance with provisions in <u>Chapter 2</u> . The calculation of the transaction amount referred to in the preceding paragraph shall be made in accordance with <u>Article 11-1</u> herein.	Adjusted numbering of the Articles.
Article 14, Subsection 1	14.1 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% or more of paid-in capital, 10% or	I. When the Company intends to acquire or dispose of real property or <u>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 or <u>right-of-use assets</u> thereof from or to a related party and the	Amended in accordance with the FSC's Jin-Guan-Zheng-Fa No. 1070341072 dated November 26,

Article	Before Revision	After Revision	Explanation
	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 approved by the board of directors and recognized by the supervisors: I. The purpose, necessity and anticipated benefit of the acquisition or disposal of assets. II. The reason for choosing the related party as a transaction counterparty. III. With respect to the acquisition of real property from a related party, information regarding appraisal of the reasonableness of the preliminary transaction terms in accordance with ~~Article 13 to Article 15~~. IV. The date and price at which the related party originally acquired the asset, the original transaction counterparty, and that transaction counterparty'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, and evaluation of the necessity of the transaction, and reasonableness 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.	transaction amount reaches 20% or more of paid-in capital, 10% or more of the Company's total assets, or NT\$300 million or more, 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 approved by the board of directors and recognized by the supervisors: (I) The purpose, necessity and anticipated benefit of the acquisition or disposal of assets. (II) The reason for choosing the related party as a transaction counterparty. (III) With respect to the acquisition of real property <u>or right-of-use assets thereof</u> from a related party, information regarding appraisal of the reasonableness of the preliminary transaction terms in accordance with <u>Article 15 and Article 16</u>. (IV) The date and price at which the related party originally acquired the asset, the original transaction counterparty, and that transaction counterparty'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, and evaluation of the necessity of the transaction, and reasonableness of the funds utilization. (VI) An appraisal report from a professional appraiser or a CPA's opinion obtained in compliance with <u>Article 13</u>. (VII) Restrictive covenants and	2018.

Article	Before Revision	After Revision	Explanation
		other important stipulations associated with the transaction.	
Article 14, Subsection 2	14.2 The calculation of the transaction amounts referred to in the preceding ~~subparagraph~~ shall be made in accordance with ~~28.2~~ herein, and "within the preceding year" as used herein refers to the year preceding the date of occurrence of the current transaction. Items that have been approved by the Board of Directors and recognized by the Supervisors need not be counted toward the transaction amount.	II. The calculation of the transaction amounts referred to in the preceding <u>subsection</u> shall be made in accordance with <u>Article 28, Subsection 2</u> herein, and "within the preceding year" as used herein refers to the year preceding the date of occurrence of the current transaction. Items that have been approved by the Board of Directors and recognized by the Supervisors need not be counted toward the transaction amount.	Adjusted numbering of the Articles.
Article 14, Subsection 3	14.3 With respect to the ~~acquisition or disposal of equipment held for business use~~ between the Company and its subsidiaries, the Company's Board of Directors may, pursuant to 12., delegate individuals to decide such matters when the transaction amount is under NT\$300 million and have the decisions subsequently submitted to and ratified by the next Board of Directors meeting.	III. With respect to the <u>types of transactions listed below conducted</u> between the Company and subsidiaries <u>or between its subsidiaries in which the Company directly or indirectly holds 100% of the issued shares or authorized capital</u> , the Company's Board of Directors may, pursuant to <u>Article 12</u> , delegate individuals to decide such matters when the transaction amount is under NT\$300 million and have the decisions subsequently submitted to and ratified by the next Board of Directors meeting: <u>(I) Acquisition or disposal of equipment or right-of-use assets thereof held for business use.</u> <u>(II) Acquisition or disposal of real property right-of-use assets held for business use.</u>	Amended in accordance with the FSC's Jin-Guan-Zheng-Fa No. 1070341072 dated November 26, 2018.
Article 14, Subsection 4	14.4 ~~Where the Company has established the position of Independent Directors~~ , when proposed for discussion by the Board of Directors in accordance with Paragraph 1 of this Article, any objections or reservations expressed by Independent Directors shall be detailed in the meeting minutes of the Board of Directors.	IV. When proposed for discussion by the Board of Directors, any objections or reservations expressed by Independent Directors shall be detailed in the meeting minutes of the Board of Directors.	Adjusted numbering of the Articles.
Article 14, Subsection 5	14.5 Where the Company has established an Audit Committee, items subject to approval by the	V. Where the Company has established an Audit Committee <u>in accordance with laws</u> , items	Adjusted numbering of the Articles.

Article	Before Revision	After Revision	Explanation
	Supervisors in ~~Paragraph~~ 1 of this Article shall require the approval of a majority of one-half of the Audit Committee first and they shall be submitted to the Board of Directors for resolution. If the approval of one-half of the Audit Committee members is not obtained, the Procedures may be implemented if approved by two-thirds or more of all Board of Directors members, and the resolution of the Audit Committee shall be recorded in the meeting minutes of the Board of Directors.	subject to approval by the Supervisors in <u>Subsection</u> 1 of this Article shall require the approval of a majority of one-half of the Audit Committee first and they shall be submitted to the Board of Directors for resolution. If the approval of one-half of the Audit Committee members is not obtained, the Procedures may be implemented if approved by two-thirds or more of all Board of Directors members, and the resolution of the Audit Committee shall be recorded in the meeting minutes of the Board of Directors.	
Article 15	15. Evaluation of transactions for acquiring real property from related parties	Evaluation of transactions for acquiring real property <u>or right-of-use assets</u> from related parties	Amended in accordance with the FSC's Jin-Guan-Zheng-Fa No. 1070341072 dated November 26, 2018.
Article 15, Subsection 1	15.1 When the Company acquires real property from a related party, it shall evaluate the reasonableness of the transaction costs by the following means: I. Based upon the related party's transaction price plus necessary interest on funding and the costs to be duly borne by the buyer. "Necessary interest on funding" is imputed as the weighted average interest rate on borrowing in the year the Company purchases the property; provided, it may not be higher than the maximum non-financial industry lending rate announced by the Ministry of Finance. II. If the related party has previously set up a mortgage on the property as security for a loan; provided, the actual cumulative amount loaned by the financial institution shall have been 70% or more of the financial institution's	I. When the Company acquires real property <u>or right-of-use assets</u> thereof from a related party, it shall evaluate the reasonableness of the transaction costs by the following means: (I) Based upon the related party's transaction price plus necessary interest on funding and the costs to be duly borne by the buyer. "Necessary interest on funding" is imputed as the weighted average interest rate on borrowing in the year the Company purchases the property; provided, it may not be higher than the maximum non-financial industry lending rate announced by the Ministry of Finance. (II) If the related party has previously set up a mortgage on the property as security for a loan; provided, the actual cumulative amount loaned by the financial institution shall have been 70% or	Amended in accordance with the FSC's Jin-Guan-Zheng-Fa No. 1070341072 dated November 26, 2018.

Article	Before Revision	After Revision	Explanation
	appraised loan value of the property and the period of the loan shall have been 1 year or more. However, this shall not apply where the financial institution is a related party of one of the transaction counterparties.	more of the financial institution's appraised loan value of the property and the period of the loan shall have been 1 year or more. However, this shall not apply where the financial institution is a related party of one of the transaction counterparties.	
Article 15, Subsection 2	15.2 Where land and buildings thereupon are combined as a single property purchased in one transaction, the transaction costs for the land and the buildings may be separately appraised in accordance with either of the means listed in ~~Article 15.1~~ .	II. Where land and buildings thereupon are combined as a single property purchased <u>or leased</u> in one transaction, the transaction costs for the land and the buildings may be separately appraised in accordance with either of the means listed in <u>the preceding subsection</u> .	Amended in accordance with the FSC's Jin-Guan-Zheng-Fa No. 1070341072 dated November 26, 2018.
Article 15, Subsection 3	15.3 Where the Company acquires real property from a related party, the Company shall appraise the cost of the real property in accordance with ~~Article 15.1 and Article 15.2~~ and engage a CPA to review the appraisal and render an opinion.	III. Where the Company acquires real property <u>or right-of-use assets</u> thereof from a related party, the Company shall appraise the cost of the real property <u>or right-of-use assets</u> thereof in accordance with <u>the two preceding subsections</u> and engage a CPA to review the appraisal and render an opinion.	Amended in accordance with the FSC's Jin-Guan-Zheng-Fa No. 1070341072 dated November 26, 2018.
Article 16	Where the Company acquires real property from a related party and one of the following circumstances exists, the acquisition shall be conducted in accordance with Article 14, and Article 15 shall not apply: I. The related party acquired the real property thereof through inheritance or as a gift. II. More than five 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 16 Where the Company acquires real property <u>or right-of-use assets</u> thereof from a related party and one of the following circumstances exists, the acquisition shall be conducted in accordance with <u>Article 14</u> , and <u>Article 15</u> shall not apply: I. The related party acquired the real property or right-of-use assets thereof through inheritance or as a gift. II. More than five years will have elapsed from the time the related party signed the contract to obtain the real property or right-of-use assets thereof to the signing date for the current transaction. 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	Amended in accordance with the FSC's Jin-Guan-Zheng-Fa No. 1070341072 dated November 26, 2018.

Article	Before Revision	After Revision	Explanation
		own land or on rented land. <u>IV. The real property right-of-use assets for business use are acquired by the Company or subsidiaries, or by its subsidiaries in which it directly or indirectly holds 100% of the issued shares or authorized capital.</u>	
Article 17, Subsection 1	17.1 Where the results of appraisals conducted by the Company in accordance with ~~Article 15.1 and Article 15.2~~ are uniformly lower than the transaction price, the transaction shall be carried out in accordance with Article 18. However, where the following circumstances exist with objective evidence has been submitted and specific opinions on reasonableness have been obtained from a professional real property appraiser and a CPA, this restriction shall not apply: 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: i Where undeveloped land is appraised in accordance with the means in ~~the preceding two articles~~, and building is calculated according to the related party's construction cost plus reasonable construction profit combined amount in excess of the actual transaction price. The "reasonable construction profit" shall be deemed the average gross operating profit margin of the related party's construction division over the most recent 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. ii Completed transactions by unrelated parties within the preceding year involving other floors of the same property or	I. Where the results of appraisals conducted by the Company in accordance with <u>Article 15, Subsection 1 and Subsection 2</u> are uniformly lower than the transaction price, the transaction shall be carried out in accordance with Article 18. However, where the following circumstances exist with objective evidence has been submitted and specific opinions on reasonableness have been obtained from a professional real property appraiser and a CPA, this restriction shall not apply: (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: i. Where undeveloped land is appraised in accordance with the means in <u>Article 15 and Article 16</u>, and building is calculated according to the related party's construction cost plus reasonable construction profit combined amount in excess of the actual transaction price. The "reasonable construction profit" shall be deemed the average gross operating profit margin of the related party's construction division over the most recent 3 years or the gross profit margin for the construction industry for the most recent period as announced by the Ministry of Finance, whichever is lower. ii. Completed transactions by unrelated parties within the	Amended in accordance with the FSC's Jin-Guan-Zheng-Fa No. 1070341072 dated November 26, 2018.

Article	Before Revision	After Revision	Explanation
	neighboring or closely valued parcels of land, where the land area and transaction terms are similar after calculation of reasonable price discrepancies in floor or area land prices in accordance with standard property market practices. iii Leasing transactions by unrelated 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 completed transactions involving neighboring or closely valued parcels of land of a similar size by unrelated parties within the preceding year.	preceding year involving other floors of the same property or neighboring or closely valued parcels of land, where the land area and transaction terms are similar after calculation of reasonable price discrepancies in floor or area land prices in accordance with standard property market sale or <u>leasing</u> practices. (II) Where the Company acquiring real property, or <u>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.	
Article 17, Subsection 2	17.2 ~~Completed~~ transactions involving neighboring or closely valued parcels of land in principle refers to parcels on the same or an adjacent block and within a distance of no more than 500 meters or parcels close in publicly announced current value; transactions involving similarly sized parcels in principle refers to transactions ~~completed by~~ unrelated parties for parcels with a land area of no less than 50% of the property in the planned transaction; within the preceding year refers to the year preceding the date of occurrence of the acquisition of the real property.	II. Transactions involving neighboring or closely valued parcels of land in principle refers to parcels on the same or an adjacent block and within a distance of no more than 500 meters or parcels close in publicly announced current value; transactions involving similarly sized parcels in principle refers to transactions <u>between</u> unrelated parties for parcels with a land area of no less than 50% of the property in the planned transaction; within the preceding year refers to the year preceding the date of occurrence of the acquisition of the real property <u>or obtainment of the right-of-use assets thereof</u>.	Amended in accordance with the FSC's Jin-Guan-Zheng-Fa No. 1070341072 dated November 26, 2018.
Article 18, Subsection 1	18.1 Where the Company acquires real property from a related party and the results of appraisals conducted in accordance with	I. Where the Company acquires real property or right-of-use assets thereof from a related party and the results of appraisals conducted in	Amended in accordance with the FSC's Jin-Guan-Zhe

Article	Before Revision	After Revision	Explanation
	~~Article 15 to Article 17~~ are uniformly lower than the transaction price, the following steps shall be taken: I. A special reserve shall be set aside in accordance with Article 41, Paragraph 1 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 or issuance of stock dividends. Where the Company uses the equity method to account for its investment in another company, then the special reserve called for under Article 41, Paragraph 1 of the Securities and Exchange Act shall be set aside pro rata in a proportion consistent with the share of the Company's equity stake in the other company if it meets transaction conditions specified in this ~~subsection~~. II. The Supervisors shall comply with Article 218 of the Company Act and supervise the Company's execution of the actions specified in the preceding subsection. III. Actions taken pursuant to the ~~Subsection 1 and Subsection 2~~ shall be reported to the shareholders' meeting and the details of the transaction shall be disclosed in the annual report and any investment prospectus.	accordance with Article 15, Article 16, and Article 17 are uniformly lower than the transaction price, the following steps shall be taken: (I) The Company shall set aside a special reserve in accordance with Article 41, Paragraph 1 of the Securities and Exchange Act against the difference between the real property <u>or right-of use asset</u> transaction price and the appraised cost, and may not be distributed or used for capital increase or issuance of stock dividends. Where the Company uses the equity method to account for its investment in another company, then the special reserve called for under Article 41, Paragraph 1 of the Securities and Exchange Act shall be set aside pro rata in a proportion consistent with the share of the Company's equity stake in the other company if it meets transaction conditions specified in this <u>item</u>. (II) The Supervisors shall comply with Article 218 of the Company Act and supervise the Company's execution of the actions specified in the preceding item of this subsection. Where an Audit Committee has been established in accordance with the provisions of the Act, the preceding part of this item shall apply mutatis mutandis to the Independent Director members of the Audit Committee. (III) Actions taken pursuant to the <u>preceding two items</u> shall be reported to a shareholders' meeting and the details of the transaction shall be disclosed in the annual report and any investment prospectus.	ng-Fa No. 1070341072 dated November 26, 2018.
Article 18, Subsection 2	18.2 If the Company has set aside a special reserve under the preceding ~~paragraph~~, it shall not draw on the reserve unless it has recognized the loss on decline in market value of	II. If the Company has set aside a special reserve under the preceding <u>subsection</u>, it shall not draw on the reserve unless it has recognized the loss on decline in market value of	Amended in accordance with the FSC's Jin-Guan-Zheng-Fa No.

Article	Before Revision	After Revision	Explanation
	the assets it purchased at a premium; has disposed of the assets or made adequate compensation; or has restored the status quo ante; or there is other evidence confirming that there was nothing unreasonable about the transaction. Agreement from the competent authority of securities is also required.	the assets it purchased or leased at a premium; <u>terminated the lease contract</u> ; has disposed of the assets or made adequate compensation; or has restored the status quo ante; or there is other evidence confirming that there was nothing unreasonable about the transaction. Agreement from the competent authority of securities is also required.	1070341072 dated November 26, 2018.
Article 18, Subsection 3	18.3 The rules specified in the two preceding ~~paragraphs~~ shall also be followed if there is other evidence showing nonconformity with the normal course of operation when the Company acquires real property from a related party.	III. The rules specified in the two preceding <u>subsections</u> shall also be followed if there is other evidence showing nonconformity with general business practices when the Company acquires real property <u>or right-of-use assets thereof</u> from a related party.	Amended in accordance with the FSC's Jin-Guan-Zheng-Fa No. 1070341072 dated November 26, 2018.
Article 21	21. When the Company participates in a merger, demerger, or acquisition, it shall prepare a public report to shareholders detailing important contractual content and matters relevant to the merger, demerger, or acquisition prior to the shareholders' meeting and include it along with the expert opinion referred to in Article 20 when sending shareholders notification of the shareholders' meeting for reference in deciding whether to approve the merger, demerger, or acquisition. Provided, where a provision of another act exempts a company from convening a shareholders' meeting to approve the merger, demerger, or acquisition, this restriction shall not apply. Where the shareholders' meeting of any one of the companies participating in a merger, demerger, or acquisition fails to convene or pass a resolution due to lack of a quorum, insufficient votes, or other legal restriction, or the proposal is rejected by the shareholders' meeting, the Company shall	Article 21 When the Company participates in a merger, demerger, or acquisition, it shall prepare a public report to shareholders detailing important contractual content and matters relevant to the merger, demerger, or acquisition prior to the shareholders' meeting and include it along with the expert opinion referred to in <u>Article 20</u> when sending shareholders notification of the shareholders' meeting for reference in deciding whether to approve the merger, demerger, or acquisition. Provided, where a provision of another act exempts a company from convening a shareholders' meeting to approve the merger, demerger, or acquisition, this restriction shall not apply. Where the shareholders' meeting of any one of the companies participating in a merger, demerger, or acquisition fails to convene or pass a resolution due to lack of a quorum, insufficient votes, or other legal restriction, or the proposal is rejected by the shareholders' meeting, the Company shall	Adjusted numbering of the Articles.

Article	Before Revision	After Revision	Explanation
	immediately publicly explain the reason, the follow-up measures, and the preliminary date of the next shareholders' meeting.	immediately publicly explain the reason, the follow-up measures, and the preliminary date of the next shareholders' meeting.	
Article 22	22. When participating in a merger, demerger, or acquisition, the Company shall convene a Board of Directors meeting and shareholders' meeting on the day of the transaction along with other participating companies to resolve matters relevant to the merger, demerger, or acquisition, unless another act provides otherwise or the competent authority of securities is notified in advance of extraordinary circumstances and grants consent. When participating in a transfer of shares, the Company shall call a Board of Directors meeting on the day of the transaction along with other participating companies, unless another act provides otherwise or the competent authority of securities is notified in advance of extraordinary circumstances and grants consent. (Omitted) Where any of the transaction counterparties participating in a merger, demerger, acquisition, or transfer of another company's shares is neither listed on an exchange nor has its shares traded on an OTC market, the Company shall sign an agreement with such company whereby the latter is required to abide by the provisions of the preceding paragraph.	Article 22 When participating in a merger, demerger, or acquisition, the Company shall convene a Board of Directors meeting and shareholders' meeting on the day of the transaction along with other participating companies to resolve matters relevant to the merger, demerger, or acquisition, unless another act provides otherwise or the competent authority of securities is notified in advance of extraordinary circumstances and grants consent. When participating in a transfer of shares, the Company shall call a Board of Directors meeting on the day of the transaction along with other participating companies, unless another act provides otherwise or the competent authority of securities is notified in advance of extraordinary circumstances and grants consent. (Omitted) Where any of the transaction counterparties participating in a merger, demerger, acquisition, or transfer of another company's shares is neither listed on an exchange nor has its shares traded on an OTC market, the Company shall sign an agreement with such company whereby the latter is required to abide by the provisions of this Article.	Adjusted numbering of the Articles.
Article 27	27. Where any of the companies participating in a merger, demerger, acquisition, or transfer of shares is not a public company, the Company shall sign an agreement with the non-public company whereby the latter is required to abide by the provisions of Article 22, Article 23, and Article 26 of the Procedures.	Article 27 Where any of the companies participating in a merger, demerger, acquisition, or transfer of shares is not a public company, the Company shall sign an agreement with the non-public company whereby the latter is required to abide by the provisions of Article 22, Article 23, and Article 26.	Adjusted numbering of the Articles.

Article	Before Revision	After Revision	Explanation
Article 28, Subsection 1	28.1 When acquiring or disposing of assets, the Company shall publicly announce and report the relevant information on the website designated by the competent authority of securities in the appropriate format as prescribed by regulations of the FSC within 2 days counting inclusively from the date of occurrence of the event under any of the following circumstances: I. Acquisition or disposal of real property from or to a related party, or acquisition or disposal of assets other than real property from or to a related party where the transaction amount reaches 20% or more of paid-in capital, 10% or more of the company's total assets, or NT\$300 million or more; provided, this shall not apply to trading of government bonds or bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises. II. Merger, demerger, acquisition, or transfer of shares. III. Losses from derivatives trading reaching the limits on aggregate losses or losses on individual contracts. IV. Where ~~machinery and~~ equipment for business use are acquired or disposed with a transaction counterparty that is not a related party and the transaction amount reaches NT\$500 million or more. V. Where land is acquired under an arrangement on engaging others to build on the company's own land, engaging others to build on rented land, joint construction and allocation of housing units, joint construction and allocation of ownership percentages, or joint construction and separate sale, and	I. When acquiring or disposing of assets, the Company shall publicly announce and report the relevant information on the website designated by the competent authority of securities in the appropriate format as prescribed by regulations of the FSC within two days counting inclusively from the date of occurrence of the event under any of the following circumstances: (I) Acquisition or disposal of real property <u>or right-of-use assets thereof</u> from or to a related party, or acquisition or disposal of assets other than real property or right-of-use assets thereof from or to a related party where the transaction amount reaches 20% or more of paid-in capital, 10% or more of the Company's total assets, or NT\$300 million or more; provided, this shall not apply to 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. (II) Merger, demerger, acquisition, or transfer of shares. (III) Losses from derivatives trading reaching the limits on aggregate losses or losses on individual contracts. (IV) Where equipment <u>or right-of-use assets thereof</u> for business use are acquired or disposed with a transaction counterparty that is not a related party and the transaction amount reaches NT\$500 million or more. (V) Where land is acquired under an arrangement on engaging others to build on the company's own land, engaging others to build on rented land, joint construction and allocation of housing units, joint	Amended in accordance with the FSC's Jin-Guan-Zheng-Fa No. 1070341072 dated November 26, 2018.

Article	Before Revision	After Revision	Explanation
	the amount the company expects to invest in the transaction reaches NT\$500 million or more. VI. Where an asset transaction other than any of those referred to in the preceding five subsections, a disposal of receivables by a financial institution, or an investment in the mainland China area reaches 20% or more of paid-in capital or NT\$300 million or more; provided, this shall not apply to the following circumstances: i. Trading of government bonds. ii. Trading of bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises.	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 or more. (VI) Where an asset transaction other than any of those referred to in <u>this</u> subsection, a disposal of receivables by a financial institution, or an investment in the mainland China area reaches 20% or more of paid-in capital or NT\$300 million; provided, this shall not apply to the following circumstances: 1. Trading of <u>domestic</u> government bonds. 2. Trading of bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises.	
Article 28, Subsection 2	28.2 The amount of transactions ~~above~~ shall be calculated as follows: I. The amount of any individual transaction. II. The cumulative transaction amount of acquisitions and disposals of the same type of underlying asset with the same trading counterparty within the preceding year. III. The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of real property within the same development project within the preceding year. IV. The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of the same security within the preceding year.	II. The amount of transactions <u>in previous subsection</u> shall be calculated as follows: (I) The amount of any individual transaction. (II) The cumulative transaction amount of acquisitions and disposals of the same type of underlying asset with the same transaction counterparty within the preceding year. (III) The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of real property <u>or right-of-use assets thereof</u> within the same development project within the preceding year. (IV) The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of the same security within the preceding	Amended in accordance with the FSC's Jin-Guan-Zheng-Fa No. 1070341072 dated November 26, 2018.

Article	Before Revision	After Revision	Explanation
	V. The "within one year" mentioned in ~~Article 28.2~~ shall refer to the one year preceding the date of occurrence of the current transaction. Items duly announced in accordance with the Procedures need not be counted toward the transaction amount.	year. (V) The "within one year" mentioned in <u>this subsection</u> shall refer to the one year dating back from the date of occurrence of the fact. Amounts that have already been announced in accordance with the Procedures may be excluded from calculation.	
Article 31	31. Where any of the following circumstances occurs with respect to a transaction that the Company has already publicly announced and reported in accordance with ~~Article 28 to Article 30~~ , a public report of relevant information shall be made on the website designated by the competent authority of securities within 2 days counting inclusively from the date of occurrence of the event: I. Change, termination, or rescission of a contract signed in regard to the original transaction. II. The merger, demerger, acquisition, or transfer of shares is not completed by the scheduled date set forth in the contract. III. Change to the originally publicly announced and reported information.	Article 31 Where any of the following circumstances occurs with respect to a transaction that the Company has already publicly announced and reported in accordance with <u>Article 28, Article 29, and Article 30</u> , a public report of relevant information shall be made on the website designated by the competent authority of securities within 2 days counting inclusively from the date of occurrence of the event: I. Change, termination, or rescission of a contract signed in regard to the original transaction. II. The merger, demerger, acquisition, or transfer of shares is not completed by the scheduled date set forth in the contract. III. Change to the originally publicly announced and reported information.	Adjusted numbering of the Articles.
Article 32	32. Items to be disclosed in financial statements Where the Company's acquisition or disposal of assets reaches criteria for public announcement and publication in accordance with Article 28 in the Procedures, and the counterparty to such transaction is a de facto related party, the Company shall disclose the published contents in the notes of the financial statements and report to the shareholders' meeting.	Article 32 Items to be disclosed in financial statements Where the Company's acquisition or disposal of assets reaches criteria for public announcement and publication in accordance with <u>Article 28</u> in the Procedures and the counterparty to such transaction is a de facto related party, the Company shall disclose the published contents in the notes of the financial statements and report to the shareholders' meeting.	Adjusted numbering of the Articles.
Article 33, Subsection 2	33.2 With regard to the threshold for announcement or reporting by subsidiaries prescribed in ~~Article 28.4~~ regarding the 20% of paid-in capital or 10% of total assets, the	With regard to the threshold for announcement or reporting by subsidiaries prescribed in <u>Article 28, Subsection 1</u> regarding the paid-in capital or total assets, the	Adjusted numbering of the Articles.

Article	Before Revision	After Revision	Explanation
	calculation basis for the threshold shall be the paid-in capital or total assets of the Company.	calculation basis for the threshold shall be the paid-in capital or total assets of the Company.	
Article 36	~~36. Where an Audit Committee has been established, the provisions relating to Supervisors in Article 8, 14, and 37 shall apply mutatis mutandis to the Audit Committee. In addition, Article 18 Subsection 2 shall apply mutatis mutandis to the Independent Director members of the Audit Committee.~~ 36.1 For the calculation of 10% of total assets under these Procedures, the total assets stated in the most recent parent company only financial statements or individual financial statements prepared under the Regulations Governing the Preparation of Financial Statements by Securities Issuers shall be used.	Article 36 For the calculation of 10% of total assets under these Procedures, the total assets stated in the most recent parent company only financial statements or individual financial statements prepared under the Regulations Governing the Preparation of Financial Reports by Securities Issuers shall be used.	Amended in accordance with the FSC's Jin-Guan-Zheng-Fa No. 1070341072 dated November 26, 2018.
Article 37, Subsection 1	37.1 The Procedures shall first be passed by the Board of Directors and delivered to all Supervisors before it is submitted to the shareholders' meeting for approval and implementation. The same shall apply to any amendment. If a Director expresses objection and records or written statements are available, the information regarding the Director's objection shall be submitted to the Supervisors. ~~If the Company has established the position of Independent Directors and~~ if there are any objections or reservations expressed, it shall be clearly recorded in the minutes of the board meeting.	I. The Procedures shall first be passed by the Board of Directors and delivered to all Supervisors before it is submitted to the shareholders' meeting for approval and implementation. The same shall apply to any amendment. If a Director expresses objection and records or written statements are available, the information regarding the Director's objection shall be submitted to the Supervisors. If there are any objections or reservations expressed <u>by an Independent Director</u>, it shall be clearly recorded in the minutes of the board meeting.	Revised based on the Company's current conditions.

Largan Precision Co., Ltd.

Comparison Table of Revisions to the "Procedures for Engaging in Derivatives Trading"

Revised	Before Revision	After Revision	Explanation
Articles 1-15			Adjusted numbering of main text.
Article 1	1. Purpose	Article 1 Purpose <u>and basis</u>	Revised title of the article.
Article 2	2. Definitions and scope of application 2.1 The "derivatives" specified in these Procedures refer to contracts (e.g. forward contracts, options contracts, futures contracts, leverage contracts, or swap contracts, whose value is derived from ~~assets~~, interest rates, foreign exchange rates, indices ~~or other interests~~; ~~or compound contracts combining the above contracts~~). 2.2 The term "forward contracts" in these Procedures does not include insurance contracts, performance contracts, after-sales service contracts, long-term leasing contracts, or long-term purchase (sales) ~~agreements~~. 2.3 Bond margin trading shall also be governed by these Procedures.	Article 2 Definitions and scope of application 1. The "derivatives" specified in these Procedures refer to forward contracts, options contracts, futures contracts, leverage contracts, or swap contracts, whose value is derived from <u>a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable</u>; or hybrid contracts combining the above contracts; <u>or hybrid contracts or structured products containing embedded derivatives</u>. 2. The term "forward contracts" in these Procedures does not include insurance contracts, performance contracts, after-sales service contracts, long-term leasing contracts, or long-term purchase (sales)	Amended in accordance with the FSC's Jin-Guan-Zheng-Fa No. 1070341072 dated November 26, 2018.

Revised	Before Revision	After Revision	Explanation
		contracts. 3. Bond margin trading shall also be governed by these Procedures.	
Article 13 subsection 5	13.5. When irregular circumstances are found in the course of supervising trading and profit-loss circumstances, appropriate measures shall be adopted and a report immediately made to the board of directors; ~~where a company has independent directors,~~ an Independent Director shall be present at the meeting and express an opinion.	5. When irregular circumstances are found in the course of supervising trading and profit-loss circumstances, appropriate measures shall be adopted and a report immediately made to the board of directors; <u>and</u> an Independent Director shall be present at the meeting and express an opinion.	Revised based on the Company's current conditions.
Article 14	14. Internal audit Internal audit personnel shall periodically make a determination of the suitability of internal controls on derivatives and conduct a monthly inspection of how faithfully derivatives trading by the trading department adheres to the procedures for engaging in derivatives trading, and prepare an audit report. If any material violation is discovered, all Supervisors shall be notified in writing, and related personnel shall be penalized commensurate with the violation.	Article 14 Internal audit Internal audit personnel shall periodically make a determination of the suitability of internal controls on derivatives and conduct a monthly inspection of how faithfully derivatives trading by the trading department adheres to the procedures for engaging in derivatives trading, and prepare an audit report. If any material violation is discovered, all Supervisors <u>and Independent Directors</u> shall be notified in writing and related personnel shall be penalized commensurate with the violation.	Amended in accordance with the FSC's Jin-Guan-Zheng-Fa No. 1070341072 dated November 26, 2018.

Largan Precision Co., Ltd.
Comparison Table of Revisions to the "Rules for Loaning of Funds" and "Rules
for Endorsements/Guarantees"

Rules for Loaning of Funds

Article	Before Revision	After Revision	Explanation
Articles 1-15			Adjusted numbering of main text.
Article 1	1. Purpose To facilitate information disclosure and enhance the Company's risk management system for loaning funds to others, the Company's loans to others shall be processed in accordance with these ~~Procedures~~.	1. Purpose To facilitate information disclosure and enhance the Company's risk management system for loaning funds to others, the Company's loans to others shall be processed in accordance with these Rules.	Revised wording for consistency in the main text.
Article 2	2. Eligible entities 2.1 Entities that conduct business transactions with the Company. 2.2 Where an inter-company short-term financing facility between the entity and the Company is necessary. 2.3 The term "short-term" as used in ~~the preceding paragraph~~ means one year, or where the Company's operating cycle exceeds one year, one operating cycle. 2.4 Loans between foreign companies in which the Company holds, directly or indirectly, 100% of the voting shares.	Article 2 Eligible entities <u>According to Article 15 of the Company Act, the Company shall not loan funds to shareholders or any other person except under the following circumstances:</u> 1. Entities that conduct business transactions with the Company. 2. Where an inter-company short-term financing facility between the entity and the Company is necessary. The term "short-term" as used means one year, or where the Company's operating cycle exceeds one year, one	Revised wording and detailed description.

Article	Before Revision	After Revision	Explanation
		operating cycle. 3. Loans between foreign companies in which the Company holds, directly or indirectly, 100% of the voting shares or loans provided by foreign companies, in which the Company holds, directly or indirectly, 100% of the voting shares, to the Company.	
Article 3	3. ~~Reason and necessity~~ for loaning funds to others 3.1 Where the Company provides loans to a company or firm with which it does business, the loans shall be provided in accordance with Article 4.2. Where a loan is provided due to short-term financing needs, it shall be restricted to the following circumstances: 3.1.1 Where it is necessary to loan short-term financing to foreign companies in which the Company holds, directly or indirectly, 100% of the voting shares. 3.1.2 A company or firm that requires short-term financing due to procurement of materials or operation turnover needs. 3.1.3 Other situations where the Board of Directors of the Company agrees to the loan.	Article 3 <u>Evaluation standards for</u> loaning funds to others 1. Where the Company provides loans to a company or firm with which it does business, the loans shall be provided in accordance with <u>Article 4, paragraph 2</u>. 2. Where a loan is provided due to short-term financing needs, it shall be restricted to the following circumstances: (1) Where it is necessary for foreign companies in which the Company holds, directly or indirectly, 100% of the voting shares <u>to have a short-term financing loan</u>. (2) A company or firm that requires short-term financing due to procurement of materials or operation turnover needs. (3) Other situations where	Revised wording and detailed description.

Article	Before Revision	After Revision	Explanation
		the Board of Directors of the Company agrees to the loan.	
Article 4	4. Aggregate amount of loans and the maximum amount permitted to a single borrower 4.1 The Company's total loans shall not exceed 40% of the Company's net worth. 4.2 Individual loans to a company or firm with which the Company does business shall be limited to the transaction amount between both parties. The transaction amount means the sales or purchasing amount between the parties, whichever is higher. 4.3 The restriction regarding 40% of the lender's net worth or the financing period of one year or one operating cycle shall not apply to inter-company loans of funds between foreign companies in which the Company holds, directly or indirectly, 100% of the voting shares if the loan is required for short-term financing purposes. The loan period shall be in accordance with Article 8.1.	Article 4 Aggregate amount of loans and the maximum amount permitted to a single borrower 1. The Company's total loans shall not exceed 40% of the Company's net worth. 2. Individual loans to a company or firm with which the Company does business shall be limited to the transaction amount between both parties. The transaction amount means the sales or purchasing amount between the parties, whichever is higher. 3. The restriction regarding 40% of the lender's net worth or the financing period of one year or one operating cycle shall not apply to inter-company loans of funds between foreign companies in which the Company holds, directly or indirectly, 100% of the voting shares if the loan is required for short-term financing purposes. The loan period shall be in accordance with Article 8, paragraph 1.	Adjusted numbering of the Articles.
Article 5	5. Credit assessment procedures 5.1 In the Company's processing of	Article 5 <u>Implementation and credit assessment</u>	Revised wording for consistency in

Article	Before Revision	After Revision	Explanation
	loans, the borrower shall be required to submit necessary company information and financial information and file a written application to the Company for a loan limit. (the rest omitted)	procedures 1. In the Company's processing of loans, the borrower shall be required to submit necessary company information and financial information and file a written application to the Company's for a loan limit. (the rest omitted)	the main text.
Article 7	7. Scope of authorization 7.1 In the Company's processing of loans, after the credit assessment by the Finance Department of the Company, the application shall be submitted to the Chairman for approval and submitted to the Board of Directors for resolution to be implemented and cannot be delegated to other individuals to determine such matters. 7.2 For funds loaning between the Company and its subsidiaries, or between the subsidiaries of the Company, the matter shall in accordance with the preceding paragraph be submitted to the Board of Directors for resolution. Additionally, the Chairman may be authorized to provide the loans in installment or revolver for a period of not more than one year to the same entity receiving the loan, provided that the amount of the loan is within the specific amount resolved upon by the Board of Directors.	Article 7 Scope of authorization 1. In the Company's processing of loans, after the credit assessment by the Finance Department of the Company, the application shall be submitted to the Chairman for approval and submitted to the Board of Directors for resolution to be implemented, and cannot be delegated to other individuals to determine such matters. 2. For funds loaning between the Company and its subsidiaries, or between the subsidiaries of the Company, the matter shall in accordance with the preceding paragraph be submitted to the Board of Directors for resolution. Additionally, the Chairman may be authorized to provide the loans in	Revised wording and detailed description

Article	Before Revision	After Revision	Explanation
	7.3 The specific amount specified in the preceding paragraph shall meet requirements in Article 2.4. In addition, the loan limit authorized by the Company or its subsidiaries to any single company shall not exceed 10% of the Company's net worth on its most current financial statements.	installment or revolver for a period of not more than one year to the same entity receiving the loan, provided that the amount of the loan is within the specific amount resolved upon by the Board of Directors. 3. The specific amount specified in the preceding paragraph shall meet requirements in <u>Article 2, paragraph 3</u>. In addition, the loan limit authorized by the Company or its subsidiaries to any single company shall not exceed 10% of the Company's net worth on its most current financial statements.	
Article 10	10. Internal control 10.1 The Company shall establish log books for loans and register the borrower, the amount, the date of passage by the Board of Directors, the date of the loan, and the matters to be carefully evaluated in accordance with the rules. 10.2 Where a change in the Company causes the amount to exceed the limit, a rectification plan shall be formulated and delivered to the Supervisors to enhance internal control and management of the Company. 10.3 The Company's loans to others shall be processed in accordance with the rules and procedures. In the	Article 10 Internal control 1. The Company shall establish log books for loans and register the borrower, the amount, the date of passage by the Board of Directors, the date of the loan, and the matters to be carefully evaluated in accordance with the rules. 2. Where a change in the Company causes the amount to exceed the limit, a rectification plan shall be formulated and delivered to the Supervisors <u>and Independent Directors</u> to enhance internal control and	Amended in accordance with the FSC's Jin-Guan-Zheng-Shen No. 1080304826 dated March 7, 2019.

Article	Before Revision	After Revision	Explanation
	event when a material violation is found, related personnel shall be penalized commensurate with the violation. 10.4 Where a change in the Company causes the borrower to be incompatible with this Rules or causes the amount to exceed the limit, a rectification plan shall be formulated, delivered to the Supervisors, reported to the Board of Directors, and implemented to complete rectification based on the timeframe set out in the plan.	management of the Company. 3. The Company's loans to others shall be processed in accordance with the rules and procedures. In the event when a material violation is found, related personnel shall be penalized commensurate with the violation. 4. Where a change in the Company causes the borrower to be incompatible with this Rules or causes the amount to exceed the limit, a rectification plan shall be formulated, delivered to the Supervisors <u>and Independent Directors</u>, reported to the Board of Directors, and implemented to complete rectification based on the timeframe set out in the plan.	
Article 11	11. Internal audit The Company's internal auditors shall audit the operation procedures of loaning funds to others and the implementation thereof no less frequently than quarterly and prepare written records accordingly. They shall promptly notify the Supervisors in writing of any material violation found, if any.	Article 11 Internal audit The Company's internal auditors shall audit the operation procedures of loaning funds to others and the implementation thereof no less frequently than quarterly and prepare written records accordingly. They shall promptly notify the Supervisors <u>and Independent Directors</u> in writing of any material	Amended in accordance with the FSC's Jin-Guan-Zheng-Shen No. 1080304826 dated March 7, 2019.

Article	Before Revision	After Revision	Explanation
		violation found, if any.	
Article 14	14. Enforcement and amendment Once ~~the Operation Procedures~~ are passed by the Board of Directors, they shall be submitted to the Supervisors and reported to the shareholders' meeting for consent. If a Director expresses an objection and records or written statements are available, information regarding the Director's objection shall be submitted to Supervisors and to the shareholders' meeting for discussion. The same shall apply to any revision. When the ~~Operation Procedures~~ for Loans to Others is submitted to the Board of Directors for discussions in accordance with the preceding paragraph, the opinions of each Independent Director shall be taken into full consideration, and ~~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 14 Enforcement and amendment Once <u>this Rules</u> are passed by the Board of Directors, they shall be submitted to the Supervisors and reported to the shareholders' meeting for consent. If a Director expresses objection and records or written statements are available, information regarding the Director's objection shall be submitted to Supervisors and to the shareholders' meeting for discussion. The same shall apply to any revision. When the Rules for Loaning of Funds is submitted to the Board of Directors for discussions in accordance with the preceding paragraph, the opinions of Independent Directors shall be taken into full consideration. <u>If any Independent Director has any dissenting opinion or qualified opinion, it shall be noted in the minutes of the Board of Directors meeting.</u>	Amended in accordance with the FSC's Jin-Guan-Zheng-Shen No. 1080304826 dated March 7, 2019.
Article 15		<u>Article 15 Control and management procedures for subsidiaries' loans to others</u> <u>1. Where a subsidiary of the Company intends to extend</u>	Added in accordance with the FSC's Jin-Guan-Zheng-Shen No. 1080304826

Article	Before Revision	After Revision	Explanation
		<u>loans to other entities, the</u> <u>Company shall order the</u> <u>subsidiary to establish the</u> <u>Rules for Loaning of Funds</u> <u>in accordance with the</u> <u>"Regulations Governing</u> <u>Loaning of Funds and</u> <u>Making of</u> <u>Endorsements/Guarantees</u> <u>by Public Companies"</u> <u>enacted by the competent</u> <u>authority and process loans</u> <u>in accordance with the</u> <u>operating procedures</u> <u>specified therein.</u> <u>2. When a subsidiary</u> <u>extends loans to other</u> <u>entities, it shall provide</u> <u>related information to the</u> <u>parent company and</u> <u>consider the opinions of the</u> <u>parent company's related</u> <u>personnel before processing</u> <u>the loan.</u> <u>3. After a subsidiary loans a</u> <u>fund, it shall regularly</u> <u>report the follow-up status</u> <u>of loaned funds to the parent</u> <u>company.</u>	dated March 7, 2019.

Rules for Endorsements/Guarantees

Article Number	Before Revision	After Revision	Revision Description
Article 1 to Article 14			Adjusted numbering of main text.
Article 1	1. Purpose To facilitate information disclosure and enhance the Company's risk	1. Purpose To facilitate information disclosure and enhance the	Revised wording for consistency in the main text.

Article	Before Revision	After Revision	Explanation
	management system for endorsements /guarantees, the Company's endorsements/guarantees shall be processed in accordance with these ~~Procedures~~ .	Company's risk management system for endorsements/guarantees, the Company's endorsements/guarantees shall be processed in accordance with these <u>Rules</u> .	
Article 2	2. Definitions and scope of application 2.1 Financing endorsements/guarantees. 2.1.1 Bill discount financing. 2.1.2 Endorsement/guarantee made to meet the financing needs of another company. 2.1.3 Issuance of a separate negotiable instrument to a non-financial enterprise as security to meet the financing needs of the Company itself. 2.2 Customs duty guarantee It refers to endorsement/guarantee for the Company itself or another company with respect to customs duty matters. 2.3 Other endorsements/guarantees ~~2.3.1 Any creation by the Company of a pledge or mortgage on its chattel or real property as security for the loans of another company.~~ 2.3.2 Other endorsements/guarantees that cannot be classified into the above items.	Article 2 Definitions and scope of application <u>The term</u> <u>"endorsements/guarantees"</u> <u>or "endorsement/guarantee"</u> <u>as used in these Rules refers to the following:</u> 1. Financing endorsements/guarantees. (1) Bill discount financing. (2) Endorsement/guarantee made to meet the financing needs of another company. (3) Issuance of a separate negotiable instrument to a non-financial enterprise as security to meet the financing needs of the Company itself. 2. Customs duty guarantee refers an endorsement/guarantee for the Company itself or another company with respect to customs duty matters. 3. Other endorsements/guarantees that cannot be classified into the above items.	Revised wording and detailed description.

Article	Before Revision	After Revision	Explanation
		<u>4. Any creation by the Company of a pledge or mortgage on its chattel or real property as security for the loans of another company.</u>	
Article 3	3. Recipient of endorsement/guarantee 3.1 Besides cases where the Company fulfills its contractual obligations by providing mutual endorsements/guarantees for another company in the same industry for purposes of undertaking a business project or where all capital contributing shareholders make endorsements/guarantees for their jointly invested company in proportion to their shareholding percentages, other recipients of endorsements/guarantees shall be restricted to the following companies: 3.1.1 A company with which it does business. 3.1.2 A company in which the Company directly and indirectly holds more than 50% of the voting shares. 3.1.3 A company that directly and indirectly holds more than 50% of the voting shares of the Company. 3.1.4 Endorsements/guarantees may be made ~~with and~~ between companies in which the Company holds, directly or indirectly, more than 90% of the voting shares.	Article 3 Recipient of endorsement/guarantee 1. Besides cases where the Company fulfills its contractual obligations by providing mutual endorsements/guarantees for another company in the same industry for purposes of undertaking a business project or where all capital contributing shareholders make endorsements/guarantees for their jointly invested company in proportion to their shareholding percentages, other recipients of endorsements/guarantees shall be restricted to the following companies: (1) A company with which it does business. (2) A company in which the Company directly and indirectly holds more than 50% of the voting shares. (3) A company that directly and indirectly holds more than 50% of the voting shares of the Company. <u>2. Endorsements/guarantees</u>	Amended in accordance with the FSC's Jin-Guan-Zheng-Shen No. 1080304826 dated March 7, 2019.

Article	Before Revision	After Revision	Explanation
		<u>may be made between companies in which the Company holds, directly or indirectly, more than 90% of the voting shares. The amount may not exceed 10% of the net worth of the Company, provided that this restriction shall not apply to endorsements/guarantees made between companies in which the Company holds, directly or indirectly, 100% of the voting shares.</u>	
Article 4	4. Limits of endorsement/ guarantee 4.1 The total amount of endorsements/guarantees provided by the Company shall not exceed 40% of the Company's net worth. The maximum endorsements /guarantees to any single enterprise, except for companies in which the Company holds 100% of the voting shares, shall not exceed 10% of the Company's net worth. The Company's and subsidiaries' total endorsements/guarantees for external entities shall not exceed 40% of the Company's net worth. The maximum endorsements/guarantees to any single entity shall not exceed 10% of the Company's net worth. The net worth shall be based on the most current financial statements audited or reviewed by the certified public accountants. 4.2 Where the Company provides	Article 4 Limits of endorsement/guarantee 1. The total amount of endorsements/guarantees provided by the Company shall not exceed 40% of the Company's net worth. The maximum endorsements/guarantees for a single enterprise, except for companies in which the Company holds 100% of the voting shares, shall not exceed 10% of the Company's net worth. 2. <u>The Company and subsidiaries' total endorsements/guarantees for external entities shall not exceed 40% of the Company's net worth. The maximum endorsements/guarantees for a single enterprise shall not</u>	Adjusted numbering of the Articles.

Article	Before Revision	After Revision	Explanation
	endorsements/guarantees due to business transactions, besides the restrictions specified above, the amount shall further not exceed the transaction amount between the parties. The transaction amount means the sales or purchasing amount between the parties, whichever is higher.	exceed 10% of the <u>Company's net worth. The net worth shall be based on the most current financial statements audited or reviewed by the certified public accountants.</u> <u>3. Where the Company provides endorsements/guarantees due to business transactions, besides the restrictions specified above, the amount shall further not exceed the transaction amount between the parties. The transaction amount means the sales or purchasing amount between the parties, whichever is higher.</u>	
Article 5	5. Decision-making and authorization level 5.1 The Company's endorsements/guarantees must be approved in a resolution of the Board of Directors before implementation. If the Company has established the position of Independent Director, the opinions of each Independent Director shall be taken into full consideration and Independent Director's opinions specifically expressing assent or dissent and the reasons for dissent shall be included in the minutes of the Board of Directors' meeting. The Board of Directors may authorize the Chairman to decide	Article 5 Decision-making and authorization level 1. The Company's endorsements/guarantees must be approved in a resolution of the Board of Directors before implementation. If the Company has established the position of Independent Director, the opinions of each Independent Director shall be taken into full consideration and Independent Director's opinions specifically expressing assent or dissent and the reasons for dissent	Revised wording for consistency in the main text.

Article	Before Revision	After Revision	Explanation
	such matters for endorsements/guarantees within NT\$20 million in accordance with related provisions herein and have the decisions subsequently submitted to the next Board of Directors meeting for ratification and reported to the shareholders' meeting for the record. Where a subsidiary in which the Company holds, directly or indirectly, more than 90% of the voting shares provides endorsements/guarantees in accordance with Article 3.1.4, it shall submit the proposal to the Company's Board of Directors for approval before implementation, provided that this restriction shall not apply to endorsements/guarantees made between companies in which the Company holds, directly or indirectly, 100% of the voting shares. 5.2 Where the Company needs to exceed the limits set out in this Rules to satisfy its business requirements, and where the conditions set out in this Rules are complied with, it shall obtain approval from the Board of Directors and half or more of the Directors shall act as joint guarantors for any loss that may be caused to the company by the excess endorsement/guarantee. It shall also amend the Operational Rules for Endorsements/Guarantees	shall be included in the minutes of the Board of Directors' meeting. 2. The Board of Directors may authorize the Chairman to decide such matters for endorsements/guarantees within NT\$20 million in accordance with related provisions herein and have the decisions subsequently submitted to the next Board of Directors meeting for ratification and reported to the shareholders' meeting for the record. 3. Where a company in which the Company holds, directly or indirectly, more than 90% of the voting shares provides endorsements/guarantees in accordance with Article 3, paragraph 2, it shall submit the proposal to the Board of Directors for approval before implementation, provided that this restriction shall not apply to endorsements/guarantees made between companies in which the Company holds, directly or indirectly, 100% of the voting shares. 4. Where the Company needs to exceed the limits set out in this Rules to	

Article	Before Revision	After Revision	Explanation
	accordingly and submit the same to the shareholders' meeting for ratification after the fact. If the shareholders' meeting does not give consent, the company shall adopt a plan to discharge the amount in excess within a given time limit. Where the Company has established the position of independent director, when it makes endorsements/guarantees for others, it shall take into full consideration the opinions of each independent director; independent directors' opinions specifically expressing assent or dissent and the reasons for dissent shall be included in the minutes of the board of directors' meeting.	<u>satisfy its business requirements, and where the conditions set out in this</u> <u>Rules are complied with, it shall obtain approval from the Board of Directors and half or more of the Directors</u> <u>shall act as joint guarantors for any loss that may be caused to the company by the excess endorsement/guarantee. It shall also amend the Rules for</u> <u>Endorsements/Guarantees accordingly and submit the same to the shareholders' meeting for ratification after the fact. If the shareholders' meeting does not give consent, the company shall adopt a plan to discharge the amount in excess within a given time limit. Where the Company has established the position of independent director, when it makes endorsements/guarantees for others, it shall take into full consideration the opinions of each independent director; independent directors' opinions specifically expressing assent or dissent and the reasons for dissent shall be included in the minutes of the board of directors'</u>	

Article	Before Revision	After Revision	Explanation
		<u>meeting.</u>	
Article 6	6. Procedures for making endorsements/guarantees 6.1 When the Company processes an endorsement/guarantee, the recipient of endorsement/guarantee shall submit an application form and file an application to the Finance Department of the Company. The Finance Department shall conduct a credit investigation on the recipient of endorsement/guarantee, evaluate the risks, and prepare evaluation records. Once they are reviewed, they shall be presented to the CEO and Chairman for approval. Where necessary, the Company shall be required to obtain collateral. (partially omitted) 6.4 The Finance Department of the Company shall evaluate or record the contingent loss for endorsements/guarantees and shall adequately disclose information on endorsements/guarantees in its financial reports. It shall provide related information to the certified public accountants for implementation of necessary audit procedures and submission of a suitable audit report. 6.5 If, as a result of a change in circumstances, an entity for which an endorsement/guarantee is made does not meet the requirements of these Rules endorsement/guarantee amount exceeds the limit, the	Article 6 Implementation and credit investigation procedures 1. When the Company processes an endorsement/guarantee, the recipient of endorsement/guarantee shall submit an application form and file an application to the Finance Department of the Company. The Finance Department shall conduct a credit investigation on the recipient of endorsement/guarantee, evaluate the risks, and prepare evaluation records. Once they are reviewed, they shall be presented to the CEO and Chairman for approval. Where necessary, the Company shall be required to obtain collateral. (partially omitted) 4. The Finance Department of the Company shall evaluate or record the contingent loss for endorsements/guarantees and shall adequately disclose information on endorsements/guarantees in its financial reports. It shall provide related information to the certified public accountants for	Amended in accordance with the FSC's Jin-Guan-Zheng-Shen No. 1080304826 dated March 7, 2019.

Article	Before Revision	After Revision	Explanation
	endorsement/guarantee amount or the portion that exceeds the limit for such entity shall be completely terminated upon the expiry of the contract or within a specific deadline based on the rectification plan formulated by the Company. The related rectification plans shall be delivered to all Supervisors and reported to the Board of Directors. The Company shall complete the rectification according to the timeframe set out in the plan.	implementation of necessary auditing procedures and submission of a suitable audit report. 5. If, as a result of a change in circumstances, an entity for which an endorsement/guarantee is made does not meet the requirements of these Rules endorsement/guarantee amount exceeds the limit, the endorsement/guarantee amount or the portion that exceeds the limit for such entity shall be completely terminated upon the expiry of the contract or within a specific deadline based on the rectification plan formulated by the Company. The related rectification plans shall be delivered to all Supervisors <u>and Independent Directors</u> and reported to the Board of Directors. The Company shall complete the rectification according to the timeframe set out in the plan.	
Article 9	9. Internal audit The Company's internal auditors shall audit the procedures for making of endorsements/guarantees and the implementation at least once every quarter and prepare written records accordingly. They	Article 9 Internal audit The Company's internal auditors shall audit the procedures for making of endorsements/guarantees and the implementation at least once every quarter and	Amended in accordance with the FSC's Jin-Guan-Zheng-Shen No. 1080304826 dated March 7, 2019.

Article	Before Revision	After Revision	Explanation
	shall promptly notify the Supervisors in writing of any material violation found.	prepare written records accordingly. They shall promptly notify the Supervisors and Independent Directors in writing of any material violation found.	
Article 10	10. Specimen chop custody and procedures 10.1 The Company shall use the corporate chop registered with the Ministry of Economic Affairs as the dedicated chop for endorsements/guarantees. The chop and guarantee bills shall be kept in the custody of a designated person and they shall be used to seal or issue negotiable instruments only in prescribed procedures. The approval of the Board of Directors shall be required for the appointment, dismissal, or replacement of the person responsible for the custody of the chop. (the rest omitted)	Article 10 Specimen chop custody and usage procedures 1. The Company shall use the corporate chop registered with the Ministry of Economic Affairs as the dedicated chop for endorsements/guarantees. The chop and guarantee bills shall be kept in the custody of a designated person and they shall be used to seal or issue negotiable instruments only in prescribed procedures. The approval of the Board of Directors shall be required for the appointment, dismissal, or replacement of the person responsible for the custody of the chop. (the rest omitted)	Revised wording and detailed description
Article 11	11. Public announcement and regulatory filing procedures 11.1 The Company shall publicly announce and file the previous month's balance of endorsements/guarantees of the Company and its subsidiaries before	Article 11 Public announcement and regulatory filing procedures 1. The Company shall publicly announce and file the previous month's balance of	Amended in accordance with the FSC's Jin-Guan-Zheng-Shen No. 1080304826 dated March 7, 2019.

Article	Before Revision	After Revision	Explanation
	the 10th day of each month. Where the balance of endorsements/guarantees reach one of the following levels, the Company shall announce and report such event within two days commencing immediately from the date of occurrence: 11.1.1 The balance of endorsements/guarantees reaches 50% or more of the Company's net worth as stated in the latest financial statements. 11.1.2 The balance of the endorsements/guarantees for any single company reaches 20% or more of the Company's net worth as stated in the latest financial statements. 11.1.3 The balance of the endorsements/guarantees for any single company reaches NT\$10 million and the endorsements/guarantees for the Company, long-term investments, and the total balance of loans reach 30% or more of the Company's net worth as stated in the latest financial statements. 11.1.4 The amount of new endorsements/guarantees made by a public company or its subsidiaries reaches NT\$30 million or more, and reaches 5% or more of the public company's net worth as stated in its latest financial statement. ~~11.1.5~~ The Company shall announce and report on behalf of any subsidiary thereof that is not a	endorsements/guarantees of the Company and its subsidiaries before the 10th day of each month. Where the balance of endorsements/guarantees reach one of the following levels, the Company shall announce and report such event within two days commencing immediately from the date of occurrence: (1) The balance of the <u>Company's and its subsidiary companies'</u> endorsements/guarantees reaches 50% or more of the Company's net worth as stated in its latest financial statements. (2) The balance of the <u>Company's and its subsidiary companies'</u> endorsements/guarantees to any single company reaches 20% or more of the Company's net worth as stated in its latest financial statements. (3) The balance of the <u>Company's and its subsidiaries'</u> endorsements/guarantees to any single company reaches NT\$10 million and the carrying amount of investments recognized under the equity method and the total balance	

Article	Before Revision	After Revision	Explanation
	public company of the Republic of China any matters that such subsidiary is required to announce and report pursuant to the preceding paragraph.	of loans reach 30% or more of the Company's net worth as specified in the latest financial statements. (4) The amount of new endorsements/guarantees made by <u>the Company</u> and its subsidiary companies reaches NT\$30 million or more and 5% or more of <u>the Company's</u> net worth as stated in its latest financial statements. 2. 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 subsidiary is required to announce and report pursuant to the preceding paragraph.	
Article 12	12. Any matters that are not addressed herein shall be governed by relevant laws and the Company's related regulations.	Article 12 <u>Other items</u> 1. The Company shall <u>evaluate or record contingent loss for endorsements/guarantees and shall adequately disclose information on endorsements/guarantees in its financial reports. It shall provide related information to the certified public accountants for implementation of necessary audit procedures.</u> 2. Any matters that are not	Amended in accordance with the Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies

Article	Before Revision	After Revision	Explanation
		addressed herein shall be governed by relevant laws and the Company's related regulations.	
Article 13	13. Enforcement and amendment The Regulations shall first be passed by the Board of Directors and delivered to all Supervisors before it is submitted to the shareholders' meeting for consent. If a Director expresses an objection and records or written statements are available, the Company shall submit information regarding the Director's objection to Supervisors and to the shareholders' meeting for discussion. The same shall apply to any revision. The opinions of Independent Directors shall be taken into full consideration in discussions in the Board of Directors meeting on the Rules in accordance with the preceding paragraph. ~~Independent Directors' opinions specifically expressing assent or dissent and the reasons for dissent shall be included in the minutes of the board of directors' meeting.~~	Article 13 Enforcement and amendment The Regulations shall first be passed by the Board of Directors and delivered to all Supervisors before it is submitted to the shareholders' meeting for consent. If a Director expresses an objection and records or written statements are available, the Company shall submit information regarding the Director's objection to Supervisors and to the shareholders' meeting for discussion. The same shall apply to any revision. The opinions of Independent Directors shall be taken into full consideration in discussions in the Board of Directors meeting on the Regulations in accordance with the preceding paragraph. <u>If any Independent Director expresses dissenting opinions or qualified opinions, they shall be noted in the minutes of the Board of Directors meeting.</u>	Amended in accordance with the FSC's Jin-Guan-Zheng-Shen No. 1080304826 dated March 7, 2019.
Article 14		<u>Article 14 Control and</u>	Added in

Article	Before Revision	After Revision	Explanation
		<u>management procedures for</u> <u>endorsements/guarantees</u> <u>made by subsidiary</u> <u>companies</u> 1. <u>Where a subsidiary of the</u> <u>Company intends to provide</u> <u>endorsements/guarantees to</u> <u>other entities, the Company</u> <u>shall order the subsidiary to</u> <u>establish the Rules for</u> <u>Making of</u> <u>Endorsements/Guarantees in</u> <u>accordance with the</u> <u>"Regulations Governing</u> <u>Loaning of Funds and</u> <u>Making of</u> <u>Endorsements/Guarantees</u> <u>by Public Companies" and</u> <u>process</u> <u>endorsements/guarantees in</u> <u>accordance with the</u> <u>operating procedures</u> <u>specified therein.</u> 2. <u>When a subsidiary</u> <u>provides</u> <u>endorsements/guarantees to</u> <u>other entities, it shall</u> <u>provide related information</u> <u>to the parent company and</u> <u>consider the opinions of the</u> <u>parent company's related</u> <u>personnel before processing</u> <u>the endorsement/guarantee</u> <u>procedures.</u> 3. <u>The subsidiary shall</u> <u>regularly report the</u> <u>follow-up status of</u> <u>endorsements/guarantees to</u>	accordance with the FSC's Jin-Guan-Zheng-Sh en No. 1080304826 dated March 7, 2019.

Article	Before Revision	After Revision	Explanation
		the parent company. 4. Where a subsidiary in which the Company holds, directly or indirectly, more than 90% of the voting shares provides endorsements/guarantees in accordance with Article 3, Paragraph 2, it shall submit the proposal to the Company's Board of Directors for approval before implementation, provided that this restriction shall not apply to endorsements/guarantees made between companies in which the Company holds, directly or indirectly, 100% of the voting shares.	

Appendix

Appendix I (Before revision)

Largan Precision Co., Ltd. Articles of Incorporation

Chapter 1 General Provisions

- Article 1: The Company is incorporated as a company limited by shares under the Company Act of the Republic of China, and its name is 大立光電股份有限公司.
- Article 2: The Company engages in the following businesses:
1. CE01010 Photographic and optical equipment manufacturing.
 2. CQ01010 Die manufacturing.
 3. F601010 Intellectual property
 4. F113030 Wholesale of precision instruments
 5. F401010 International trade.
 6. I501010 Product designing
 7. CF01011 Medical materials and equipment manufacturing.
 8. ZZ99999 All business items that are not prohibited or restricted by law, except those that are subject to special approval.
- Article 2-1: The total amount of the Company's investments in other entities may exceed 40% of its paid-in capital., and is not subject to the restriction of total investment amount stipulated in Article 13 of the Company Act.
- Article 2-2: The Company may provide guarantees for companies in the same industry specified above, and provide endorsement and guarantee for loans funded from government authorities and financial institutions when necessary for its operations.
- Article 3: The Company's head office is established in Taichung City. When necessary, the Company may establish branch offices domestically or overseas, subject to resolution by its Board of Directors.
- Article 4: The Company's public announcements shall be made pursuant to Article 28 of the Company Act.

Chapter 2 Shares

- Article 5: The total capital stock of the Company is in the amount of two billion New Taiwan Dollars (NT\$2,000,000,000) divided into 200 million (200,000,000) common shares, at a par value of Ten New Taiwan Dollars (NT\$10) each. The Board of Directors is authorized to issue the shares in multiple installments and may issue stock certificates in large denominations.
- A total of NT\$100,000,000 totaling 10 million (10,000,000) shares of the aforementioned capital shall be reserved for the issuance of employee stock options at NT\$10 per share, and may be issued in installments upon resolution by the Board of Directors.

- Article 6: The Company's share certificates shall be name bearing, and registered, signed or sealed by the Chairman of the Board and at least two Directors. The share certificates shall be affixed with the Company's logo, numbered, and issued after certification by the competent authority.
- When the Company issues new shares, it shall print share certificates based on the total number of shares distributed and register the certificates with the securities depository and custodian institution. The numbering requirement in the preceding paragraph is not applicable.
- The Company may be exempted from printing share certificates for the shares issued. The Company not printing its share certificate shall register the issued stock with the securities depository and custodian institution. Requirements in the two preceding paragraphs shall not apply.
- Article 7: The Company shall administer all shareholder services in accordance with the "Regulations Governing the Administration of Shareholder Services of Public Companies" and related regulations.
- Article 8: In the event of reissue of share certificates due to loss or damage, the Company may charge a fee to cover the cost and the applicable stamp duty.
- Article 9: Share transfer registration shall be suspended 60 days prior to the convening date of a regular shareholders' meeting, or 30 days prior to the convening date of a special shareholders' meeting, or 5 days prior to the record date on which dividends, bonuses or other benefits are scheduled for distribution by the Company.
- Article 9-1: Transfer of shares to employees at prices below the Company's actual average repurchase price or issue of employee stock options below the market price (net worth per share) are subject to a shareholders' meeting resolution and must be resolved with the presence of shareholders representing more than one-half of the total number of outstanding shares, and voted in favor by more than two-thirds of votes present.

Chapter 3 Shareholders' Meeting

- Article 10: Shareholders' meeting shall be of two types: general meetings and special meetings. General shareholders' meetings are convened annually within six months after the end of each fiscal year. Special meetings shall be convened according to the law when necessary. The notice for convening a shareholders' meeting shall be given to each shareholders 30 days before a general meeting and 15 days before a special meeting. The date, location, and purpose of the meeting shall be notified to all shareholders. The notices for the shareholders' meeting prescribed in the preceding paragraph may be distributed in electronic form, subject to agreement by the recipient thereof.
- Article 11: A shareholder who cannot attend a shareholders' meeting may appoint a proxy to attend on his/her behalf by executing a power of attorney in accordance with Article 177 of the Company Act.

- Article 12: Where a shareholders' meeting is convened by the Board of Directors, the meeting shall be presided over by the Chairman of the Board. In case of his absence, the Chairman shall designate a Director to act on his behalf. In the absence of such designation, the Directors shall elect one person from among themselves to serve as chairman of the meeting.
- For shareholders' meetings convened by any other person having the convening right other than the Board of Directors, he/she will act as the chairman of that meeting, however, if there are two or more persons having the convening right, the chairman of the meeting shall be elected from among themselves.
- Article 13: All shareholders are entitled to one vote for each share held, except for shares that have no voting power under the circumstances stipulated in Article 179 of the Company Act.
- Article 14: Unless otherwise provided for in the Company Act, a resolution shall be adopted if voted in favor by a majority of votes by attending shareholders representing more than one-half of the total number of voting shares.
- Article 15: Resolutions made during the shareholders' meeting shall be recorded in the minutes in accordance with Article 183 of the Company Act.

Chapter 4 Directors and Supervisors

- Article 16: The Company shall have seven to nine Directors and two to three Supervisors elected at the shareholders' meeting from any individual with legal capacity. The term of office for Directors and Supervisors shall be three years and all shall be eligible for re-election. The total proportion of shares held by all Directors and Supervisors of the Company shall be subject to regulations prescribed by the securities authority.
- The Company shall have, among the aforementioned Directors, at least two independent Directors, and the number of Independent Directors shall not be less than one-fifth of the total number of Directors. The Company's Directors and Supervisors shall be elected by the shareholders from among the nominees listed in the roster of candidates based on a candidate nomination system.
- The "Directors" referred to in these Articles of Incorporation include Independent Directors.
- The candidate nomination system shall be implemented in accordance with Article 192-1 and Article 216-1 of the Company Act.
- Article 16-1: Meetings of the Board of Directors shall be convened quarterly and Directors and Supervisors shall be notified of the purpose of the meeting at least seven days in advance. A meeting may be convened at any time in case of urgent circumstances. The notice for a Board of Directors meeting may be made in writing, or by facsimile, email, or other methods.

- Article 17: In the case that the number of vacancies on the Board of Directors reaches one-third of the total number of Directors, or that all Supervisors are discharged, then the Board of Directors shall convene, within 60 days, a special shareholders' meeting to elect succeeding Directors or Supervisors to fill such vacancies; the term of office of the newly elected members shall be the same as remaining term of the predecessor.
- Article 18: In case election of the Board of Directors cannot be completed before the expiration of the term of office, the term of office for the existing Directors and Supervisors shall be extended until the new Directors and Supervisors elect assume office.
- Article 19: The Board of Directors shall be formed by the Directors. The Chairman and Vice Chairman shall be elected by a majority of votes in a meeting attended by over two-thirds of the Directors. The Board of Directors shall execute all matters of the Company in accordance with applicable laws, regulations, these Articles of Incorporation, and resolutions adopted at shareholders' meeting and by the Board of Directors.
- Article 20: The Company's business strategies and other important matters shall be decided by resolutions adopted by the Board of Directors. The first meeting of the Board of Directors for each new term shall be convened in accordance with Article 203 of the Company Act. Other meetings shall be convened and presided over by the Chairman. If the Chairman is unable to perform his/her duties, the Vice Chairman shall act on the Chairman's behalf. If the Vice Chairman is also unavailable or unable to perform his/her duties, the Chairman shall designate one of the Directors to act on his/her behalf. In the absence of such a designation, the Directors shall elect from among themselves an acting Chairman of the Board of Directors.
- Article 21: Unless otherwise provided for in the Company Act, the adoption of a resolution at a Board of Directors meeting shall require a majority vote in favor of the resolution by more than one-half of the Directors in attendance of the meeting. If a Director is unable to attend a meeting, he/she may appoint another Director to attend the meeting on his/her behalf by completing the Company's proxy form, specifying the scope of authority with respect to the subjects to be discussed at the meeting. Each Director may act as a proxy for one other Director only.
- Article 22: Resolutions adopted at the meeting of the Board of Directors shall be recorded in the minutes and signed or sealed by the Chairman. The minutes shall be distributed to each Director within 20 days after the meeting. The minutes shall include a summary of the essential points of the proceedings and the results of the meeting. The minutes shall be kept by the Company along with the attendance list with signatures of the Directors in attendance and the proxy authorization forms for proxy attendees.
- Article 23: Supervisors of the Company shall exercise their right of supervision individually in accordance with applicable regulation. They may also attend the Board of Director meeting but are not eligible to vote.

Article 23-1: Directors and Supervisors of the Company shall be entitled to remuneration for their duties regardless of profit or loss. The Board of Directors is authorized to determine the remuneration within the standards for maximum salaries established in the Company's Remuneration Policy based on the level of their participation in the Company's operations and the value of their contribution. The Board of Directors may pay transportation allowances to Directors and Supervisors based on prevailing rates in the industry. Directors of the Company who work in the Company shall be entitled to monthly salaries in accordance with salary standards of regular managerial officers in addition to the Director or Supervisor compensation specified in Article 26 of these Articles of Incorporation.

Article 23-2: The Board of Directors is authorized to take out liability insurance for the Directors and Supervisors with respect to the liabilities resulting from exercising their duties during their term of office to reduce the risk of material damages to the Company and shareholders caused by illegal actions of its Directors or Supervisors.

Chapter 5 Managerial Officers and Staff

Article 24: The Company may appoint a number of managerial officers in accordance with applicable regulations. The appointment, dismissal and compensation of such managerial officers shall be governed by Article 29 of the Company Act.

Chapter 6 Final Accounts

Article 25: Article 25: The Board of Directors of the Company shall prepare the following documents at the end of each fiscal year, to be presented to the Supervisors for audit and confirmation 30 days prior to the general shareholders' meeting, and submitted to the general shareholders' meeting for adoption:

1. Business report.
2. Financial statements.
3. Proposal Concerning Distribution of Earnings or Offset of Losses

Article 26: In the event the Company makes profits (i.e. profit before tax and before compensation distribution to the employees, Directors, and Supervisors) in any fiscal year, it shall set aside 1% to 30% of the profits as employee compensation and no higher than 5% of the profits as Directors and Supervisors compensation. If there are cumulative losses, the Company shall reserve a sufficient amount to offset such losses. Employee and Directors and Supervisors compensation shall be resolved by a majority vote at a Board of Director meeting attended by two thirds of the total number of Directors and shall be reported to the shareholders' meeting. The Board of Directors may resolve to distribute employee compensation in stocks or cash and the recipients may include employees of subsidiaries of the Company meeting certain requirements set by the Board of Directors

Article 26-1: Where the Company has a profit at the end of each fiscal year, the Company shall distribute the earnings in the following order:

1. Pay income tax in accordance with applicable laws.
2. Offset losses for preceding years.
3. Allocate 10% as a legal reserve unless and until the accumulated legal reserve has reached the Company's paid-in capital.
4. Where necessary, set aside or reverse a special reserve.
5. With the balance after deductions in the preceding paragraphs together with retained earnings from preceding years, the Board of Directors shall submit the earnings distribution proposal to its shareholders for their approval.

As the Company experiences constant changes in the business environment and is at a stage of stable growth, the Company's dividend policy depends on factors such as future fund requirements, long-term financial plans, future capital expenditures and maximization of shareholder interests. The Company may retain a portion of earnings based on operational requirements and the remaining amount shall be distributed in cash and stock dividends. The amount of dividends distributed to shareholders shall be no less than 10% of distributable earnings of the current year, and no less than 30% of the shareholders' dividends shall be in the form of cash.

Chapter 7 Supplemental Provisions

Article 27: The internal organizational rules and bylaws of the Company shall be established separately by the Board of Directors.

Article 28: Matters not addressed in these Articles of Incorporation shall be governed by the Company Act and other applicable regulations.

Article 29: These Articles of Incorporation were enacted and first amended on April 30, 1987.

The 2nd amendment was made on March 22, 1989.

The 3rd amendment was made on August 30, 1990.

The 4th amendment was made on January 15, 1992.

The 5th amendment was made on July 29, 1992.

The 6th amendment was made on September 29, 1992.

The 7th amendment was made on October 29, 1992.

The 8th amendment was made on May 10, 1993.

The 9th amendment was made on May 22, 1993.

The 10th amendment was made on July 3, 1993.

The 11th amendment was made on March 2, 1994.

The 12th amendment was made on April 20, 1997.

The 13th amendment was made on June 6, 1997.

The 14th amendment was made on July 15, 1997.

The 15th amendment was made on October 15, 1997.

The 16th amendment was made on February 10, 1998.

The 17th amendment was made on June 10, 1998.

The 18th amendment was made on June 30, 1998.

The 19th amendment was made on May 15, 1999.
The 20th amendment was made on July 15, 2000.
The 21st amendment was made on September 23, 2000.
The 22nd amendment was made on July 16, 2001.
The 23rd amendment was made on November 9, 2001.
The 24th amendment was made on June 28, 2002.
The 25th amendment was made on June 9, 2003.
The 26th amendment was made on June 11, 2004.
The 27th amendment was made on June 14, 2005.
The 28th amendment was made on June 14, 2006.
The 29th amendment was made on June 15, 2007.
The 30th amendment was made on June 13, 2008.
The 31st amendment was made on June 10, 2009.
The 32nd amendment was made on June 14, 2010.
The 33rd amendment was made on June 9, 2011.
The 34th amendment was made on June 18, 2012.
The 35th amendment was made on June 10, 2015.
The 36th amendment was made on June 8, 2016.
The 37th amendment was made on June 12, 2018.

These Articles of Incorporation shall be effective and implemented following approval from the shareholders' meeting.

Largan Precision Co., Ltd.

Chairman: En-Chou Lin

Largan Precision Co., Ltd.

"Procedures for the Acquisition or Disposal of Assets"

Chapter 1 General Provisions

1. Purpose

To protect investments and implement information disclosure, the Company and its subsidiaries shall follow these Procedures in the acquisition or disposal of assets.

2. Basis

The Procedures are established in accordance with Article 36-1 of the Securities and Exchange Act and (2002) Tai-Cai-Zheng (1) No. 0910006105 Letter of the Financial Supervisory Commission (hereinafter referred to as the FSC) dated December 10, 2002.

3. The term "assets" as used in the Procedures includes the following:

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

4. Investment amount

The limits on the Company and its subsidiaries' acquisition of real property or securities for non-business use shall be restricted to 60% of its total nominal assets (original investment amount). Investments in individual securities shall not exceed 50% of the aforementioned limit which equals 30% of total nominal assets.

5. Terms used in the Procedures are defined as follows:

- I. Derivatives: Forward contracts, options contracts, futures contracts, leverage contracts, swap contracts, whose value is derived from assets, interest rates, foreign exchange rates, indexes or other interests; or hybrid contracts combining the above contracts; or hybrid contracts or structured products containing embedded derivatives. The term "forward contracts" does not include insurance contracts, performance contracts,

after-sales service contracts, long-term leasing contracts, or long-term purchase (sales) contracts.

- II. Assets acquired or disposed of in connection with mergers, demergers, acquisitions, or transfer of shares in accordance with law: They refer to assets acquired or disposed through mergers, demergers, or acquisitions conducted under the Business Mergers and Acquisitions Act, Financial Holding Company Act, Financial Institution Merger Act and other acts, or to transfer of shares from another company through issuance of new shares of its own as the consideration therefor (hereinafter "transfer of shares") under Article 156, Paragraph 8 of the Company Act.
- III. Related party and subsidiary: As defined in the Regulations Governing the Preparation of Financial Statements by Securities Issuers.
- IV. Professional appraiser: Refers to a real property appraiser or other person duly authorized by law to engage in the value appraisal of real property or equipment.
- V. Date of occurrence: Refers to the date of contract signing, date of payment, date of consignment trade, date of transfer, dates of Board of Directors resolutions, or other date that can confirm the counterpart and monetary amount of the transaction, whichever date is earlier; provided, for investment for which approval of the competent authority is required, the earlier of the above date or the date of receipt of approval by the competent authority shall apply.
- VI. Mainland China area investment: Refers to investments in the mainland China area approved by the Ministry of Economic Affairs Investment Commission or conducted in accordance with the provisions of the Regulations Governing Permission for Investment or Technical Cooperation in the Mainland Area.

6. Professional appraisers may not be a related party of any party to the transaction
- Professional appraisers and their officers, certified public accounts, attorneys, and securities underwriters that provide the Company with appraisal reports, certified public accountant's opinions, attorney's opinions, or underwriter's opinions for the acquisition or disposal of assets shall not be a related party of any party to the transaction.

7. Operating procedures

The Company's assessments and decision making regarding the transaction conditions and prices for the acquisition or disposal of assets shall be conducted in accordance with the following regulations:

- I. The Company's acquisition and disposal of assets specified in Article 3 that are long-term and short-term securities investments and derivatives shall be assessed and executed by the Finance Department; other assets other than those stated above shall be assessed and executed by relevant departments.
- II. For securities other than those traded on Securities exchange or Over-the-counter venue, the transactions specified in the preceding paragraph shall be processed in accordance with the prevailing market prices and the price shall be determined

through tenders, price comparison, or price negotiation.

8. Duties of the Board of Directors, Audit Committee, Independent Directors and Supervisors
 - I. With respect to any asset acquisition or disposal that is subject to the approval of the Board of Directors in accordance with the Procedures or other laws or regulation, if any Director expresses dissent and it is contained in the minutes or a written statement, the Company shall submit the Director's dissenting opinion to each Supervisor. If the Company has established the position of Independent Directors and expressing any objections or reservations about any matter, it shall be clearly recorded in the minutes of the board meeting.
 - II. Where an Audit Committee has been established, any transactions involving major assets or derivatives shall be approved by over one-half of all Audit Committee members and submitted to the Board of Directors for resolution. If approval of more than one-half of all Audit Committee members is not obtained, the approval by two-thirds or more of all Board of Directors members is required, and the resolution of the Audit Committee shall be recorded in the minutes of the Board of Directors meeting.

Chapter 2 Acquisition or Disposal of Assets

9. Appraisal report

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

- I. Where it must adopt a limited price, designated price or special price as a reference basis for the transaction price due to extraordinary circumstances, the transaction shall be submitted for approval in advance by the Board of Directors; the same procedure shall also be followed for any future change to the terms and conditions of the transaction.
- II. Where the transaction amount is NT\$1 billion or more, appraisals from two or more professional appraisers are required.
- III. 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 (ARDF) and render a specific opinion regarding the reason for the discrepancy and the appropriateness of the transaction price:

- (1) The discrepancy between the appraisal result and the transaction amount is 20% or more of the transaction amount.
- (2) The discrepancy between the appraisal results of two or more professional appraisers is 10% or more of the transaction amount.

IV. No more than three months may elapse between the date of the appraisal report issued by a professional appraiser and the contract execution date; provided, where the publicly announced current value for the same period is used and not more than six months have elapsed, an opinion may still be issued by the original professional appraiser.

10. Evaluation of securities transactions

Where the Company acquires or disposes of securities, it shall obtain the financial statements of the issuing company for the most recent period which shall be certified or reviewed by a certified public accountant (CPA) as reference for the appraisal of the transaction price. Where the transaction amount reaches 20% or more of paid-in capital or NT\$300 million or more, the Company shall additionally engage a CPA prior to the date of occurrence of the event to render an opinion on the reasonableness of the transaction price. Where the CPA requires the use of expert reports, it shall comply with the provisions of Statement of Auditing Standards No. 20 published by the ARDF. This requirement does not apply, however, to securities with publicly quoted prices from an active market, or if it has been otherwise provided by the regulations of the FSC.

11. Where the Company acquires or disposes of assets through court auction procedures, the evidentiary documentation issued by the court may be used as a substitute for the appraisal report or CPA opinion.

11-1 The calculation of the transaction amounts for the acquisition or disposal of assets shall be done in accordance with 28.2 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.

12. Level of Authority for the acquisition or disposal of assets

The Board of Directors authorizes the Chairman to approve the Company's acquisition or disposal of assets; alternatively, the acquisition or disposal of assets may be conducted in accordance with the approved authority levels established by the Company.

Chapter 3 Related Party Transactions

13. When the Company engages in any acquisition or disposal of assets from or to a related party, in addition to ensuring that provisions in Chapter 2 and this Chapter of the Procedures and necessary resolutions are adopted and the reasonableness of the transaction terms is appraised, if the transaction amount reaches 10% or more of the Company's total assets, the Company shall also obtain an appraisal report from a professional appraiser or a CPA's opinion in accordance with provisions in the preceding Chapter.

The calculation of the transaction amount referred to in the preceding paragraph shall be made in accordance with Article 11-1 herein.

14. Duties of the Board of Directors, Audit Committee, Independent Directors, and Supervisors

- I. 14.1 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% or more of paid-in capital, 10% or more of the Company's total assets, or NT\$300 million or more, except in trading of government bonds or bonds under repurchase and resale agreements, or subscription 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 approved by the board of directors and recognized by the supervisors:

- (1) The purpose, necessity and anticipated benefit of the acquisition or disposal of assets.
- (2) The reason for choosing the related party as a transaction counterparty.
- (3) With respect to the acquisition of real property from a related party, information regarding appraisal of the reasonableness of the preliminary transaction terms in accordance with Article 13 to Article 15.
- (4) The date and price at which the related party originally acquired the asset, the original transaction counterparty, and that transaction counterparty's relationship to the Company and the related party.
- (5) Monthly cash flow forecasts for the year commencing from the anticipated month of signing of the contract, and evaluation of the necessity of the transaction, and reasonableness of the funds utilization.
- (6) An appraisal report from a professional appraiser or a CPA's opinion obtained in compliance with the preceding article of the Procedures.
- (7) Restrictive covenants and other important stipulations associated with the transaction.

- II. The calculation of the transaction amounts referred to in the preceding subparagraph shall be made in accordance with 28.2 herein, and "within the preceding year" as used herein refers to the year preceding the date of occurrence of the current transaction.

Items that have been approved by the Board of Directors and recognized by the Supervisors need not be counted toward the transaction amount.

- III. With respect to the acquisition or disposal of equipment held for business use between the Company and its subsidiaries, the Company's Board of Directors may, pursuant to Article 12, delegate individuals to decide such matters when the transaction amount is under NT\$300 million and have the decisions subsequently submitted to and ratified by the next Board of Directors meeting.
- IV. Where the Company has established the position of Independent Directors, when proposed for discussion by the Board of Directors in accordance with Paragraph 1, any objections or reservations expressed by Independent Directors shall be detailed in the meeting minutes of the Board of Directors.
- V. Where the Company has established an Audit Committee, items subject to approval by the Supervisors in Paragraph 1 shall require the approval of a majority of one-half of the Audit Committee members first and submitted to the Board of Directors for resolution. If the approval of one-half of the Audit Committee members is not obtained, the Procedures may be implemented if approved by two-thirds or more of all Board of Directors members, and the resolution of the Audit Committee shall be recorded in the meeting minutes of the Board of Directors.

15. Evaluation of transactions for acquiring real property from related parties

- I. When the Company acquires real property from a related party, it shall evaluate the reasonableness of the transaction costs by the following means:
 - (1) Based upon the related party's transaction price plus necessary interest on funding and the costs to be duly borne by the buyer. "Necessary interest on funding" is imputed as the weighted average interest rate on borrowing in the year the Company purchases the property; provided, it may not be higher than the maximum non-financial industry lending rate announced by the Ministry of Finance.
 - (2) If the related party has previously set up a mortgage on the property as security for a loan; provided, the actual cumulative amount loaned by the financial institution shall have been 70% or more of the financial institution's appraised loan value of the property and the period of the loan shall have been 1 year or more. However, this shall not apply where the financial institution is a related party of one of the transaction counterparties.
- II. Where land and building thereupon are combined as a single property purchased in one transaction, the transaction costs for the land and building may be separately appraised in accordance with either of the means listed in Article 15.1.
- III. Where the Company acquires real property from a related party, the Company shall appraise the cost of the real property in accordance with Article 15.1 and Article 15.2

and engage a CPA to review the appraisal and render an opinion.

16. Where the Company acquires real property from a related party and one of the following circumstances exists, the acquisition shall be conducted in accordance with Article 14, and Article 15 shall not apply:
 - I. The related party acquired the real property thereof 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.
17. Exceptional cases where the transaction price does not comply with the normal course of operation
 - I. Where the results of appraisals conducted by the Company in accordance with Article 15.1 and Article 15.2 are uniformly lower than the transaction price, the transaction shall be carried out in accordance with Article 18. However, where the following circumstances exist with objective evidence has been submitted and specific opinions on reasonableness have been obtained from a professional real property appraiser and a CPA, this restriction shall not apply:
 - (1) Where the related party acquired undeveloped land or leased land for development, it may submit proof of compliance with one of the following conditions:
 - a. Where undeveloped land is appraised in accordance with the means in the preceding two articles, and building is calculated according to the related party's construction cost plus reasonable construction profit, the combined amount in excess of the actual transaction price. The "reasonable construction profit" shall be deemed the average gross operating profit margin of the related party's construction division over the most recent 3 years or the gross profit margin for the construction industry for the most recent period as announced by the Ministry of Finance, whichever is lower.
 - b. Completed transactions by unrelated parties within the preceding year involving other floors of the same property or neighboring or closely valued parcels of land, where the land area and transaction terms are similar after calculation of reasonable price discrepancies in floor or area land prices in accordance with standard property market practices.
 - c. Leasing transactions by unrelated 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.

- (2) 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 land of a similar size by unrelated parties within the preceding year.

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

18. Items to be processed if the transaction price does not comply with the normal course of operation

- I. Where the Company acquires real property from a related party and the results of appraisals conducted in accordance with Article 15 to Article 17 are uniformly lower than the transaction price, the following steps shall be taken:

- (1) A special reserve shall be set aside in accordance with Article 41, Paragraph 1 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 or issuance of stock dividends. Where the Company uses the equity method to account for its investment in another company, then the special reserve called for under Article 41, Paragraph 1 of the Securities and Exchange Act shall be set aside pro rata in a proportion consistent with the share of the Company's equity stake in the other company if it meets transaction conditions specified in this subsection.
- (2) The Supervisors shall comply with Article 218 of the Company Act and supervise the Company's execution of the actions specified in the preceding subsection.
- (3) Actions taken pursuant to the Subsection 1 and Subsection 2 shall be reported to the shareholders' meeting and the details of the transaction shall be disclosed in the annual report and any investment prospectus.

- II. If the Company has set aside a special reserve under the preceding paragraph, it shall not draw on the reserve unless it has recognized the loss on decline in market value of the assets it purchased at a premium; has disposed of the assets or made adequate compensation; or has restored the status quo ante; or there is other evidence confirming that there was nothing unreasonable about the transaction. Agreement from the competent authority of securities is also required.

- III. The rules specified in the two preceding paragraphs shall also be followed if there is other evidence showing nonconformity with the normal course of operation when the Company acquires real property from a related party.

Chapter 4 Transaction in Derivatives

19. The Company shall process derivatives trading in accordance with the Company's "Procedures for Engaging in Derivatives Trading". It shall also pay attention to risk management and auditing matters to implement the internal control system.

Chapter 5 Mergers and Consolidations, Demergers, Acquisitions, and Transfer of Shares

20. When engaged in mergers, demergers, acquisitions or share transfers, the Company shall, before convening a Board of Directors meeting to approve such matter, engage a CPA, attorney or securities underwriter to provide opinions on the reasonableness of the share exchange ratio, acquisition price, the cash or other property to be distributed to shareholders, etc. The proposal shall be submitted to the Board of Directors for deliberation and approval. However, the requirement of obtaining an aforesaid opinion on reasonableness issued by an expert may be exempted in the case of the Company's merger of a subsidiary in which it directly or indirectly holds 100% of the issued shares or authorized capital, and in the case of a merger between subsidiaries in which the Company directly or indirectly holds 100% of the respective subsidiaries' issued shares or authorized capital.
21. When the Company participates in a merger, demerger, or acquisition, it shall prepare a public report to shareholders detailing important contractual content and matters relevant to the merger, demerger, or acquisition prior to the shareholders' meeting and include it along with the expert opinion referred to in Article 20 when sending shareholders notification of the shareholders' meeting for reference in deciding whether to approve the merger, demerger, or acquisition. Provided, where a provision of another act exempts a company from convening a shareholders' meeting to approve the merger, demerger, or acquisition, this restriction shall not apply. Where the shareholders' meeting of any one of the companies participating in a merger, demerger, or acquisition fails to convene or pass a resolution due to lack of a quorum, insufficient votes, or other legal restriction, or the proposal is rejected by the shareholders' meeting, the Company shall immediately publicly explain the reason, the follow-up measures, and the preliminary date of the next shareholders' meeting.
22. When participating in a merger, demerger, or acquisition, the Company shall convene a Board of Directors meeting and shareholders' meeting on the day of the transaction along with other participating companies to resolve matters relevant to the merger, demerger, or acquisition, unless another act provides otherwise or the competent authority of securities is notified in advance of extraordinary circumstances and grants consent. When participating in a transfer

of shares, the Company shall call a Board of Directors meeting on the day of the transaction along with other participating companies, unless another act provides otherwise or the competent authority of securities is notified in advance of extraordinary circumstances and grants consent.

When participating in a merger, demerger, acquisition, or transfer of another company's shares, the Company shall prepare a full written record of the following information and retain it for 5 years for reference: The Company shall, within 2 days counting inclusively from the date of passage of a resolution by the Board of Directors, report the information set out in Subsection 1 and Subsection 2 below in the prescribed format and via the Internet-based information system to the FSC for recordation:

- I. Basic identification data for personnel: Including the occupational titles, names, and ID numbers (or passport numbers in the case of foreigners) 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 material events: Including the signing of any letter of intent or memorandum of understanding, the hiring of financial or legal advisor, the execution 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 of understanding, material contracts, and minutes of Board of Directors meetings.

Where any of the transaction counterparties participating in a merger, demerger, acquisition, or transfer of another company's shares is neither listed on an exchange nor has its shares traded on an OTC market, the Company shall sign an agreement with such company whereby the latter is required to abide by the provisions of the preceding paragraph.

23. 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.
24. When participating in a merger, demerger, acquisition, or transfer of shares, the Company may not arbitrarily alter the share exchange ratio or acquisition price unless under the circumstances listed below, and shall stipulate the circumstances permitting alteration in the contract for the merger, demerger, acquisition, or transfer of shares:
 - 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.
25. The contract for participation by the Company in a merger, demerger, acquisition, or transfer of shares shall record the rights and obligations of the companies participating in the merger, demerger, acquisition, or transfer of shares, and shall also record the following:
- 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 is 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. The relevant procedures of the expected convening dates of shareholders' meeting based on laws when a plan is overdue and still not completed.
26. After public disclosure of the information, if the Company intends further to carry out a merger, demerger, acquisition, or transfer of shares with another company, all of the participating companies shall carry out anew the procedures or legal actions that had originally been completed toward the merger, demerger, acquisition, or transfer of shares; except that where the number of participating companies is decreased and a participating company's shareholders meeting has adopted a resolution authorizing the Board of Directors to alter the limits of authority, such participating company may be exempted from calling another shareholders meeting to resolve on the matter anew.
27. Where any of the companies participating in a merger, demerger, acquisition, or transfer of shares is not a public company, the Company shall sign an agreement with the non-public company whereby the latter is required to abide by the provisions of Article 22, Article 23, and Article 26.

Chapter 6 Information Disclosure

28. Items that require public announcement and regulatory filing

- I. When acquiring or disposing of assets, the Company shall publicly announce and report the relevant information on the website designated by the competent authority of securities in the appropriate format as prescribed by regulations of the FSC within 2 days counting inclusively from the date of occurrence of the event under any of the following circumstances:
 - (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 paid-in capital, 10% or more of the company's total assets, or NT\$300 million or more; provided, this shall not apply to trading of government bonds or bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises.
 - (2) Merger, demerger, acquisition, or transfer of shares.
 - (3) Losses from derivatives trading reaching the limits on aggregate losses or losses on individual contracts.
 - (4) Where machinery and equipment for business use are acquired or disposed with a transaction counterparty that is not a related party and the transaction amount reaches NT\$500 million or more.
 - (5) Where land is acquired under an arrangement on engaging others to build on the company's own land, engaging others to build on rented land, joint construction and allocation of housing units, joint construction and allocation of ownership percentages, or joint construction and separate sale, and the amount the company expects to invest in the transaction reaches NT\$500 million or more.
 - (6) Where an asset transaction other than any of those referred to in the preceding five subsections, a disposal of receivables by a financial institution, or an investment in the mainland China area reaches 20% or more of paid-in capital or NT\$300 million or more; provided, this shall not apply to the following circumstances:
 - a. Trading of government bonds.
 - b. Trading of bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises.
- II. The amount of 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 acquisitions and disposals (cumulative acquisitions and disposals, respectively) of real property within the same development project within the preceding year.
- (4) The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of the same security within the preceding year.
- (5) The "within one year" mentioned in Article 28.2 shall refer to the one year preceding the date of occurrence of the current transaction. Items duly announced in accordance with the Procedures need not be counted toward the transaction amount.

- 29. When the Company at the time of public announcement of the acquisition or disposal of assets makes an error or omission in an item required by regulations to be publicly announced and so is required to correct it, all the items shall again be publicly announced and reported in their entirety within two days of learning the error or omission.
- 30. When acquiring or disposing of assets, the Company shall keep at the Company all relevant contracts, meeting minutes, log files, appraisal reports and opinions of the certified public accountant, attorney and securities underwriter which they shall be retained for five years, except where another law provides otherwise.
- 31. Where any of the following circumstances occurs with respect to a transaction that the Company has already publicly announced and reported in accordance with Article 28 to Article 30, a public report of relevant information shall be made on the website designated by the competent authority of securities within two days counting inclusively from the date of occurrence of the event:
 - I. Change, termination, or rescission of a contract signed in regard to the original transaction.
 - II. The merger, demerger, acquisition, or transfer of shares is not completed by the scheduled date set forth in the contract.
 - III. Change to the originally publicly announced and reported information.
- 32. Items to be disclosed in financial statements

Where the Company's acquisition or disposal of assets reaches criteria for public announcement and publication in accordance with Article 28 in the Procedures, and the counterparty to such transaction is a de facto related party, the Company shall disclose the published contents in the notes of the financial statements and report to the shareholders' meeting.

Chapter 7 Supplemental Provisions

33. Items that require public announcement and regulatory filing by subsidiaries
- I. In the event that a subsidiary is not a domestic publicly listed company, the Company shall, on behalf of the subsidiary, carry out relevant information announcement and reporting when the acquisition or disposal of assets by such subsidiary is within the scope of Chapter 6 herein.
 - II. With regard to the threshold for announcement or reporting by subsidiaries prescribed in Article 28.1 regarding the 20% of paid-in capital or 10% of total assets, the calculation basis for the threshold shall be the paid-in capital or total assets of the Company.
34. The Company shall ensure that subsidiaries establish and implement the "Procedures for the Acquisition or Disposal of Assets".
35. Any employee of the Company who violates these Procedures shall be subject to disciplinary actions in accordance with the relevant human resources management policies of the Company.
36. Where an Audit Committee has been established, the provisions relating to Supervisors in Article 8, 14, and 37 shall apply mutatis mutandis to the Audit Committee. In addition, Article 18.1 Subsection 2 shall apply mutatis mutandis to the Independent Director members of the Audit Committee.
- I. For the calculation of 10% of total assets under these Procedures, the total assets stated in the most recent parent company only financial statements or individual financial statements prepared under the Regulations Governing the Preparation of Financial Statements by Securities Issuers shall be used.
37. Implementation and revision
- I. The Procedures shall first be passed by the Board of Directors and delivered to all Supervisors before it is submitted to the shareholders' meeting for approval and implementation. The same shall apply to any amendment. If a Director expresses objection and records or written statements are available, the information regarding the Director's objection shall be submitted to the Supervisors. If the Company has established the position of Independent Directors and if there are any objections or reservations expressed, it shall be clearly recorded in the minutes of the board meeting.
 - II. Where an Audit Committee has been established, the establishment or revision of the Procedures shall first be approved by one-half of all Audit Committee members and it shall be submitted to the Board of Directors for resolution. If the approval of at least

one-half of all members of the Audit Committee is not obtained, the Procedures may be implemented if approved by at least two-thirds of all Directors, and the resolution of the Audit Committee shall be recorded in the minutes of the Board of Directors meeting.

38. Any matters not set forth in these Procedures shall be handled in accordance with the related laws and regulations.

Largan Precision Co., Ltd.

"Procedures for Engaging in Derivatives Trading"

1. Purpose

To facilitate information disclosure and enhance the Company's risk management system for derivatives transactions, the Company established the Procedures in accordance with (2002) Tai-Cai-Zheng (1) No. 0910006105 Letter of the Securities and Futures Institute (hereinafter as SFI) of the Ministry of Finance dated December 10, 2002.

2. Definitions and scope of application

- I. The "derivatives" specified in these Procedures refer to contracts (e.g. forward contracts, options contracts, futures contracts, leverage contracts, or swap contracts, whose value is derived from assets, interest rates, foreign exchange rates, indices or other interests; or compound contracts combining the above contracts).
- II. The term "forward contracts" in these Procedures does not include insurance contracts, performance contracts, after-sales service contracts, long-term leasing contracts, or long-term purchase (sales) agreements.
- III. Bond margin trading shall also be governed by these Procedures.

3. Transaction categories

Transactions related to interest rate, exchange rate, or other subjects including spot trading, forward contracts, options, packaged investment products, and other derivatives.

4. Hedging strategy

The foreign exchange operations conducted through the products specified in the preceding article are only conducted to evade foreign exchange risks in operations and fund allocation. The Company may not conduct any opportunist transactions and the currencies held by the Company must meet the Company's actual foreign currency requirements for import/export.

5. Division of powers and responsibilities

The finance planning team is responsible for formulating and executing strategies for derivatives transactions and regular assessments and reports on the Company's positions. The Board of Directors assigns senior management personnel from outside the finance planning team to take charge of the assessment, supervision, and control of related risks.

6. Performance evaluation guidelines

The finance planning team shall evaluate the operating performance every week based on market prices and it shall regularly report to the Chairman every month to review the hedging strategy it has adopted.

7. Total contract value

The total value of forward foreign exchange transaction contracts shall not exceed the Company's total demand for foreign currencies in actual import/export operations. When a foreign currency option transaction is evaluated based on the market price, the total amount of the transaction contract for the exercise of the option that the Company may be required to perform shall not be more than US\$10 million.

8. Upper limit on losses for all individual contracts

Losses from derivatives transaction contracts shall not exceed 15% of the contract price. This restriction shall be applicable to any individual contract and all contracts.

9. Amount and levels of authority delegated and unit responsible for implementation

The finance planning team shall evaluate and select financial institutions with superior conditions and sign credit limit contracts after obtaining approval from the Chairman of the Board. It shall also perform derivatives transactions within the limit.

10. Operating procedures

- I. After the completion of a derivatives transaction and confirmation by the confirmation personnel, the settlement personnel shall be notified immediately.
- II. The settlement personnel shall perform settlement procedures in accordance with the notice provided by the confirmation personnel.
- III. The Company shall establish a log book for its derivatives transactions, which shall contain details for record about the type and amount of the derivative transactions and the date resolved by the Board of Directors, and also include other items to be evaluated in accordance with regulations.

11. Public announcement and regulatory filing

After the completion of a derivatives transaction and confirmation by the confirmation personnel, the transaction shall be reported in accordance with related regulations. The Company shall compile monthly reports on the status of derivative transactions conducted up to the end of the preceding month by itself and any of its subsidiaries that are not publicly-listed companies in Taiwan. The information shall be transmitted to the information reporting website specified by the SFI before the 10th of each month using the required format.

12. Accounting procedures

- I. The finance planning team shall immediately deliver cash income and expenditures derived from foreign exchange operations to the accounting unit of the Finance Department for accounting.
- II. Unless otherwise specified in these Procedures, the Company's accounting methods for derivatives transactions shall be based on related regulations of the accounting system.

13. Internal control

- I. The personnel that deal with derivatives transaction, make confirmation of these transactions and make settlements of these transactions shall not be the same.
- II. The scope of risk management shall include credit, market price, fluidity, cash flow volume, operations and legal risks. Risk measurement, monitoring, and control personnel shall be assigned to a different department than the personnel in the preceding paragraph and shall report to the Board of Directors or senior management personnel with no responsibility for trading or position decision-making.
- III. The Company shall assess its derivative transaction positions at least once a week. Hedging transactions conducted to meet business requirements shall be assessed at least twice a month. Assessment reports shall be presented to the senior management personnel authorized by the Board of Directors.
- IV. The senior management personnel authorized by the Board of Directors shall pay close attention to the supervision and control of risks in derivatives transactions at all times. They shall periodically assess whether the performance of derivatives transactions meet established management strategies and whether the undertaken risks are within the range acceptable to the Company. They shall also periodically evaluate whether the current risk management measures are appropriate and whether they have been carried out in accordance with related regulations in the Procedures.
- V. When irregular circumstances are found in the course of supervising trading and profit-loss circumstances, appropriate measures shall be adopted and a report immediately made to the board of directors; where a company has independent directors, an Independent Director shall be present at the meeting and express an opinion.

14. Internal audit

Internal audit personnel shall periodically make a determination of the suitability of internal controls on derivatives and conduct a monthly inspection of how faithfully derivatives trading by the trading department adheres to the procedures for engaging in derivatives trading, and prepare an audit report. If any material violation is discovered, all Supervisors shall be notified in writing, and related personnel shall be penalized commensurate with the violation.

15. Enforcement and amendment

The Procedures shall first be passed by the Board of Directors and delivered to all Supervisors before it is submitted to the shareholders' meeting for approval. The same shall apply to any amendment. If a Director expresses objection and records or written statements are available, the Company shall submit information regarding the Director's objection to Supervisors.

In addition, the opinions of Independent Directors shall be taken into full consideration in discussions in the Board of Directors meeting on these Procedures in accordance with the preceding paragraph. Independent Directors' assenting or dissenting opinions and reasons of dissent shall be included in the meeting minutes.

Largan Precision Co., Ltd.

(I) "Rules for Loaning of Funds"

1. Purpose

To facilitate information disclosure and enhance the Company's risk management system for loaning funds to others, the Company's loans to others shall be processed in accordance with these Procedures.

2. Eligible entities

- I. Entities that conduct business transactions with the Company.
- II. Where an inter-company short-term financing facility with the Company is necessary.
- III. The term "short-term" as used in the preceding paragraph means one year, or where the Company's operating cycle exceeds one year, one operating cycle.
- IV. Loans between foreign companies in which the Company holds, directly or indirectly, 100% of the voting shares.

3. Reason and necessity for loans to others

- I. Where the Company provides loans to a company or firm with which it does business, the loans shall be provided in accordance with Article 4.2. Where a loan is provided due to short-term financing needs, it shall be restricted to the following circumstances:
 - (1) Where it is necessary to loan short-term financing to foreign companies in which the Company holds, directly or indirectly, 100% of the voting shares.
 - (2) A company or firm that requires short-term financing due to procurement of materials or operation turnover requirements.
 - (3) Other situations where the Board of Directors of the Company agrees to loan.

4. Aggregate amount of loans and the maximum amount permitted to a single borrower

- I. The Company's total loans shall not exceed 40% of the Company's net worth.
- II. Individual loans to a company or firm with which the Company does business shall be limited to the transaction amount between both parties. The transaction amount means the sales or purchasing amount between the parties, whichever is higher.
- III. The restriction regarding 40% of the lender's net worth or the financing period of one year or one operating cycle shall not apply to inter-company loans of funds between foreign companies in which the Company holds, directly or indirectly, 100% of the voting shares if the loan is required for short-term financing purposes. The loan period shall be in accordance with Article 8.1.

5. Credit assessment procedures

- I. In the Company's processing of loans, the borrower shall be required to submit necessary company information and financial information and file a written application to the Company for a loan limit.
- II. After the Company receives the application, the Finance Department shall investigate and assess the business operated by the borrower, its financial position, solvency, credit, profitability, and purpose of the loan and prepare a report.
- III. The Finance Department shall investigate and carefully assess the recipients of loans, and the evaluation shall include at least the following:
 - (1) Necessity and rationality for loans to others.
 - (2) Assessment of whether the loan and the amount are necessary based on the financial status of the borrower.
 - (3) Verification of whether the accrued loan amount is within the limit.
 - (4) Impact on the Company's business operations, financial status and shareholders' interest.
 - (5) Whether collateral must be obtained and appraisal of the value thereof.
 - (6) The borrower's credit assessment and risk evaluation.

6. Security procedures

When the Company processes a loan, it shall obtain a guarantee note of equivalent value. When necessary, the Company shall obtain and record liens on chattel or real property. Where the borrower provides individuals or companies as proof of equivalent financial means and credit in lieu of collaterals for the aforementioned debt, the Board of Directors may consider the opinions of the Finance Department for implementation; where a company is used as a guarantee, the Company shall pay attention to whether provisions for guarantees are established in its articles of incorporation.

7. Scope of authorization

- I. In the Company's processing of loans, after the credit assessment by the Finance Department of the Company, the application shall be submitted to the Chairman for approval and submitted to the Board of Directors for resolution to be implemented and cannot be delegated to other individuals to determine such matters.
- II. For funds loaning between the Company and its subsidiaries, or between the subsidiaries of the Company, the matter shall in accordance with the preceding paragraph be submitted to the Board of Directors for resolution. Additionally, the Chairman may be authorized to provide the loans in installment or revolver for a period of not more than one year to the same entity receiving the loan, provided that the amount of the loan is within the specific amount resolved upon by the Board of Directors.

- III. The specific amount specified in the preceding paragraph shall meet requirements in Article 2.4. In addition, the loan limit authorized by the Company or its subsidiaries to any single company shall not exceed 10% of the Company's net worth on its most current financial statements.

8. Duration of loans and calculation of interest

- I. As a principle, the duration of each loan shall not exceed 180 days. In the event of special circumstances, the duration of the loan may be extended, based on actual requirements, with the approval of the Board of Directors.
- II. The loan interest rate shall not be lower than the Company's highest interest rate for short-term loans from financial institutions. As a principle, the calculation of loan interest shall be calculated on a monthly interest repayment basis. In the event of special circumstances, adjustments may be provided with the approval of the Board of Directors based on actual requirements.

9. Post-loan management measures and overdue loan processing procedures

- I. After the loans are allocated, the Company shall pay attention to the finance, business, and related credit status of the borrower and guarantor. Where collateral is provided, it shall pay attention to changes in the value of the collateral. In the event of material changes, it shall immediately report to the Chairman and follow instructions for handling the matter.
- II. When the borrower repays the loan upon the expiry date or in advance, the payable interest shall be calculated and repaid along with the principal before the Company may rescind and return the promissory note to the borrower or release the liens.
- III. The Borrower shall immediately repay the principal and interest on the expiry date of each loan. Where the loan cannot be repaid upon expiry, the borrower shall file a request in advance and the loan may be extended with the approval of the Board of Directors. The extension of each loan shall not exceed three months and only one extension may be granted. In the case of a violation, the Company may take actions in accordance with applicable laws to seek compensation from the collateral or guarantors provided by the borrower.

10. Internal control

- I. The Company shall establish log books for loans and register the borrower, the amount, the date of passage by the Board of Directors, the date of the loan, and the matters to be carefully evaluated in accordance with the rules.
- II. Where a change in the Company causes the amount to exceed the limit, a rectification plan shall be formulated and delivered to the Supervisors to enhance internal control and management of the Company.

- III. The Company's loans to others shall be processed in accordance with the rules and procedures. In the event when a material violation is found, related personnel shall be penalized commensurate with the violation.
- IV. Where a change in the Company causes the borrower to be incompatible with this Rules or causes the amount to exceed the limit, a rectification plan shall be formulated, delivered to the Supervisors, reported to the Board of Directors, and implemented to complete rectification based on the timeframe set out in the plan.

11. Internal audit

The Company's internal auditors shall audit the operation procedures of loaning funds to others and the implementation thereof no less frequently than quarterly and prepare written records accordingly. They shall promptly notify the Supervisors in writing of any material violation found, if any.

12. Public announcement and regulatory filing

- I. The Company shall publicly announce and file the previous month's balance of the Company's and its subsidiaries' loans to others before the 10th day of each month.
- II. Where the Company's balance of loans reaches one of the following levels, the Company shall announce and report such event within two days commencing immediately from the date of occurrence:
 - (1) The balance of loans to others reaches 20% or more of the Company's net worth as specified in the Company latest financial statements.
 - (2) The balance of loans for a single company reaches 10% or more of the Company's net worth as stated in the latest financial statements.
 - (3) The amount of new loans made by a public company or its subsidiaries reaches NT\$10 million or more, and reaches 2% or more of the public company's net worth as stated in its latest financial statement.
 - (4) 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 subsidiary is required to announce and report pursuant to the preceding subsections.

13. Other items

- I. The Company shall evaluate the conditions of the loans and set aside adequate reserve for bad debts. It shall also adequately disclose related information in its financial reports and provide related information to the certified public accountant for implementation of necessary auditing procedures and submission of a suitable audit report.
- II. 13.2. Any matters that are not addressed herein shall be governed by relevant laws and the Company's related regulations.

14. Enforcement and amendment

Once the Operation Procedures are passed by the Board of Directors, they shall be submitted to the Supervisors and reported to the shareholders' meeting for consent. If a Director expresses an objection and records or written statements are available, information regarding the Director's objection shall be submitted to Supervisors and to the shareholders' meeting for discussion. The same shall apply to any revision.

When the Operation Procedures for Loans to Others is submitted to the Board of Directors for discussions in accordance with the preceding paragraph, the opinions of each Independent Director shall be taken into full consideration, and 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.

(II) "Rules for Endorsements/Guarantees"

1. Purpose

To facilitate information disclosure and enhance the Company's risk management system for endorsements/guarantees, the Company's endorsements/guarantees shall be processed in accordance with these Procedures.

2. Definitions and scope of application

- I. Financing endorsements/guarantees.
 - (1) Bill discount financing.
 - (2) Endorsement/guarantee made to meet the financing needs of another company.
 - (3) Issuance of a separate negotiable instrument to a non-financial enterprise as security to meet the financing needs of the Company itself.
- II. Customs duty guarantee
It refers to endorsement/guarantee for the Company itself or another company with respect to customs duty matters.
- III. Other endorsements/guarantees
 - (1) Any creation by the Company of a pledge or mortgage on its chattel or real

property as security for the loans of another company.

- (2) Other endorsements/ guarantees that cannot be classified into the above items.

3. Recipient of endorsement/guarantee

- I. Besides cases where the Company fulfills its contractual obligations by providing mutual endorsements/guarantees for another company in the same industry for purposes of undertaking a business project or where all capital contributing shareholders make endorsements/guarantees for their jointly invested company in proportion to their shareholding percentages, other recipients of endorsements/guarantees shall be restricted to the following companies:
 - (1) A company with which it does business.
 - (2) A company in which the Company directly and indirectly holds more than 50% of the voting shares.
 - (3) A company that directly and indirectly holds more than 50% of the voting shares of the Company.
 - (4) Endorsements/guarantees may be made with and between companies in which the Company holds, directly or indirectly, more than 90% of the voting shares.

4. Limits of endorsement/guarantee

- I. The total amount of endorsements/guarantees provided by the Company shall not exceed 40% of the Company's net worth. The maximum endorsements and guarantees for any single enterprise, except for companies in which the Company holds 100% of the voting shares, shall not exceed 10% of the Company's net worth. The Company's and subsidiaries' total endorsements/guarantees for external entities shall not exceed 40% of the Company's net worth. The maximum endorsements/guarantees to any single enterprise shall not exceed 10% of the Company's net worth. The net worth shall be based on the most current financial statements audited or reviewed by the certified public accountants.
- II. Where the Company provides endorsements/guarantees due to business transactions, besides the restrictions specified above, the amount shall further not exceed the transaction amount between the parties. The transaction amount means the sales or purchasing amount between the parties, whichever is higher.

5. Decision-making and authorization level

- I. The Company's endorsements/guarantees must be approved in a resolution of the Board of Directors before implementation. If the Company has established the position of Independent Director, the opinions of each Independent Director shall be taken into full consideration and Independent Director's opinions specifically expressing assent or dissent and the reasons for dissent shall be included in the

minutes of the Board of Directors' meeting. The Board of Directors may authorize the Chairman to decide such matters for endorsements/guarantees within NT\$20 million in accordance with related provisions herein and have the decisions subsequently submitted to the next Board of Directors meeting for ratification and reported to the shareholders' meeting for the record. Where a subsidiary in which the Company holds, directly or indirectly, more than 90% of the voting shares provides endorsements/guarantees in accordance with Article 3.1.4, it shall submit the proposal to the Company's Board of Directors for approval before implementation, provided that this restriction shall not apply to endorsements/guarantees made between companies in which the Company holds, directly or indirectly, 100% of the voting shares.

- II. Where the Company needs to exceed the limits set out in this Rules to satisfy its business requirements, and where the conditions set out in this Rules are complied with, it shall obtain approval from the Board of Directors and half or more of the Directors shall act as joint guarantors for any loss that may be caused to the company by the excess endorsement/guarantee. It shall also amend the Operational Rules for Endorsements/Guarantees accordingly and submit the same to the shareholders' meeting for ratification after the fact. If the shareholders' meeting does not give consent, the company shall adopt a plan to discharge the amount in excess within a given time limit. Where the Company has established the position of independent director, when it makes endorsements/guarantees for others, it shall take into full consideration the opinions of each independent director; independent directors' opinions specifically expressing assent or dissent and the reasons for dissent shall be included in the minutes of the board of directors' meeting.

6. Procedures for making endorsements/guarantees

- I. When the Company processes an endorsement/guarantee, the recipient of endorsement/guarantee shall submit an application form and file an application to the Finance Department of the Company. The Finance Department shall conduct a credit investigation on the recipient of endorsement/guarantee, evaluate the risks, and prepare evaluation records. Once they are reviewed, they shall be presented to the CEO and Chairman for approval. Where necessary, the Company shall be required to obtain collateral.
- II. The Finance Department shall conduct a credit investigation and risk assessment on the recipient of endorsement/guarantee and the evaluation shall include the following:
 - (1) The necessity and rationality of endorsements/guarantees;
 - (2) Assessment of whether the endorsement/guarantee and the amount are necessary based on the financial status of the recipient of endorsement/guarantee.
 - (3) Verification of whether the accrued endorsement/guarantee amount is within the

limit.

- (4) Where the Company provides endorsements/guarantees due to business transactions, it shall assess whether the amount of the endorsements/guarantees is within the limit.
 - (5) Impact on the Company's business operations, financial status and shareholders' interest.
 - (6) Whether collateral must be obtained and appraisal of the value thereof.
 - (7) The records of the credit assessment and risk evaluation regarding the endorsement/guarantee, as a reference.
- III. The Finance Department shall establish a log book for its endorsement/guarantee activities and record in detail the following information for the record: the entity for which the endorsement/guarantee is made, the amount, the date of passage by the Board of Directors, or the date of authorization by the Chairman of the Board, the date the endorsement/guarantee is made, and the matters to be carefully evaluated in the preceding paragraph.
- IV. The Finance Department of the Company shall evaluate or record the contingent loss for endorsements/guarantees and shall adequately disclose information on endorsements/guarantees in its financial reports. It shall provide related information to the certified public accountants for implementation of necessary audit procedures and submission of a suitable audit report.
- V. If, as a result of a change in circumstances, an entity for which an endorsement/guarantee is made does not meet the requirements of these Rules endorsement/guarantee amount exceeds the limit, the endorsement/guarantee amount or the portion that exceeds the limit for such entity shall be completely terminated upon the expiry of the contract or within a specific deadline based on the rectification plan formulated by the Company. The related rectification plans shall be delivered to all Supervisors and reported to the Board of Directors. The Company shall complete the rectification according to the timeframe set out in the plan.

7. Discharge of guarantees and endorsements

- I. 7.1 Where related certificates or bills must be discharged due to the repayment or extension of a debt, the recipient of endorsement/guarantee shall issue a formal letter and deliver the certificates to the Finance Department of the Company which shall apply the "discharged" seal and return the certificates. The application letter shall be retained for record.
- II. 7.2 The Finance Department shall register the discharge of endorsements and guarantees into the endorsement/guarantee log book to reduce the endorsement/guarantee amount.

8. Internal control

- I. The Company's endorsements/guarantees to others shall be processed in accordance with the procedures herein. In the event when a material violation is found, related personnel shall be penalized commensurate with the violation.
- II. If the recipient of the endorsement/guarantee is a subsidiary whose net worth is lower than half of its paid-in capital, the Company shall specify and establish subsequent related management and control measures.
- III. In the case of a subsidiary with shares having no par value or a par value other than NT\$10, the paid-in capital shall be calculated, in accordance with Article 8.2, as the sum of the share capital plus capital surplus – additional paid-in capital.

9. Internal audit

The Company's internal auditors shall audit the procedures for making of endorsements/guarantees and the implementation at least once every quarter and prepare written records accordingly. They shall promptly notify the Supervisors in writing of any material violation found.

10. Specimen chop custody and procedures

- I. The Company shall use the corporate chop registered with the Ministry of Economic Affairs as the dedicated chop for endorsements/guarantees. The chop and guarantee bills shall be kept in the custody of a designated person and they shall be used to seal or issue negotiable instruments only in prescribed procedures. The approval of the Board of Directors shall be required for the appointment, dismissal, or replacement of the person responsible for the custody of the chop.
- II. When making a guarantee for a foreign company, guarantee agreement issued by the Company shall be signed by an individual with authorization from the Board of Directors.

11. Public announcement and regulatory filing procedures

- I. The Company shall publicly announce and file the previous month's balance of endorsements/guarantees of the Company and its subsidiaries before the 10th day of each month. Where the balance of endorsements/guarantees reach one of the following levels, the Company shall announce and report such event within two days commencing immediately from the date of occurrence:
 - (1) The balance of endorsements/guarantees reaches 50% or more of the Company's net worth as stated in the latest financial statements.
 - (2) The balance of the endorsements/guarantees for any single company reaches 20% or more of the Company's net worth as stated in the latest financial statements.

- (3) The balance of the endorsements/guarantees for any single company reaches NT\$10 million and the endorsements/guarantees for the Company, long-term investments, and the total balance of loans reach 30% or more of the Company's net worth as stated in the latest financial statements.
 - (4) The amount of new endorsements/guarantees made by a public company or its subsidiaries reaches NT\$30 million or more, and reaches 5% or more of the public company's net worth as stated in its latest financial statement.
 - (5) 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 subsidiary is required to announce and report pursuant to the preceding paragraph.
12. Any matters that are not addressed herein shall be governed by relevant laws and the Company's related regulations.

13. Enforcement and amendment

The Regulations shall first be passed by the Board of Directors and delivered to all Supervisors before it is submitted to the shareholders' meeting for consent. If a Director expresses an objection and records or written statements are available, the Company shall submit information regarding the Director's objection to Supervisors and to the shareholders' meeting for discussion. The same shall apply to any revision.

The opinions of Independent Directors shall be taken into full consideration in discussions in the Board of Directors meeting on the Rules in accordance with the preceding paragraph. Independent Directors' opinions specifically expressing assent or dissent and the reasons for dissent shall be included in the minutes of the board of directors' meeting.

Largan Precision Co., Ltd.

Rules and Procedures of Shareholders' Meeting

- Article 1: Unless otherwise provided for in applicable laws or regulation, shareholders' meetings of this Company (hereinafter referred to as the Company) shall be conducted in accordance with these Rules and Procedures.
- Article 2: The Company shall provide attending shareholders with an attendance book to sign in, or attending shareholders may submit attendance cards in lieu of signing in. The number of attending shares shall be calculated according to the attendance book and the attendance cards submitted plus the number of shares exercised by correspondence or electronic means.
- Article 3: Attendance and voting rights at shareholders' meetings shall be calculated based on the numbers of shares represented.
- Article 4: The venue of shareholders' meetings shall be on the Company's premises or at another place convenient for shareholders to attend and suitable for such a meeting. The meeting shall begin no earlier than 9 a.m. and no later than 3 p.m.
- Article 5: If a shareholders' meeting is convened by the Board of Directors, the Chairman of the Board of Directors shall be the chairman presiding at the meeting. If the Chairman of the Board of Directors is on leave or unable to perform his duties for any other reason, the Vice Chairman shall preside at the meeting on the Chairman's behalf. If the Vice Chairman is also on leave or unable to perform his duties for any other reason, the Chairman of the Board of Directors shall appoint a Managing Director to act on his behalf. If there are no Managing Directors, the Chairman shall appoint a Director to act on his behalf. If the Chairman does not make such a designation, the Managing Directors or Directors shall select one person from among themselves to serve as chair.
- If the shareholders' meeting is convened by any other person entitled to convene the meeting other than the Board of Directors, such person shall be the chair of the meeting.
- Article 6: The Company may appoint designated counsel, certified public accountants or other relevant persons to attend the shareholders' meeting.

Staff handling administrative affairs of a shareholders' meeting shall wear identification badges or armbands.

Article 7: The Company's shareholders' meetings must be videotaped or audio recorded and kept for at least one year.

Article 8: The chair shall call the meeting to order at the appointed time. However, if the attending shareholders do not represent more than one-half of the total number of issued shares, the chair may postpone the meeting time. No more than two such postponements, for a combined total of no more than one hour shall be made. If after two postponements the attending shareholders still represent less than one-half of the total number of issued shares but represent more than one-third of the total issued shares, provisional resolutions may be adopted in accordance with Article 175, Paragraph 1 of the Company Act.

If during the process of the meeting the number of issued shares represented by the shareholders present becomes sufficient to constitute the quorum, the chair may submit the provisional resolutions to the meeting for approval in accordance with Article 174 of the Company Act.

Article 9: The agenda of the shareholders' meeting shall be set by the Board of Directors if the meeting is convened by the Board of Directors. The meeting shall proceed in accordance with the agenda unless otherwise resolved at the meeting.

The provisions of the preceding paragraph apply *mutatis mutandis* to a shareholders' meeting that is convened by any person other than the Board of Directors entitled to convene a meeting.

Unless otherwise resolved at the meeting, the chair cannot announce adjournment of the meeting before all the items (including extemporary motions) listed in the agenda are resolved.

The shareholders cannot designate any other person as chair and continue the meeting in the same or another place after the meeting is adjourned.

Article 10: When a shareholder presents at the meeting wishes to speak, a speaker's slip shall be filled out with summary of the speech, the shareholder's number (or the number on their attendance card) and the name of the shareholder. The sequence of speeches by shareholders shall be decided by the chair.

If a shareholder present at the meeting submits a speaker's slip but does not speak, the

shareholder shall be deemed to have not spoken.

In case the contents of the speech of a shareholder are inconsistent with the contents of the speaker's slip, the spoken content shall prevail.

Unless otherwise permitted by the chair and the speaking shareholder, no shareholder shall interrupt the speech of other shareholders, otherwise the chair shall stop such interruption.

Article 11: Unless otherwise permitted by the chair, each shareholder shall not speak more than twice on the same discussion item and each speech may not exceed five minutes.

If a shareholder violates the rules outlined in the preceding paragraph or exceeds the scope of the discussion item, the chair may stop the shareholder's speech.

Article 12: Any legal entity designated as proxy by a shareholder to be present at the meeting may appoint only one representative to attend the meeting.

If a legal entity is a shareholder and designates two or more representatives to attend the meeting, only one representative can speak for each discussion item.

Article 13: After the speech of a shareholder, the chair may respond in person or designate another person to respond.

Article 14: The chair may announce to end the discussion of any resolution and call for a vote if the chair deems it appropriate.

Article 15: The chair shall appoint persons responsible for monitoring and counting ballots. However, the persons responsible for monitoring ballots must be shareholders. The result of voting shall be announced on-site at the meeting and placed on record.

Article 16: During the meeting, the chair may, at his discretion, set time for intermission.

Article 17: A resolution shall be adopted by a majority of the votes represented by the shareholders present at the meeting. At the time of a vote, the chair or a person designated by the chair shall first announce the total number of voting rights represented by the attending shareholders for each proposal, followed by a poll of the shareholders. On the same day after the meeting, the results of each proposal, based on the numbers of votes for and against and the number of abstentions, shall be entered into the Market Observation Post System.

All shareholders are entitled to one vote for every share held, except for the circumstances stipulated in Article 179 of the Company Act where shares are not assigned voting rights. When one person is concurrently appointed as proxy by two or

more shareholders, the voting rights represented by that proxy may not exceed 3% of the voting rights represented by the total number of issued shares. Any excess of that percentage shall not be included in the calculation.

Article 18: When there is an amendment or an alternative to a proposal, the chair shall present the amended or alternative proposal together with the original proposal and decide the sequence of voting. If any one of them has been adopted, the other proposals will then be deemed vetoed, and no further voting shall be required.

Article 19: The chair may instruct disciplinary officers (or security personnel) to help maintain order at the meeting place. Such disciplinary officers or security personnel shall wear arm bands which identify their roles as "Disciplinary Officer."

Article 20: These Rules and Procedures shall be implemented following approval by a shareholders' meeting. The same applies in the case of amendments.

Largan Precision Co., Ltd.

Procedures for Election of Directors and Supervisors

- Article 1: The election of Company's Directors and Supervisors shall be conducted in accordance with these Procedures.
- Article 2: The Company's Directors and Supervisors shall be elected by a cumulative voting method. Each share will have voting rights in number equal to the Directors or Supervisors to be elected, and may be cast for a single candidate or split among multiple candidates.
- Article 2-1 The Company shall appoint no less than five Directors in the Board of Directors. More than half of the Directors and at least one Supervisor must be persons without any of the following relationship with other Directors or Supervisors:
1. Spousal relationship;
 2. Familial relationship within the second degree of kinship.
- Article 2-2 When an elected Director or Supervisor does not meet the conditions in the preceding article, determination of which Directors or Supervisors are elected shall be made according to the following provisions:
1. When there are some among the Directors who do not meet the conditions, the election of the Director receiving the lowest number of votes among those not meeting the conditions shall be deemed invalid.
 2. When there are some among the Supervisors who do not meet the conditions, the provisions of the preceding subparagraph shall apply *mutatis mutandis*.
 3. When there are some among the Directors and Supervisors who do not meet the conditions, the election of the Supervisor receiving the lowest number of votes among those not meeting the conditions shall be deemed invalid.
- Article 3: The number of Directors and Supervisors will be as specified in the Company's Articles of Incorporation, with voting rights separately calculated for Independent and non-Independent Director positions. Candidates receiving ballots representing the highest number of voting rights shall be elected sequentially according to their respective numbers of votes. When two or more persons receive the same number of votes, thus exceeding the specified number of positions, lots shall be drawn to decide who is elected. The chair shall draw lots on behalf of any person absent.

A shareholder simultaneously elected as Director or Supervisor shall choose to serve as a Director or Supervisor.

- Article 4: Ballots shall be prepared and issued by the Company and numbered based on the shareholder's account number or the attendance card number with the number of votes specified. Attendance card numbers may be printed on the ballot instead of using the names of voting shareholders. m
- Article 5: Before the election begins, the chair shall appoint persons responsible for monitoring and counting ballots to perform their respective duties. The ballot boxes shall be prepared by the Company and inspected in public by the ballot monitoring personnel before voting commences.
- Article 6: The election of the Company's Independent Directors shall be conducted in accordance with the candidate nomination system and procedures set out in Article 192-1 of the Company Act. The Company shall review the nominees' qualifications, education, working experience, background, and the existence of any other matters set forth in Article 30 of the Company Act. The Company may not arbitrarily add requirements for documentation of other qualifications. The results of the review shall be provided to shareholders for their reference, so that qualified Independent Directors will be elected
- Article 7: The voter must specify the name of the candidate in the "candidate" field of the ballot, and may also specify the shareholder account number.
- Article 8: A ballot is invalid under any of the following circumstances:
1. A ballot not in compliance with these Procedures.
 2. A blank ballot placed in the ballot box.
 3. The writing unclear and illegible or altered.
 4. Candidate name entered in the ballot is a shareholder, but the candidate's account name and shareholder account number do not conform with those given in the shareholder register, or if the candidate is not a shareholder, a cross-check shows that the candidate's name and identity card number do not match.
 5. Other words or markings entered in addition to the candidate's account name or shareholder account number (or identity card number) and the number of voting rights allotted.
 6. The name of the candidate entered in the ballot is identical to that of another shareholder, but no shareholder account number or identity card number provided in the ballot to identify such individual.
 7. The sum of voting rights cast by a voter exceeds the sum of voting rights held by the voter.
- Article 9: The ballots shall be viewed and counted onsite after completion of voting and appointed personnel shall monitor the ballots. The results of the vote shall be

announced by the chair onsite.

Article 10: The Company shall issue notifications to the persons elected as Directors or Supervisors after the shareholders' meeting.

Article 11: Matters not provided herein shall be governed by the Company Act and other applicable laws and regulations.

Article 12: These Procedures shall be implemented following approval by a shareholders' meeting. The same applies in the case of amendments.

Largan Precision Co., Ltd.

Shareholding of Directors and Supervisors

Book closure date: April 14, 2019

Position	Name	Date elected	Shares held at the time of election		Shareholding as recorded in the shareholder register on the book closure date	
			Number of shares held	Percentage of shares held (%)	Number of shares held	Percentage of shares held (%)
Chairman	En-Chou Lin	2016.06.08	4,111,142	3.06%	2,861,142	2.13%
Vice Chairman	En-Ping Lin	2016.06.08	6,019,652	4.49%	3,379,506	2.52%
Director	Shih-Ching Chen	2016.06.08	6,756,831	5.04%	6,756,831	5.04%
Director	Tsui-Ying Chiang	2016.06.08	6,625,569	4.94%	6,625,569	4.94%
Director	Ming-Yuan Hsieh	2016.06.08	3,606,585	2.69%	3,606,585	2.69%
Director	Yao-Ying Lin	2016.06.08	2,526,036	1.88%	1,526,036	1.14%
Director	Po-Jen Liang	2016.06.08	1,218,802	0.91%	1,207,802	0.90%
Independent Director	Ming-Hua Peng	2016.06.08	8,604	0.01%	56,604	0.04%
Independent Director	Shan-Chieh Yen	2016.06.08	No shares held	0%	No shares held	0%
Supervisor	Chung-Jen Liang	2016.06.08	2,098,721	1.56%	2,091,721	1.56%
Supervisor	Hsiao-Pei Su	2016.06.08	210,159	0.16%	210,159	0.16%
Supervisor	Hui-Fen Chen	2016.06.08	No shares held	0%	No shares held	0%
Number and percentage of shares held by all Directors					26,020,075	19.40%
Number and percentage of shares held by all Supervisors					2,301,880	1.72%

1. The Company's total issued common shares: 134,140,197 shares
2. The Company has appointed two Independent Directors. According to Article 26 of the "Rules and Review Procedures for Director and Supervisor Share Ownership Ratios at Public Companies", if a public company has elected two or more Independent Directors, the share ownership standards for all Directors and Supervisors other than the Independent Directors shall be decreased by 20%.
3. The number of shares held by all Directors and Supervisors of the Company meet the legal percentage requirements.

Thank You