



**STRONG H**

**Stock Code  
4560**

**STRONG H MACHINERY TECHNOLOGY  
(CAYMAN) INCORPORATION**

**2019 Annual General Meeting  
Meeting Handbook**

**Time: June 6 2019 (Thursday), 9:30 am.**

**Place: 1F, No. 147, YanPing Road, Taoyuan District, Taoyuan City.  
(101 Conference Hall, The Center for Women of Taoyuan City)**

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# **I. Opening Ceremony**

## **Strong H Machinery Technology (Cayman) Incorporation 2019 Opening Ceremony of the Annual Shareholders General Meeting**

**I. Announcement of the General Meeting in session**

**II. The address of the Chairman to the session**

**III. Reports**

**IV. Ratification**

**V. Discussion**

**VI. Election**

**VII. Miscellaneous**

**VIII. Extemporaneous Motions**

**IX. Adjournment of the meeting**

## **II. Meeting Agenda**

### **Strong H Machinery Technology (Cayman) Incorporation Agenda of 2019 General Meeting**

Time: June 6 2019 (Thursday), 9:30 am.

Place: 1F, No. 147, YanPing Road, Taoyuan District, Taoyuan City. (101 Conference Hall, The Center for Women of Taoyuan City)

I. Announcement of the session.

II. Chairman addresses the meeting.

III. Reports.

(I) 2018 Business Report of the Company.

(II) 2018 Review Report of the Auditing Committee.

(III) Remuneration to the Directors and employees in 2018.

(IV) Report on loaning of funds to third parties by the Company.

(V) Report on endorsement/guarantee undertaken by the Company.

(VI) Report on the status of conversion of the 1<sup>st</sup> issue of domestic unsecured convertible bonds.

IV. Ratification.

(I) 2018 Business Report and Financial Statements.

(II) 2018 Proposal for Distribution of Income.

V. Discussion

(I) The Company planned to appropriate the additional paid-in capital for cash dividend payment.

(II) Amendment to the “Articles of Incorporation” of the Company.

(III) Amendment to the “Procedure for the Acquisition or Disposal of Assets” of the Company.

VI. Election

(I) Motion of election of the entire Board of Directors.

VII. Miscellaneous

(I) Lift the ban on competition of the new Directors and representatives.

VIII. Extemporaneous Motions.

IX. Adjournment of the meeting.

## Reports

### Motion No. 1:

Subject: 2018 Business Report for Ratification.

Description: The 2018 Business Report of the company is exhibited on pp.9-10 of the Handbooks (Attachment I).

### Motion No. 2:

Subject: 2018 Review Report of the Auditing Committee for ratification.

Description: The 2018 Review Report of the Auditing Committee is exhibited on p. 11 of the Handbook (Attachment II).

### Motion No. 3

Subject: The remuneration to the Directors and employees in 2018 for ratification.

Description:

1. Pursuant to Article 102 of the Articles of Incorporation of the Company, all Directors are entitled to no more than 3% of the “annual profit” as remuneration payable in cash. Likewise, the employees of the Company and subsidiaries are entitled to at least 1% of the “annual profit” of the Company as remuneration payable in cash, stock or the combination of both.
2. The Board resolved to paid the Directors the 2018 amount of NT\$3,192,628 and the employees the amount of NT\$3,192,628 as remunerations payable in cash in the session dated March 14 2019.
3. The difference between the aforementioned remuneration and the amount recognized in the 2018 financial statements was the result of the resolution of the Board and accounting as change in accounting estimation with adjustment in the income of 2019.

### Motion No. 4

Subject: Report on loaning of funds to third parties for ratification.

Description: 1. The Company has financed the following parties as of December 31 2018:

Currency Unit: foreign currency/NT\$1,000

Lender	Borrowers	maximum balance in current period	Balance, ending	Actually drawdown Amounts	Reasons for Short term Financing	Financing Limit for Each Borrowing Company	Financing Company's Total Financing Amount Limits
Strong H Machinery Technology (Cayman) Incorporation	Strong H Machinery Technology Co.,Ltd.	\$414,653 US\$13,500 (Note 1 and Note 2)	\$230,363 US\$7,500 (Note 1 and Note 2)	\$230,363 US\$7,500 (Note 1)	Working capital	\$660,813 (up to 40% of the net worth of the Company) (Note 3)	\$826,016 (up to 50% of the net worth of the Company)

Note 1: Exchange rate is based on the average exchange rate at sight posted by the Bank of Taiwan on December 31 2018.

Note 2: The limit has been passed by the Board.

Note 3: The Shareholders Meeting of the Company passed the amendment to related provisions of the “Procedure for Loaning of Funds” of the Company on June 12 2018 thereby the financing of subsidiaries by the Company, between the subsidiaries shall not exceed 40% of the net worth of the Company to particular counterparty.

2. As of December 31 2018, the subsidiaries of the Company did not lend any fund to any third party or shareholders.

### Motion No. 5

Subject: Report on endorsement/guarantee for ratification.

Description: 1.As of December 31 2018, the Company did not undertake any endorsement/guarantee in favor of a third party or shareholder.

2. As of December 31 2018, the undertaking of endorsement/guarantee by the subsidiaries of the Company is exhibited in the table below:

Currency Unit: foreign currency/NT\$1,000

Endorsement/ Guarantee Provider	Guaranteed party		Limit for endorsement/ guarantee in favor of particular enterprise	Maximum Balance of the Period	Ending Balance	Actually drawdown Amounts	Amount of Endorsement/ Guarantee Collateralized by Properties	Ratio of Accumulated Endorsement/ Guarantee to Net worth per the most recent financial statements	Upper limit of endorsement/ guarantee
	Company name	Relation							
GRAND STRONG PRECISION MACHINES CO., LTD.	Strong H Machinery Technology Co.,Ltd.	Indirect subsidiary to indirect subsidiary	CNY30,428 (NT\$136,073) (based on the limit of 50% of the net worth of GRAND STRONG)	US\$4,000 (NT\$122,860) (Note 1 and Note 2)	US\$4,000 (NT\$122,860) (Note 1 and Note 2)	CNY 0 (NT\$0)	CNY16,497 (NT\$73,774) (Note 1 and Note 2)	45.14%	CNY 60,856 (NT\$272,146) (based on the limit of 100% of the net worth of GRAND STRONG).

Note 1: the limit passed by the Board and entered into endorsement/guarantee agreement with bank.

Note 2: The exchange rate was based on the average exchange rate at sight posted by the Bank of Taiwan on December 31 2018.

### Motion No. 6

Subject: Report on the conversion of the 1<sup>st</sup> issue of domestic unsecured convertible bonds for ratification.

Description: 1. The Company offered the 1st issue of domestic unsecured convertible bonds for the procurement of production equipment, retirement of bank loans, and pooling up working capital. The instrument has maturity of 3 years from February 5 2018 to February 5 2021 and has face value of NT\$300,000 thousand at NT\$100 thousand for each lot with coupon rate at 0%.

2. As of the day of restriction for share transfer due to the convention of Shareholders Meeting, this issue of convertible bonds were converted into 1,039,563 shares, increasing the company's capital of NT\$10,395,630.

## **Ratification**

### **Motion No. 1 [Proposed by the Board]**

Subject: 2018 Business Report and Financial Statements for ratification.

Description: 1. The 2018 Consolidated Financial Statements of the Company have been audited by Liu Shui-En and Yang Ching-Ting, CPAs of Deloitte Taiwan with the issuance of Auditor's Report and unqualified opinion. The audited financial statements and Business Report have been submitted to the Auditing Committee for review.

2. For information on the aforementioned reports and statements, refer to pp.9-10 (Attachment I) and pp.12-20(Attachment III).

3. Ratification requested.

Resolution:

### **Motion No. 2 [Proposed by the Board]**

Subject: The proposal for the distribution of income in 2018 for ratification.

Description: 1. The Company had net income amounting to NT\$313,070,171 in 2018, and has appropriated for legal reserve amounting to NT\$31,307,017, and special reserve amounting to NT\$33,909,277. The remainder was pooled up with the undistributed income at the beginning of the period amounting to NT\$253,388,194. The income available for distribution in current period amounted to NT\$501,242,071.

2. The Board proposed to appropriate cash dividend from the aforementioned income available for distribution in 2018 amounting to NT\$185,223,195 at NT\$2.8/shre. The table of distribution is exhibited on p.21 of the Handbook (Attachment IV).

3. The payment of cash dividend for this year will be round to the nearest NTD. The fraction less than NT\$1 will be recognized as other income of the Company.

4. Upon the ratification of the Shareholders Meeting on the proposal of distribution of income, the Board shall determine the ex-dividend day, payment day, and related matters.

5. In case of change in the quantity of outstanding shares of the Company before the ex-dividend day for the payment of dividend of this period, to the extent that the ratio of dividend payment was affected that adjustment becomes necessary, the Board shall be authorized with full discretion in handling related matters.

6. Ratification requested.

Resolution:

## **Discussion**

### **Motion No. 1 [Proposed by the Board]**

Subject: The Company planned to appropriate additional paid-in capital for cash payment and is opened for discussion.

Description: 1. The Company planned to appropriate NT\$46,305,799 from the additional paid-in capital from the premium of stock offering as cash dividend at NT\$0.7/share to shareholders listed on the shareholders registry in proportion to their holding of shares on the dividend day.

2. In the event of change in the equity of the Company, to the extent that the quantity of outstanding shares was affected and the ratio of cash dividend to the shareholders was change that adjustment becomes necessary, the Board shall be authorized with full discretion for handling related matters.

3. The payment of additional paid-in capital as cash dividend will be round to the nearest NTD. The fraction less than NTD\$1 will be recognized as other income of the Company.

4. The motion was presented to the Shareholders Meeting for authorization of the Board to determine the dividend day, payment day, and other related matters.

5. Opened for Discussion.

Resolution:

### **Motion No. 2 [Proposed by the Board]**

Subject: Amendment to the “Articles of Incorporation” of the Company and is opened for discussion.

Description: 1. The Company amended the “Articles of Incorporation” of the Company in part in conformity to legal requirement. The table of comparison of the Articles of Incorporation before and after the amendment is exhibited on pp.22-27 of the Handbook (Attachment V).

2. Opened for discussion.

Resolution:

### **Motion No. 3 [Proposed by the Board]**

Subject: Amendment to the “Procedure for the Acquisition or Disposal of Assets” of the Company and is opened for discussion.

Description: 1. The Company amended the “Procedure for the Acquisition or Disposal of Assets” in part in conformity to legal requirement. The table of comparison of the Procedure for the Acquisition or Disposal of Assets before and after the amendment is exhibited on pp.28-57 (Attachment VI).

2. Opened for discussion.

Resolution:



## **Election**

### **Motion No. 1 [Proposed by the Board]**

Subject: The Company holds the election of the entire Board of Directors.

Description: 1. The 3<sup>rd</sup> Board of Directors of the Company has tenure from November 24 2016 to November 23 2019. The Company will elect a new Board of Directors. Once the new Board is elected, the Directors of the last term will be relieved from office as of the day the new Directors assumed office.

2. Pursuant to Article 64, Article 74, and Article 75 of the Articles of Incorporation of the Company, 7 seats of Directors (including 3 seats of Independent Directors) will be elected. The nomination system is adopted in the election. The Shareholders Meeting shall vote for the candidates on the nomination list to the seats of the Directors (including Independent Directors). The list of candidates and related information is exhibited in Attachment VII of pages 58-61 of this manual.

3. The new Directors (including Independent Directors) shall assume office immediately after being elected to the seats. Each will have tenure of 3 years from June 6 2019 to June 5 2022.

4. Balloting requested.

Election result:

## **Other motions**

### **Motion No. 1 [Proposed by the Board]**

Subject: Lift the ban on competition of the new Directors and the representatives and is opened for discussion.

Description: 1. Pursuant to Article 209 of the Company Act, Directors shall explain to the Shareholders Meeting on any action within the scope of the business operation of the Company for themselves or for a third party for permission.

2. If the new Directors elected by the 2019 General Meeting exhibited behavior of competition under Article 209 of the Company Act, we ask the Shareholders Meeting to lift the ban on competition of these Directors on condition that the interest of the Company can remain intact.

3. Attached to the fourth director candidate for concurrent positions. Please refer to page 62 of this manual Attachment VIII, if elected as a director, intends to request the shareholders' meeting to revoke the Non-compete law of restrictions imposed by the directors from the date of their appointment as the fourth director of the company.

4. Opened for discussion.

Resolution:

## **Extemporaneous motions**

## **Adjournment of the session**

[Attachment I]

Strong H Machinery Technology (Cayman) Incorporation  
2018 Business Report

I. 2018 Business Report:

(I) Operation Highlight:

The Company had revenue of NT\$1,816,136 thousand in 2018 with net income amounting to NT\$314,990 thousand.

Unit: NT\$ thousand

Item/year	2018	2017
Operating revenue	1,816,136	1,374,470
Gross profit	745,578	562,603
Operating income	431,486	290,595
Net profit before tax	436,108	293,808
Net income	313,070	203,142
Earnings per share	4.76	3.25

(II) Budget execution: Financial forecasting is not required in 2018.

(III) Financial position and profitability analysis:

Unit: NT\$1,000; %

Item/year		2018	2017	Add (less) ratio%	
Income analysis	Operating revenue	1,816,136	1,374,470	32.13%	
	Gross profit	745,578	562,603	32.52%	
	Net income	313,070	203,142	54.11%	
Profitability	Return on assets (%)	14.73	11.13	32.35%	
	Return on shareholders' equity (%)	20.09	15.58	28.95%	
	Ratio to paid-in capital(%)	Operating income	65.23	44.54	46.45%
		Income before tax	65.93	45.03	46.41%
	Net profit margin (%)	17.24	14.78	16.64%	
	Basic earnings per share (NT\$)	4.76	3.25	46.46%	

(IV) R&D

The Company spent NT\$60,742 thousand in R&D in 2018, which was NT\$23,225 thousand more than the R&D spending of NT\$37,517 thousand in the same period of 2017. The additional spending was for the introduction of high value-added technology such as the abrasion and corrosion resistance processing technology, automated cutting devices, and multiple-purpose knives so as to provide higher value products for the customers.

II. Development strategy in the future

The industrial policy of China began to yield bonus in 2018. It was echoed with the effort of the Chinese government in transforming the country from a “World Factory” to a “World Market”. The potential consumption power from the high population of China simply could not be omitted. The transformation of the downstream industries and the upgrade of consumption drove for industrial innovation and growth and boosted the confidence for development. A promising future of the industry is expected with healthy and stable development.

We sell products bearing our own brand, “STRONG H” all over the world. We are one of the leading brands in parts and components. In product development, the Company focused on automated sewing machine knives and continued to develop cutting tools and needle plates with high added value. In addition, the Company also made tremendous effort in cutting tools for other industries such as gardening cutting tools and paper cutting tools.

In post-delivery customer service, the Company intensified its effort in the post-delivery maintenance and repair market over the years through strategic partnership with distributors in good standing of many countries and sought expansion in key overseas markets (Turkey, Pakistan, India, Bangladesh, and Vietnam) for setting up complete marketing channels.

In the future, the Company will make further effort for the stable development, in-depth cultivation of its core competence, and strengthen its competitive power for better business performance.

Chairman: CHI, PING-HSIN,    Manager: CHI, PING-HSIN    Chief Accounting Officer: HSU, HSIANG-JEN

**[Attachment II]**

**Strong H Machinery Technology (Cayman) Incorporation  
Report of the Audit Committee.**

The Board of Directors of Strong H Machinery Technology (Cayman) Incorporation (hereinafter referred to as “the Company”) compiled the 2018 Business Report, Financial Statements, and proposal for the distribution of earnings. The aforementioned financial statements have been audited by the independent auditors from Deloitte Taiwan with the issuance of Independent Auditors’ Report. The aforementioned Business Report, financial statements, and proposal for the distribution of earnings were fairly presented, in all material aspects, in accordance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act. For your approval.

To:

2019 Annual General Meeting of Strong H Machinery Technology (Cayman) Incorporation.

**Strong H Machinery Technology (Cayman) Incorporation**

**Convener of Auditing Committee: WANG, CHING-HSIANG**

March 14 2019

# 【Attachment III】

## INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders  
Strong H Machinery Technology (Cayman) Incorporation

### Opinion

We have audited the accompanying consolidated financial statements of Strong H Machinery Technology (Cayman) Incorporation and its subsidiaries (the Group), which comprise the consolidated balance sheets as of December 31, 2018 and 2017, and the consolidated statements of comprehensive income, changes in equity, and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

### Basis for Opinion

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

### Key Audit Matters

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

The key audit matter from the audit of the Group's consolidated financial statement is as below:

#### Revenue Recognition

The Group's revenue mainly consists of the sales of industrial sewing machine's spare parts. For some of the major clients, the Group recognizes sales revenue when the goods have been delivered to the client's designated location and verifying accounting records has been completed in accordance with the agreement. As the above-mentioned sales revenue is significant for the year ended December 31, 2018, the appropriateness of revenue recognition for the aforementioned type of sales revenue has been deemed as a key audit matter for the year ended December 31, 2018.

To address this matter, we evaluated the Group's revenue recognition policy, trading characteristics, and the relevant design and implementation of internal control for this type of revenue. We selected samples of revenue for this type of sales and verified them against the client's transaction statements and the related documents to confirm that the transactions had been completed and recognized in the appropriate period.

#### Valuation of Inventory

The Group's inventory balance is significant as of December 31, 2018. Due to the uncertainty caused by the variety and the rapid categories change of sewing machine's spare parts, the inventories are to be stated at the lower of cost and net realizable value, taking the aging of the inventories in to consideration. The valuation in net realizable value usually involves significant accounting estimates. The related critical accounting estimates and judgments of inventories are disclosed in Note 5 of the consolidated financial statement and have been deemed as a key audit matter for the year ended December 31, 2018.

To address this matter, we conducted the audits with understanding of the industry and its related product's natures. We focus on the valuation of inventories with the evaluation of the relevant design and implementation of internal control for the management of inventory, the policy of the provisions for inventory write-down and sampled selection performed for calculation of the provisions for inventory write-down (including performing test of details to the sales invoices and aging for inventories). The provisions for inventories write-down are valued based on the detailed test. The result has been compared with the provisions for inventories write-down recognized by the Group to ensure the appropriateness and sufficiency of the provisions for inventories write-down as of December 31, 2018.

#### **Other Matters**

We have also audited the parent company only financial statements of Strong H Machinery Technology (Cayman) Incorporation 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 International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (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 in cases that has no realistic alternative but to do so.

Those business units management of the Group, including those charged with governance, are responsible for overseeing the Group's financial reporting process.

### **Auditors' Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the 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 and appropriate audit evidence regarding the financial information of 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 for the year ended December 31, 2018 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Walter Liu and ChingTing Yang.

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

March 14, 2019

Notice to Readers

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

*For the convenience of readers, the independent auditors' report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and consolidated financial statements shall prevail.*

**STRONG H MACHINERY TECHNOLOGY (CAYMAN) INCORPORATION AND SUBSIDIARIES**

**CONSOLIDATED BALANCE SHEETS  
DECEMBER 31, 2018 AND 2017  
(In Thousands of New Taiwan Dollars)**

ASSETS	2018		2017	
	Amount	%	Amount	%
<b>CURRENT ASSETS</b>				
Cash and cash equivalents (Notes 3, 4 and 6)	\$ 351,561	15	\$ 296,357	14
Financial assets at fair value through profit or loss - current (Notes 4, 7 and 26)	44,720	2	-	-
Notes receivable (Notes 3, 4 and 8)	90,330	4	85,833	4
Trade receivables (Notes 3, 4, 5 and 8)	578,277	25	529,720	26
Other receivables from related parties (Notes 3, 4 and 27)	4,505	-	1,711	-
Inventories (Notes 4, 5 and 9)	444,805	19	463,800	23
Other current assets (Notes 3, 4, 13, 14 and 28)	<u>87,129</u>	<u>4</u>	<u>65,752</u>	<u>3</u>
Total current assets	<u>1,601,327</u>	<u>69</u>	<u>1,443,173</u>	<u>70</u>
<b>NON-CURRENT ASSETS</b>				
Property, plant and equipment (Notes 4, 11, 27 and 28)	524,520	22	492,970	24
Intangible assets (Notes 4 and 12 )	7,414	-	6,091	-
Deferred tax assets (Notes 4, 5 and 22)	39,623	2	48,573	3
Prepayments for leases - non-current (Notes 4, 13 and 28)	135,052	6	38,146	2
Other non-current assets (Notes 4 and 14)	<u>25,811</u>	<u>1</u>	<u>21,745</u>	<u>1</u>
Total non-current assets	<u>732,420</u>	<u>31</u>	<u>607,525</u>	<u>30</u>
<b>TOTAL</b>	<u>\$ 2,333,747</u>	<u>100</u>	<u>\$ 2,050,698</u>	<u>100</u>
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Short-term borrowings (Notes 4 and 15)	\$ -	-	\$ 114,300	6
Financial liabilities at fair value through profit or loss - current (Notes 4, 7 and 26)	480	-	-	-
Notes payable (Note 4 )	5,322	-	693	-
Trade payables (Notes 4 and 27)	66,167	3	89,099	4
Other payables (Notes 4 and 17)	233,362	10	264,544	13
Current tax liabilities (Notes 4 and 22)	49,244	2	38,462	2
Other current liabilities (Note 4)	<u>2,843</u>	<u>-</u>	<u>3,261</u>	<u>-</u>
Total current liabilities	<u>357,418</u>	<u>15</u>	<u>510,359</u>	<u>25</u>
<b>NON-CURRENT LIABILITIES</b>				
Bonds payable (Notes 4, 16, 24 and 26)	234,663	10	-	-
Deferred tax liabilities (Notes 4 and 22)	<u>89,634</u>	<u>4</u>	<u>75,428</u>	<u>4</u>
Total non-current liabilities	<u>324,297</u>	<u>14</u>	<u>75,428</u>	<u>4</u>
Total liabilities	<u>681,715</u>	<u>29</u>	<u>585,787</u>	<u>29</u>
<b>EQUITY (Notes 4, 16, 19 and 24)</b>				
Share capital				
Ordinary shares	<u>661,511</u>	<u>28</u>	<u>652,500</u>	<u>32</u>
Capital surplus	<u>401,444</u>	<u>17</u>	<u>371,995</u>	<u>18</u>
Retained earnings				
Legal reserve	56,527	3	36,213	2
Special reserve	20,460	1	10,846	-
Unappropriated earnings	<u>566,459</u>	<u>24</u>	<u>413,817</u>	<u>20</u>
Total retained earnings	<u>643,446</u>	<u>28</u>	<u>460,876</u>	<u>22</u>
Other equity	<u>(54,369)</u>	<u>(2)</u>	<u>(20,460)</u>	<u>(1)</u>
Total equity	<u>1,652,032</u>	<u>71</u>	<u>1,464,911</u>	<u>71</u>
<b>TOTAL</b>	<u>\$ 2,333,747</u>	<u>100</u>	<u>\$ 2,050,698</u>	<u>100</u>

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

# STRONG H MACHINERY TECHNOLOGY (CAYMAN) INCORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2018		2017	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4, 20, 27 and 32)	\$ 1,816,136	100	\$ 1,374,470	100
OPERATING COSTS (Notes 9, 18, 21 and 27)	<u>(1,070,558)</u>	<u>(59)</u>	<u>(811,867)</u>	<u>(59)</u>
GROSS PROFIT	<u>745,578</u>	<u>41</u>	<u>562,603</u>	<u>41</u>
OPERATING EXPENSES (Notes 18, 21 and 27)				
Marketing	(55,799)	(3)	(53,585)	(4)
Administrative	(197,551)	(11)	(180,906)	(13)
Research and development	<u>(60,742)</u>	<u>(3)</u>	<u>(37,517)</u>	<u>(3)</u>
Total operating expenses	<u>(314,092)</u>	<u>(17)</u>	<u>(272,008)</u>	<u>(20)</u>
INCOME FROM OPERATIONS	<u>431,486</u>	<u>24</u>	<u>290,595</u>	<u>21</u>
NON-OPERATING INCOME AND EXPENSES (Notes 4, 21 and 27)				
Other income	10,765	1	18,729	1
Other gains and losses	6,934	-	(10,565)	(1)
Finance costs	<u>(13,077)</u>	<u>(1)</u>	<u>(4,951)</u>	<u>-</u>
Total non-operating income and expenses	<u>4,622</u>	<u>-</u>	<u>3,213</u>	<u>-</u>
INCOME BEFORE INCOME TAX	436,108	24	293,808	21
INCOME TAX EXPENSE (Notes 4, 5 and 22)	<u>(123,038)</u>	<u>(7)</u>	<u>(90,666)</u>	<u>(6)</u>
NET INCOME	<u>313,070</u>	<u>17</u>	<u>203,142</u>	<u>15</u>
OTHER COMPREHENSIVE INCOME (LOSS) (Notes 4 and 19)				
Items that will not be reclassified subsequently to profit or loss:				
Exchange difference on translating foreign operations	<u>(33,909)</u>	<u>(2)</u>	<u>(9,614)</u>	<u>(1)</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>\$ 279,161</u>	<u>15</u>	<u>\$ 193,528</u>	<u>14</u>
EARNINGS PER SHARE (Note 23)				
Basic earnings per share	<u>\$ 4.76</u>		<u>\$ 3.25</u>	
Diluted earnings per share	<u>\$ 4.76</u>		<u>\$ 3.25</u>	

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

## STRONG H MACHINERY TECHNOLOGY (CAYMAN) INCORPORATION AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017 (In Thousands of New Taiwan Dollars)

	Share Capital	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Total	Exchange Difference on Translating Foreign Operations	Total Equity
BALANCE AT JANUARY 1, 2017	\$ 580,000	\$ 212,334	\$ 21,417	\$ -	\$ 340,717	\$ 362,134	\$ (10,846)	\$ 1,143,622
Appropriations of 2016 earnings								
Legal reserve	-	-	14,796	-	(14,796)	-	-	-
Special reserve	-	-	-	10,846	(10,846)	-	-	-
Cash dividends to shareholders	-	-	-	-	(104,400)	(104,400)	-	(104,400)
	-	-	14,796	10,846	(130,042)	(104,400)	-	(104,400)
Net income in 2017	-	-	-	-	203,142	203,142	-	203,142
Other comprehensive income (loss) in 2017, net of income tax	-	-	-	-	-	-	(9,614)	(9,614)
Total comprehensive income (loss) in 2017	-	-	-	-	203,142	203,142	(9,614)	193,528
Issuance of ordinary shares for cash	72,500	159,661	-	-	-	-	-	232,161
BALANCE AT DECEMBER 31, 2017	652,500	371,995	36,213	10,846	413,817	460,876	(20,460)	1,464,911
Appropriations of 2017 earnings								
Legal reserve	-	-	20,314	-	(20,314)	-	-	-
Special reserve	-	-	-	9,614	(9,614)	-	-	-
Cash dividends to shareholders	-	-	-	-	(130,500)	(130,500)	-	(130,500)
	-	-	20,314	9,614	(160,428)	(130,500)	-	(130,500)
Equity component of convertible bonds issued by the Company	-	31,340	-	-	-	-	-	31,340
Issuance of share dividends from capital surplus	-	(32,625)	-	-	-	-	-	(32,625)
Net income in 2018	-	-	-	-	313,070	313,070	-	313,070
Other comprehensive income (loss) in 2018, net of income tax	-	-	-	-	-	-	(33,909)	(33,909)
Total comprehensive income (loss) in 2018	-	-	-	-	313,070	313,070	(33,909)	279,161
Convertible bonds converted to ordinary shares	9,011	30,734	-	-	-	-	-	39,745
BALANCE AT DECEMBER 31, 2018	\$ 661,511	\$ 401,444	\$ 56,527	\$ 20,460	\$ 566,459	\$ 643,446	\$ (54,369)	\$ 1,652,032

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

# STRONG H MACHINERY TECHNOLOGY (CAYMAN) INCORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017 (In Thousands of New Taiwan Dollars)

	2018	2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	\$ 436,108	\$ 293,808
Adjustments for:		
Depreciation expenses	47,663	53,315
Amortization expenses	3,419	3,727
Amortization of prepayments for leases	1,049	1,035
Expected credit loss recognized on trade receivables	3,640	-
Impairment loss reversed on trade receivables	-	(2,577)
Finance costs	13,077	4,951
Interest income	(3,453)	(881)
Write-down (reversal of write-down) of inventories	(10,371)	2,609
Loss of obsolete inventory	2,473	6,529
Net gain on fair value changes of financial assets and liabilities designated as at fair value through profit or loss	(641)	-
Other items	1,994	(335)
Changes in operating assets and liabilities		
Notes receivable	(6,300)	(35,399)
Trade receivables	(64,346)	(19,047)
Inventories	17,785	(102,387)
Other current assets	(24,849)	(21,333)
Notes payable	4,629	693
Trade payables	(21,503)	27,079
Other payables	(21,584)	17,268
Other current liabilities	(418)	2,917
Cash generated from operations	378,372	231,972
Interest received	3,453	881
Interest paid	(1,333)	(4,951)
Income tax paid	(91,162)	(82,348)
	<u>289,330</u>	<u>145,554</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of financial assets classified as at fair value through profit or loss	(44,720)	-
Payments for property, plant and equipment	(130,797)	(93,488)
Proceeds from disposal of property, plant and equipment	8,255	5,510
Payments for intangible assets	(4,892)	(3,295)
Increase in prepayments for equipment	(4,706)	(11,168)
Increase in prepayments for leases	(100,774)	-
Increase in items of other investing activities	115	1,054
	<u>(277,519)</u>	<u>(101,387)</u>
Net cash used in investing activities	<u>(277,519)</u>	<u>(101,387)</u>

(Continued)

# STRONG H MACHINERY TECHNOLOGY (CAYMAN) INCORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017 (In Thousands of New Taiwan Dollars)

	<b>2018</b>	<b>2017</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
(Decrease) increase in short-term borrowings	\$ (114,888)	\$ 11,767
Proceeds from issuance of convertible bonds	300,900	-
Proceeds from issuance of ordinary shares	-	232,161
Dividend paid to owners of the Company	<u>(163,125)</u>	<u>(104,400)</u>
Net cash used in financing activities	<u>22,887</u>	<u>139,528</u>
<b>EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES</b>	<u>(6,494)</u>	<u>(1,078)</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	28,204	182,617
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>	<u>296,357</u>	<u>113,740</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	<u>\$ 324,561</u>	<u>\$ 296,357</u>

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

(Concluded)

[Attachment IV]

Strong H Machinery Technology (Cayman) Incorporation

Income Distribution Chart for 2018

Unit: NT\$

Item	Amount
Opening undistributed earnings	253,388,194
Add: net income in 2018	313,070,171
Distributable earnings	566,458,365
Less: Provision of legal reserve (10%)	(31,307,017)
Less: Provision for special reserve	(33,909,277)
Allocable earnings in current period	501,242,071
Items for distribution:	
Cash dividend (NT\$2.8/share)	(185,223,195)
Undistributed earnings, ending	316,018,876

Chairman: CHI, PING-HSIN, Manager: CHI, PING-HSIN, Chief Accounting Officer: HSU, HSIANG-JEN

**【 Attachment V 】**

**STRONG H MACHINERY TECHNOLOGY(CAYMAN) INCORPORATION**

**The Comparison Table of Amended and Restated Articles of Association**

Amended Article	Original Article	Explanation
<p>Article 2 The business of the Company may be commenced as soon after incorporation as the Board shall deem fit. <u>The Company shall comply with the laws and regulations as well as business ethics and may take actions which will promote public interests in order to fulfill the social responsibilities.</u></p>	<p>Article 2 The business of the Company may be commenced as soon after incorporation as the Board shall deem fit.</p>	<p>In order to comply with ROC Company Act, social responsibility is newly included to be one of the Company’s goal.</p>
<p>Article 27 (b) <u>Member(s) continuously holding 50% or more of the total number of outstanding shares of the Company for a period of three (3) months or a longer time may convene an extraordinary general meeting. The calculation of the holding period and holding number of shares shall be based on the holding at the time of share transfer suspension date.</u></p>	<p>None.</p>	<p>In order to comply with ROC Company Act, majority Members’ right to call a general meeting is newly added.</p>
<p>Article 40 <u>Any of the following matters should be listed on the notice of the general meeting, which shall contain a summary of the material issues to be discussed in respect of these matters, , and shall not be brought up as extemporary motions. The matters to be discussed may be posted on the website designated by the competent authority or the Company, and such website shall be indicated in the above notice:</u></p> <p>(a) election or removal of Directors;</p>	<p>Article 40 In the event that any of the following matters is to be considered at a general meeting, the notice of the general meeting shall contain a summary of the material issues to be discussed in respect of these matters:</p> <p>(a) election or removal of Directors;</p> <p>(b) alteration of the Memorandum and/or these Articles; and</p> <p>(omitted)</p>	<p>In order to comply with ROC Company Act, matters shall be included in the notice of the general meetings is newly added and amended; “Posting on website” is newly added as a method to notify the Members.</p>



Amended Article	Original Article	Explanation
<p>(b) alteration of the Memorandum and/or these Articles; and</p> <p>(c) <u>reduction of capital; and</u></p> <p>(d) <u>application for the approval of ceasing to be a listed company or ceasing its status as a public company in the jurisdiction of ROC;</u></p> <p>(omitted)</p> <p>(h) distribution to Members <u>in the form of new shares or cash</u> on a pro-rata basis based on their respective shareholding in the Company to be paid out of the Company's share premium account and/or a distributable reserve of the Company (including, but not limited to, any capital reserve arising from contributed surplus account which are distributable or endowment income and Legal Reserve) subject to the Statute and these Articles; and</p> <p>(i) private placement of any equity securities to be issued by the Company.</p> <p>The matters set out in Article 40(a) to Article 40(i) (inclusive) and Article 17 (a) shall not be raised as an ad hoc motion at any general meeting of the Company.</p>	<p>(f) distribution to Members on a pro-rata basis based on their respective shareholding in the Company to be paid out of the Company's share premium account and/or a distributable reserve of the Company (including, but not limited to, any capital reserve arising from contributed surplus account which are distributable or endowment income and Legal Reserve) subject to the Statute and these Articles; and</p> <p>(g) private placement of any equity securities to be issued by the Company.</p> <p>The matters set out in Article 40(a) to Article 40(g) (inclusive) and Article 17 (a) shall not be raised as an ad hoc motion at any general meeting of the Company.</p>	
<p>Article 41 (Omitted) From time to time, by submitting document(s) evidencing his/her interests involved and indicating the designated scope of the inspection, the Members may inspect, review or make copies of the aforementioned documents, and <u>the Company shall cause the Company's branch share registrar to make the aforementioned documents available to the Members. The Board or other</u></p>	<p>Article 41 (Omitted) From time to time, by submitting document(s) evidencing his/her interests involved and indicating the designated scope of the inspection, the Members may inspect, review or make copies of the aforementioned documents.</p>	<p>In order to comply with ROC Company Act, Members' right of information is expanded.</p>

Amended Article	Original Article	Explanation
<p><u>authorized conveners of general meetings of the Company may require the Company or the Company's branch share registrar to provide with the branch Register of Members.</u></p>		
<p>Article 49</p> <p>(a) So long as the Shares are listed on any ROC Securities Exchange, one or more Members holding one percent (1%) or more of the total issued Shares immediately prior to the relevant period during which the Register of Members is closed for transfers, may in writing <u>or by way of electronic transmission</u> submit to the Company a proposal for consideration and, if appropriate, approval at an annual general meeting. Such proposals shall be included in the agenda <u>except for the following conditions:</u></p> <p>(i) the proposing Member(s) hold(s) less than one percent (1%) of the total issued Shares as at the relevant date in accordance with this Article;</p> <p>(ii) the matter proposed to be discussed may not be resolved at an annual general meeting;</p> <p>(iii) the proposing Member has made more than one proposal for consideration at the same annual general meeting <u>or such proposal containing more than 300 words;</u> or</p> <p>(iv) the proposal is meeting submitted after the expiration of the specified period determined by the Board.</p> <p>(b) <u>The proposal proposed for urging the Company to promote public interests or fulfill social</u></p>	<p>Article 49</p> <p>So long as the Shares are listed on any ROC Securities Exchange, one or more Members holding one percent (1%) or more of the total issued Shares immediately prior to the relevant period during which the Register of Members is closed for transfers, may in writing submit to the Company a proposal for consideration and, if appropriate, approval at an annual general meeting. Such proposals shall not be included in the agenda if:</p> <p>(a) the proposing Member(s) hold(s) less than one percent (1%) of the total issued Shares as at the relevant date in accordance with this Article;</p> <p>(b) the matter proposed to be discussed may not be resolved at an annual general meeting;</p> <p>(c) the proposing Member has made more than one proposal for consideration at the same annual general meeting; or</p> <p>(d) the proposal is meeting submitted after the expiration of the specified period determined by the Board.</p>	<p>In order to comply with ROC Company Act, Member' right to submit proposal at an annual meeting is amended.</p>

Amended Article	Original Article	Explanation
<p><u>responsibilities may still be included in the list of proposals to be discussed at an annual general meeting by the Board.</u></p>		
<p>Article 90 A Director who is directly or indirectly has personal interest in the matter proposed at the meeting of the Board (including but not limited to interested in a contract or proposed contract or arrangement with the Company) shall declare the important nature of such interest at such meeting. <u>Where the spouse, a blood relative within the second degree of kinship of a Director, or any company controlling or is controlled by a Director has interests in the matters proposed at the meeting of the Board, such Director shall be deemed to have a personal interest in the matter.</u> (omitted)</p>	<p>Article 90 A Director who is directly or indirectly has personal interest in the matter proposed at the meeting of the Board (including but not limited to interested in a contract or proposed contract or arrangement with the Company) shall declare the important nature of such interest at such meeting. (omitted)</p>	<p>In order to comply with ROC Company Act, the definition of Director' personal interest is expanded.</p>
<p>Article 96 (b) if he/she dies, becomes bankrupt <u>(or in the process of liquidation)</u> and his/her credit has not been restored;  (c) if an order is made by any competent court or official on the grounds that he/she is or will be suffering from lunacy, mental disorder, <u>adjudicated of the commencement of assistantship and such assistantship having not been revoked yet,</u> or is otherwise incapable of managing his/her affairs or his/her legal capacity is restricted according to the applicable laws;  (d) if he/she has committed an offence as specified in the ROC</p>	<p>Article 96 (c) if he/she dies, becomes bankrupt and his/her credit has not been restored;  (d) if an order is made by any competent court or official on the grounds that he/she is or will be suffering from lunacy, mental disorder or is otherwise incapable of managing his/her affairs or his/her legal capacity is restricted according to the applicable laws;  (e) if he/she has committed an offence as specified in the ROC statute of prevention of organizational crimes or similar legislations in other jurisdictions, or subsequently is adjudicated guilty by a final</p>	<p>In order to comply with ROC Company Act, situations in which a person shall not be elected as a Director or vacated are amended.</p>

Amended Article	Original Article	Explanation
<p>statute of prevention of organizational crimes or similar legislations in other jurisdictions, or subsequently is adjudicated guilty by a final judgment, and <u>has not started serving the sentence, has not completed serving the sentence, or five (5) years have not elapsed since completion of serving the sentence, expiration of the probation or pardon;</u></p> <p>(e) if he/she has committed an offence involving fraud, breach of trust or misappropriation, or subsequently sentenced to imprisonment for a term of more than one (1) year in any jurisdiction, <u>and has not started serving the sentence, has not completed serving the sentence, or two (2) years have not elapsed since completion of serving the sentence, expiration of the probation, or pardon;</u></p> <p>(f) if he/she has been adjudicated guilty by a final judgment for <u>committing an offence as specified in the Anti-Corruption Act of ROC or involving misappropriating public funds during the time of his/her public service, and has not started serving the sentence, has not completed serving the sentence, or two (2) years have not elapsed since completion of serving the sentence, expiration of the probation, or pardon;</u></p>	<p>judgment and the time elapsed after he/she has served the full term of such sentence is less than five (5) years;</p> <p>(f) if he/she has committed an offence involving fraud, breach of trust or misappropriation, or subsequently sentenced to imprisonment for a term of more than one (1) year in any jurisdiction, and the time elapsed after he/she has served the full term of such sentence is less than two (2) years;</p> <p>(g) if he/she has been adjudicated guilty by a final judgment for misappropriating public funds during the time of his/her public service, and the time elapsed after he/she has served the full term of such sentence is less than two (2) years;</p>	
<p>Article 119 Each member of the Audit Committee shall supervise the execution of business operations of</p>	<p>Article 119 Each member of the Audit Committee shall supervise the execution of business operations of</p>	<p>In order to comply with ROC Company Act and Securities Exchange Act, the</p>

Amended Article	Original Article	Explanation
<p>the Company, and may from time to time inspect the business and financial conditions of the Company, examine, <u>transcribe or make copies of</u> the books and documents relating to the Company, and request the Board or any officer to make reports in respect of the Company's affairs.</p>	<p>the Company, and may from time to time inspect the business and financial conditions of the Company, examine the books and documents relating to the Company, and request the Board or any officer to make reports in respect of the Company's affairs.</p>	<p>power to inspect Company's document of the Audit Committee is expanded.</p>
<p>Article 122-1 <u>Other than where the board of Directors is unwilling or unable to convene a general meeting, that an Independent Director of the Audit Committee may convene a general meeting, an Independent Director of the Audit Committee may convene a general meeting for the interest of the Company if necessary.</u></p>	<p>None.</p>	<p>In order to comply with ROC Company Act and Securities Exchange Act, the power to call a general meeting by the Audit Committee is expanded.</p>
<p>Article 123 Member(s) continuously holding <u>one percent (1%)</u> or more of the total issued Shares for at least <u>six (6) months</u> may request any member of the Audit Committee in writing to institute, on behalf of the Company, a court action against a Director. (omitted)</p>	<p>Article 123 Member(s) continuously holding three percent (3%) or more of the total issued Shares for at least one (1) year may request any member of the Audit Committee in writing to institute, on behalf of the Company, a court action against a Director. (omitted)</p>	<p>In order to comply with ROC Company Act, the qualification of members to request the Audit Committee to call a general meeting is amended.</p>

## [Attachment VI]

### Strong H Machinery Technology (Cayman) Incorporation

**Table of comparison of the “Procedure for the Acquisition or Disposal of Assets” before and after the amendment**

Provisions currently in effect	Provision after the amendment.	Content of original provisions	Reasons for amendment
<p>IV. Definitions 4.1</p>	<p>The scope of “assets” as referred to in this Procedure shall cover the following:</p> <p>(1) Investment in stocks, government bonds, corporate bonds, bank debentures, <u>fund certificates</u>, depository receipts, call (put) warrants, certificates of beneficial interest, <u>and</u> asset-backed securities.</p> <p>(2) Property (including lands, building and structure, investment property, <u>inventory of the construction industry</u>) and equipment.</p> <p>(3) Membership cards.</p> <p>(4) Patents, copyrights, trademarks, franchises and other intangible assets.</p> <p>(5) <u>Right-of-use assets.</u></p> <p>(6) Rights to debts of financial institutions (including receivables, FX buying rate discount, loans, and overdue accounts for collection).</p> <p>(7) Derivatives.</p> <p>(8) Assets from acquisitions or dispositions through merger, spinoff, acquisition, or acceptance of assigned shares under law.</p> <p>(9) Other major assets.</p>	<p>The scope of “assets” as referred to in this Procedure shall cover the following:</p> <p>(1) Investment in stocks, government bonds, corporate bonds, bank debentures, <u>domestic fund certificates, overseas mutual funds</u>, depository receipts, call (put) warrants, certificates of beneficial interest, and asset-backed securities.</p> <p>(2) Property (including lands, building and structure, investment property, <u>right of land use</u>, inventory of the construction industry) and equipment.</p> <p>(3) Membership cards.</p> <p>(4) Patents, copyrights, trademarks, franchises and other intangible assets.</p> <p>(5) Rights to debts of financial institutions (including receivables, FX buying rate discount, loans, and overdue accounts for collection).</p> <p>(6) Derivatives.</p> <p>(7) Assets from acquisitions or dispositions through merger, spinoff, acquisition, or acceptance of assigned shares under law.</p> <p>(8) Other major assets.</p>	<p>I. Addition of 4.1 (5) for alignment with the requirements of IFRS 16 – Lease with the broadening of the scope of right-of-use assets thereby the original provision of 4.1 (2) on right of land use was moved to 4.1 (5).</p> <p>II. The original version under sequential number of 4.1(5) ~ 4.1(8) was moved to 4.1(6) ~4.1(9).</p>
<p>IV. Definitions 4.2</p>	<p>“Derivatives” as referred to in this Procedure are <u>forwards contracts, option contracts, futures contracts, leverage margin contracts</u>, swap</p>	<p>“Derivatives” as referred to in this Procedure are the forwards contracts, options contracts, futures contracts, leverage</p>	<p>Amendment to the scope of derivatives in alignment with</p>

Provisions currently in effect	Provision after the amendment.	Content of original provisions	Reasons for amendment
	<p>contracts, which values were determined by the designated <u>interest rate, financial instrument price</u>, commodity price, asset, interest rate, exchange rate, price or fee rate index, <u>credit rating, or credit index or other variables</u> , or other benefit of the underlying assets ,and the composite contracts with combination of the aforementioned instruments, the combination of the aforementioned <u>contracts, or the combination of embedded derivatives or structure products</u>. Forwards contract does not include insurance contracts, performance contracts, warranty contracts, long-term lease contracts , and long-term buy-sell <u>contracts</u>.</p>	<p>margin contracts, swap contracts deriving from <u>assets, interest rate, exchange rate, index or other interests and the composite contracts of the combination of the aforementioned commodities</u>. Forwards contract does not include insurance contracts, performance contracts, warranty contracts, long-term lease contracts , and long-term buy-sell contracts.</p>	<p>the definition of IFRS 9- Financial Instruments, with relevant revision of the wording.</p>
<p>IV. Definitions 4.3</p>	<p>Assets acquired or disposed through merger, spinoff, acquisition or acceptance of shares from assignment: these are the assets acquired or disposed through corporate merger, spinoff, or acquisition in accordance with the <u>Corporate Merger and Acquisition Act</u>, Financial Holding Company Act, and The Financial Institutions Merger Act, <u>or</u>, the acceptance of shares assigned by a third party company by issuing new shares (hereinafter referred to as “acceptance of shares from assignment”) pursuant to <u>Article 156-3 of the Company Act</u>.</p>	<p>“Assets from acquisition or disposition through merger, spinoff, acquisition, or acceptance of assigned shares under law” as referred to in this Procedure are the acquisition or disposal of assets through merger, spinoff, or acquisition under applicable laws, or the offering of new shares from acceptance of shares assigned by other companies (hereinafter referred to as “assigned shares”)</p>	<p>“Paragraph 8 of Article 156” was amended as “Article 156-3” in alignment with the amendment to the Company Act in the sequential order of the provisions.</p>
<p>IV. Definitions 4.4</p>	<p>“Related parties” as referred to in this Procedure should be those defined by the Criteria for the Compilation of Financial Statements by Securities Issuers.</p>	<p>“Related parties” as referred to in this Procedure <u>are</u> those defined by the Criteria for the Compilation of Financial Statements by Securities Issuers.</p>	
<p>IV. Definitions 4.5</p>	<p>“Subsidiaries” as referred to in this Procedure should be those defined by the Criteria for the Compilation of Financial Statements by Securities Issuers.</p>	<p>“Subsidiaries” as referred to in this Procedure are those defined by the Criteria for the Compilation of Financial</p>	

Provisions currently in effect	Provision after the amendment.	Content of original provisions	Reasons for amendment
		Statements by Securities Issuers.	
IV. Definitions 4.7	“Day of occurrence” as referred to in this Procedure are the trade contracts signing day, payment day, trade order execution day, account transfer day, Board resolution day, or any other days on which the counterparty of trade and amount of transaction was determined, whichever comes first. For investment requiring the approval of the competent authority, the aforementioned date or the approval date of the competent authority, whichever comes first.	“Day of occurrence” as referred to in this Procedure are the trade contracts signing day, payment day, trade order execution day, account transfer day, Board resolution day, or any other days on which the counterparty of trade and amount of transaction was determined, whichever comes first. For investment requiring the approval of the competent authority, the aforementioned date or the approval date of the competent authority, whichever comes first.	
IV. Definitions 4.8	“Investment in Mainland China” as referred to in this Procedure shall be the investment specified in the <u>Regulations Governing Investment or Technology Joint Venture in Mainland China Area of the Investment Commission, Ministry of Economic Affairs.</u>	“Investment in Mainland China” as referred to in this Procedure shall be the investment in Mainland China under <u>applicable laws.</u>	
IV. Definitions 4.9	<u>Investment as the profession as referred to in this Procedure: financial holding companies, banks, insurance companies, bill finances companies, trust firms, securities dealers in proprietary trade or underwriting, commission futures merchants, securities investment trusts, securities investment consulting firms, and fund management companies duly established under law and regulated by local competent authority of the financial sector.</u>		
IV. Definitions 4.10	<u>Stock exchanges as referred to in this Procedure: domestic stock exchange shall be Taiwan Stock Exchange Corporation. Foreign stock exchanges are any organized securities exchange regulated by the competent authority of securities of relevant countries.</u>		
IV. Definitions 4.11	<u>Over-the-Counter (OTC) markets as referred to in this Procedure: domestic OTC market shall be Taipei Exchange. Foreign OTC markets are financial institutions regulated by the competent</u>		



Provisions currently in effect	Provision after the amendment.	Content of original provisions	Reasons for amendment
	<u>authorities of relevant countries for running securities trade.</u>		
V. the Content 5.1	<p>The professional appraisers and their appraisal staff, certified public accountants, lawyers or securities underwriter from whom <u>the Company and associates obtained the appraisal reports or professional opinions from the CPA, lawyer, or securities underwriter shall meet the following requirements:</u></p> <p><u>(1) No violation of this law, the Company Act, Banking Act, Insurance Act, Financial Holding Companies Act, Business Entities Accounting Act, or commission of fraud, breach of trust, criminal conversion, forgery of documents, or business crimes and has been sentenced for imprisonment of 1 year or more. However, this provision does not apply if 3 years have already passed since completion of service of the sentence, since expiration of the period of a suspended sentence, or since a pardon was received.</u></p> <p><u>(2) Not a related party or with de facto relation with the counterparty of trade.</u></p> <p><u>(3) If the Company is required to obtain the appraisal reports from at least 2 professional appraisers, these professional appraisers or their appraisal staff shall not be related party or have de facto relation to one another.</u></p> <p><u>When issuing an appraisal report or opinion, the personnel referred to in the preceding paragraph shall comply with the following:</u></p> <p><u>(1) Take caution in assessment the professional standing, practitioner experience, and independence before taking the case.</u></p> <p><u>(2) In the conduct of appraisal, proper design and implement the plan in due procedure for coming up with appropriate conclusion for issuing a report or opinion. The implementation procedure, collection of information, and conclusion shall be tracked as work</u></p>	<p><u>Exclusion of related parties:</u> The professional appraisers and their appraisal staff, certified public accountants, lawyers or securities underwriter from whom the Company and associates obtained the appraisal reports or professional opinions from the CPA, lawyer, or securities underwriter <u>shall not be related parties to the Company and the counterparties of trade.</u></p>	<p>I. In consulting with the negative qualification of Directors, Supervisors, and Managers as inscribed in Subparagraph 4 in Article 53 of the Securities and Exchange Act, and Subparagraph 15, Paragraph 1 in Article 8 of the Regulations Governing the Offering and Issuance of Securities by Securities Issuers on the principle of integrity of the issuers or their persons in charge, the Company added and specified the negative qualification of the experts.</p> <p>II. The responsibilities of the external experts were defined. In consulting with the Article 9 of the Criteria for the Compilation of Financial Statements by Securities Issuers on related evaluation, audit, and declaration respecting the opinions of the certified public accountant on the rationality of the appraisal reports</p>

Provisions currently in effect	Provision after the amendment.	Content of original provisions	Reasons for amendment
	<p><u>sheet on file.</u>  <u>(3) Assess if the sources of information, parameters, and information used are complete, accurate and justifiable, which will be used as the foundation for issuing appraisal report or opinion.</u>  <u>(4) The declaration shall cover the professional standing and independence of related personnel, the information used in the appraisal is justifiable and correct, and in compliance with applicable laws.</u></p>		<p>on investment property, details of the evaluation, audit, and declaration of the appraisal reports or professional opinions from the experts were specified.</p>
<p>V. the Content 5.2</p>	<p>Important Notice:  (1) If the acquisition or disposal of assets by the Company shall be subject to the approval of the Board under this Procedure or other applicable laws, and if <u>specific Director holds objection on record or in written declaration, circulate related information to each member of the Auditing Committee.</u>  (2) The Company <u>has</u> established the position of Independent Directors, and considered the opinions of the Independent Directors to its entirety when the motion of acquisition or disposal of assets as mentioned in the preceding paragraph was presented to the Board for discussion. If the Independent Directors have adverse opinions or qualified opinions, keep as minutes of Board Meeting on record.  (3) The Company has established the Auditing Committee, the transactions of major assets <u>or derivative trade</u> shall be subject to the approval of at least 1/2 of the members of the Auditing Committee and final approval of the Board. [Skipped hereunder].</p>	<p>Important Notice:  (1) If the acquisition or disposal of assets by the Company shall be subject to the approval of the Board under this Procedure or other applicable laws, and if <u>specific Director holds adverse opinions or qualified opinions, keep as minutes of Board Meeting on record.</u>  (2) The Company has established the position of Independent Directors, and considered the opinions of the Independent Directors to its entirety when the motion of acquisition or disposal of assets as mentioned in the preceding paragraph was presented to the Board for discussion. If the Independent Directors have adverse opinions or qualified opinions, keep as minutes of Board Meeting on record.  (3) The Company has established the Auditing Committee <u>in accordance with the Articles of Incorporation</u>, the transactions of major assets or derivative trade shall be subject to the approval of at least 1/2 of the members of the Auditing Committee and final approval of the Board. [Skipped hereunder].</p>	<p>Revision of related wording in conformity to legal requirement.</p>

Provisions currently in effect	Provision after the amendment.	Content of original provisions	Reasons for amendment
V. the Content 5.4.1	[the above was skipped] (1) In acquiring or disposing securities from the centralized market or OTC market, determine the price with reference to the current market price. (2) In acquiring or disposing securities outside the centralized market or OTC market, [skipped hereunder]	[the above was skipped] (1) In acquiring or disposing securities <u>traded</u> at the centralized market or OTC market, determine the price with reference to the current market price. (2) In acquiring or disposing securities <u>traded</u> outside the centralized market or OTC market, [skipped hereunder]	Revision of the wording.
V. the Content 5.4.2	[the above was skipped] The acquisition or disposition of securities equivalent to 20% of the paid-in capital of the Company or more than NT\$300 million, consult a certified public accountant (CPA) for opinion of the rationality of the transaction price before the day of transaction. If the CPA adopted the reports from an expert, proceed to SAS No. 20 <u>released</u> by the Accounting Research and Development Foundation. Unless the security has open quotation in an active market, or, the <u>Financial Supervisory Commission</u> regulated otherwise. Assets acquired or disposed through court auction could be supported by the documents issued by the court as the substitute for <u>appraisal report</u> or opinions of the CPA. The calculation of the aforementioned transaction amount shall be governed by Paragraph 2 of 5.11.1.	[the above was skipped] In the acquisition or disposition of securities equivalent to 20% of the paid-in capital of the Company or more than NT\$300 million, consult a CPA to express an opinion on the rationality of the transaction price before the transaction day. If the CPA adopted the reports from an expert, proceed to SAS No. 20 released by the <u>Accounting Research and Development Foundation</u> of the ROC (hereinafter referred to as “ARDF”). Unless the security has open quotation in an active market, <u>in the subscription of the new shares offering by a wholly-owned subsidiary for raising capital, or the law provides otherwise.</u> Assets acquired or disposed through court auction could be supported by the documents issued by the court as the substitute for appraisal report or opinions of the CPA. The calculation of the aforementioned transaction amount shall be governed by Paragraph 2 of 5.11.1.	Revision of the wording.
V. the Content 5.5	The assessment and procedure for the acquisition or disposal of property, equity, <u>or the right-of-use assets:</u>	The assessment <u>and</u> procedure for the acquisition or disposal of property, equity, or the right-of-use assets:	Right-of-use assets were included.
V. the Content 5.5.1	[the above was skipped] (2) Consult an expert for opinion: in the acquisition or disposal of property, equipment, <u>or right-of-use assets</u> equivalent to 20% of the paid-in capital of the	[the above was skipped] (2) Professional opinions of the experts are required: If the acquisition or disposition of property, equipment by the Company equivalent to 20%	I. Government agency shall be the national or local government agency of the country. The

Provisions currently in effect	Provision after the amendment.	Content of original provisions	Reasons for amendment
	<p>Company or more than NT\$300 million, obtain the appraisal report issued by a professional appraiser and in conformity to the following requirements except for the transactions with <u>domestic government agencies</u>, commissioning of construction on proprietary lands or leased land, or the acquisition or disposal of business equipment <u>or the right-of-use of the equipment</u>:</p> <p>(2.1) If under special circumstances that limited price, designated price or special price should be consulted for setting the transaction price, the approval of the Board in advance is necessary. <u>The same</u> procedure is applicable <u>to any amendment thereto</u>.</p> <p>[(2.2) ~(2.3) skipped]</p> <p>(2.4) The date of the appraisal report from the <u>professional appraiser</u> shall not be more than 3 months from the date of entering into agreements. Provided, where the publicly announced current value for the same period is used and not more than 6 months have elapsed, an opinion may still be issued by the original professional appraiser. For acquisition or disposal of assets through court auction, the certification documents issued by court could be used as the substitute for appraisal report <u>or opinions of the CPA</u>.</p> <p>The calculation of the aforementioned transaction amount shall be governed by Paragraph 2 of 5.11.1.</p>	<p>of the paid-in capital of the Company or more than NT\$300 million, with the exception of transactions with the home government agencies, commissioning of construction on proprietary lands, commissioning of construction on lease lands, or the acquisition or disposition of business equipment, present the appraisal reports issued by professional appraisers prior to the day of occurrence in conformity to the following requirements:</p> <p>(2.1) If under special circumstances that limited price, designated price or special price shall be considered for the determination of the price for transaction, the prior approval of the Board will be necessary. <u>The same procedure is applicable to any subsequent change in the terms of conditions thereof</u>.</p> <p>[(2.2) ~(2.3) skipped]</p> <p>(2.4) <u>If the appraisal was made prior to the day</u> of entering into agreement, the date of the appraisal report shall not be longer than 3 months from the day of entering into agreement. Provided, where the publicly announced current value for the same period is used and not more than 6 months have elapsed, an opinion may still be issued by the original professional appraiser. For acquisition or disposal of assets through court auction, the certification document issued by the court could be used as the substitute for the appraisal report.</p> <p>The calculation of the aforementioned transaction amount shall be governed by Paragraph 2 of 5.11.1.</p>	<p>reason is that any transaction with the central government or local government shall be governed by applicable rules and regulations for bidding or tender invitation. Under such circumstance, the possibility of price manipulation is very low that the professional opinion of the expert could be waived. For transactions with foreign governments, related rules and regulations and the bargaining mechanism are uncertain that such transactions are not included for waiver. Therefore, amendment was made to specify only government agencies of the country are included.</p> <p>II. The right-of-use assets were included in conformity to the requirements of IFRS 16- Lease.</p>
V. the Content	Executor: The executors of the acquisition or disposal of	Executor: The executors of the acquisition or disposal of	Right-of-use assets were

Provisions currently in effect	Provision after the amendment.	Content of original provisions	Reasons for amendment
5.5.3	property, equipment, <u>or the right-of-use assets</u> shall be the financial department or related authorities of the Company.	property, equipment, shall be the financial department or related authorities of the Company.	included.
V. the Content 5.6.1	In the acquiring or disposing assets with related parties, the Company shall proceed to <u>5.4, 5.5, 5.6 and 5.7</u> of this Procedure and assess if the terms and conditions are justifiable. If the transaction amount is more than 10% of the total assets of the Company, the appraisal report issued by professional appraisers or the opinion of the certified public accounts is required. The calculation of the aforementioned amount shall be governed by Paragraph 2 in 5.11.1 of this Procedure.	In the acquiring or disposing assets with related parties, the Company shall follow <u>5.4.1(2), 5.5.1 (2) and 5.7.2</u> of this Procedure and assess if the terms and conditions are justifiable. If the transaction amount is more than 10% of the total assets of the Company, the appraisal report issued by professional appraisers or the opinion of the certified public accounts is required. The calculation of the aforementioned amount shall be governed by Paragraph 2 in 5.11.1 of this Procedure.	Rearrangement of the sequential number of the provisions for clarification.
V. the Content 5.6.3	In the acquisition or disposition of property <u>or the right of use of the property</u> with a related party, or in the acquisition or disposition of other assets beyond property <u>or the right of use of the property</u> with a related party and the transaction amounted to 20% of the paid-in capital of the Company or 10% of the total assets of the Company, or more than NT\$300 million except the trading of <u>domestic</u> government bonds, R/P and reverse R/P bonds, the subscription or redemption of money market funds issued by domestic securities investment trust firms, the Company shall present the following information to the Auditing Committee for consent and <u>the final approval of the Board before proceeding</u> to the signing of the agreement on the transactions and effecting payment: (1) The purpose, necessity, and expected benefit from the acquisition or disposal of <u>assets</u> . (2) The reason for choosing designated related <u>party</u> as the counterparty of trade. (3) Information for assessment and	In the acquisition or disposition of property with a related party, or in the acquisition or disposition of other assets beyond property with a related party and the transaction amounted to 20% of the paid-in capital of the Company or 10% of the total assets of the Company, or more than NT\$300 million except the trading of domestic government bonds, R/P and reverse R/P bonds, the subscription or redemption of money market funds issued by domestic securities investment trust firms, the Company shall present the following information to the Board for approval before proceeding to the signing of the agreement on the transactions and effecting payment. (1) The purpose, necessity, and expected benefit from the acquisition or disposal of <u>property</u> . (2) The reason for choosing designated related party as the <u>subject</u> matter.	Government bonds could be exempted from the procedure of presenting to the Board for approval and to the Supervisors for ratification because the credit standing of the central and local governments of the country is easy to check. Seeing the credit standing of foreign government varied significantly, it is not on the list of exemption and only domestic government bonds are included. The right-of-use assets were included in

Provisions currently in effect	Provision after the amendment.	Content of original provisions	Reasons for amendment
	<p>justification of the acquisition or disposal of <u>property or the right-of-use assets</u> in accordance with <u>5.6.5 and 5.6.6</u>.</p> <p>(4) The original date and price, counterparty that the related party acquired the assets <u>and</u> the relation between the counterparty, the Company and the related party.</p> <p>(5) The projection of monthly cash flows in the year ahead from the month of entering into agreement, and assessment of the necessary and the rationality of the use of funds.</p> <p>(6) Obtain the appraisal reports issued by professional appraisers or the opinions of the CPA as specified in 5.6.1.</p> <p>(7) The restricted condition and other important terms for this transaction.</p> <p>(8)The calculation of the aforementioned amount of transaction shall be governed by Paragraph 2 in 5.11.1 of this Procedure. One year as referred to shall be the period from the day of transaction moving backing for one year in retrospect. The portion has been presented to the <u>Auditing Committee</u> and the Board under this Procedure with approval could be excluded from the calculation.</p>	<p>(3) <u>Information</u> for assessment and justification of the acquisition or disposal of property with the related party.</p> <p>(4) The original date and price, counterparty that the related party acquired the assets <u>and</u> the relation between the counterparty, the Company and the related party.</p> <p>(5) The projection of monthly cash flows in the year ahead from the month of entering into agreement, and assessment of the necessary and the rationality of the use of funds.</p> <p>(6) Obtain the appraisal reports issued by professional appraisers or the opinions of the CPA as specified in 5.6.1. <u>If the appraisal result varied with the actual amount of transaction by more than 20%, consult a CPA for expressing substantive opinions on the difference and the appropriateness of the transaction price. In addition, the transaction shall be subject to the resolution of the Board in a session with the presence of more than 2/3 of the Directors and the consent by a simple majority of the Directors in session.</u></p> <p>(7) The restricted condition and other important terms for this transaction.</p> <p>(8) <u>Consult a CPA for expression of opinion on the transaction to determine if it is relevant with the terms and conditions of business transaction and causes no harm to the interest of the minority shareholders.</u> The calculation of the aforementioned amount of transaction shall be governed by Paragraph 2 <u>in</u> 5.11.1 of this Procedure. One year as referred to shall be the period from the day of transaction moving backing for one year in</p>	<p>conformity to IFRS 16-Lease.</p>

Provisions currently in effect	Provision after the amendment.	Content of original provisions	Reasons for amendment
		retrospect. The portion has been presented to the Board under this Procedure with approval could be excluded from the calculation.	
V. the Content 5.6.4	<p>The Company has established the position of Independent Directors and considered the opinions of the Independent Directors to its entirety when the motion was presented to the Board for discussion under 5.6.3 of this Procedure. If the Independent Directors have adverse opinions or qualified opinions, keep as minutes of Board Meeting on record.</p> <p>The Company has established the Auditing Committee and the approval of at least 1/2 of the members of the Auditing Committee and final approval of the Board pursuant to 5.6.3 of this Procedure shall also be governed by 5.2(3) of this Procedure.</p>	<p>If the Company has established the position of Independent Directors and considered the opinions of the Independent Directors to its entirety when the motion was presented to the Board for discussion under 5.6.3 of this Procedure. If the Independent Directors have adverse opinions or qualified opinions, keep as minutes of Board Meeting on record.</p> <p>The Company has established the Auditing Committee and the approval of at least 1/2 of the members of the Auditing Committee and final approval of the Board will be required. <u>The detail of resolution of the Auditing Committee shall be kept as minutes of Board meeting on record. All members of the Auditing Committee and all Directors are those who are still in office.</u></p>	Revision of the wording.
V. the Content 5.6.5	<p>The Company shall assess if the cost of transactions is reasonable when acquiring property <u>or the right of use of the property</u> from a related party in accordance with the following methods:</p> <p>(1) Add necessary cost of capital and the cost to be borne by the buyer in the transactions to the transaction price with the related party. Necessary cost of capital as referred to is based on the weighted average interest rate for financing the Company in the year of asset purchase but shall not be higher than the upper limit of interest rate <u>for</u> lending from non-financial institutions as announced by the <u>Ministry of Finance</u>.</p> <p>(2) If the related party has pledge the <u>subject</u> of purchase to a financial institution as collateral for loan, it would be the total value</p>	<p>The Company shall assess if the cost of transactions is reasonable when acquiring property from a related party in accordance with the following methods:</p> <p>(1) Add necessary cost of capital and the cost to be borne by the buyer in the transactions to the transaction price with the related party. Necessary cost of capital as referred to is based on the weighted average interest rate for financing the Company in the year of asset purchase but shall not be higher than the <u>upper limit</u> of interest rate for lending from non-financial <u>institutions</u> as announced by the competent authority.</p> <p>(2) If the related party has pledge the <u>subject</u> of purchase</p>	<p>I. The acquisition of the right-of-use of property from related parties by leasing was included in this provision in conformity to the requirement of IFRS 16-Lease.</p> <p>II. Considered the coordination for the collective lease of property for eventual subletting among public companies and their parent companies, subsidiaries, or among the direct and indirect wholly-owned</p>

Provisions currently in effect	Provision after the amendment.	Content of original provisions	Reasons for amendment
	<p>appraised by the financial institution on the <u>subject</u> of purchase for granting the loan. However, the actual drawdown of loan from the financial institution should at least be 70% of the total appraised value of the <u>subject</u> of purchase accumulatively and the loan period is longer than 1 year. However, this shall not apply where the financial institution is a related party of one of the transaction counterparties.</p> <p>(3) In the combined purchase <u>or lease</u> of the land and housing of the same <u>subject</u> matter of transaction, the cost of transaction shall be appraised separately on the land and the housing in any of the methods stated in 5.6.5 (1)~(2).</p> <p>(4) In acquiring property <u>or the right of use of the property</u> from a related party, the Company shall appraise the cost of the property <u>or the right of use of the property</u> in accordance with 5.6.5 (1)~(3), and consult a certified public accountant for a second <u>review</u> and expression of substantive opinions.</p> <p>(5) If any of the following is applicable to the acquisition of property <u>or the right of use of the property</u> from a related party, the Company may just proceed to related appraisal and operation procedure as stated 5.6.3 and 5.6.4, where 5.6.5 (1)~(4) shall not be applicable:</p> <p>(5.1) The related party acquired <u>the property or the right of use of the property</u> through succession or donation.</p> <p>(5.2) The related party entered into agreement for the acquisition of the property <u>or the right of use of the property</u> was longer than 5 years in retrospect from the date of entering into agreement on this transaction.</p> <p>(5.3) The Company entered into agreement with the related party on joint venture of construction, or commissioning of construction on proprietary lands, leased lands, or acquired the property through</p>	<p>to a financial institution as collateral for loan, it would be the total value appraised by the financial institution on the <u>subject</u> of purchase for granting the loan. However, the actual drawdown of loan from the financial institution should at least be 70% of the total appraised value of the <u>subject</u> of purchase accumulatively and the loan period is longer than 1 year. However, this shall not apply where the financial institution is a related party of one of the transaction counterparties.</p> <p>(3) In the combined purchase of the land and housing of the same <u>subject</u> matter of transaction, the cost of transaction shall be appraised separately on the land and the housing in any of the aforementioned methods as stated in preceding 2 paragraphs.</p> <p>(4) In acquiring property from a related party, the Company shall appraise the cost of property in accordance with the aforementioned requirement, and shall <u>consult</u> a certified public accountant for a second review and expression or substantive opinions.</p> <p>(5) If any of the following is applicable to the acquisition of property from a related party, the Company may just proceed to related appraisal and operation procedure as stated 5.6.3 and 5.6.4, where 5.6.5 (1)~(4) shall not be applicable:</p> <p>(5.1) The related party acquired the property through succession or donation.</p> <p>(5.2) The related party entered into agreement for the acquisition of the property or was longer than 5 years in retrospect from the date of entering into agreement on this</p>	<p>subsidiaries, and the risk of transactions beyond arm's length of the aforementioned transactions is relatively low, (5.4) was added thereby the requirement of the assessment on the rationality of the cost of these transactions under this provision (the transaction price for the acquisition of property or paid for the leasing of the property with related parties) was waived. Inasmuch as the exclusion of this provision, it will not be necessary to prove if the transaction price is reasonable pursuant to 5.6.6, and the requirement of the appropriation of special reserve as stated in 5.6.7-5.6.9.</p>



Provisions currently in effect	Provision after the amendment.	Content of original provisions	Reasons for amendment
	<p>commissioning of the related party for the construction of the property. <u>(5.4) The Company and its parent company, subsidiaries, or direct or indirect wholly-owned subsidiaries by equity share or capital investment acquire the right of use of business property from one another.</u></p>	<p>transaction. (5.3) The Company entered into agreement with the related party on joint venture of construction, or commissioning of construction on proprietary lands, leased lands, or acquired the property through commissioning of the related party for the construction of the property.</p>	
<p>V. the Content 5.6.6</p>	<p>If the result of appraisal <u>conducted</u> by the Company as stated in 5.6.5 (1) ~ (3) falls below the transaction price, proceed to 5.6.7. Except under the following circumstances supported by objective evidence and professional opinions of the real estate appraisers and certified public accountants to justify the situation: (1) If the related party acquired uncultivated land or leased land for construction, proof if any of the following conditions is satisfied: (1.1) Uncultivated lands shall be appraised under the <u>5.6.5</u> methods. Buildings shall be appraised on the basis of the construction cost plus reasonable construction profit and the total of which exceeds the actual price of transaction. Reasonable construction profit is based on the average gross margin of the construction segment of the related party in the last 3 years, or the gross margin of the construction industry announced by the <u>Ministry of Finance covering</u> the most recent period, whichever is lower. (1.2) Transaction of property in other storey of the same <u>subject</u> premises or premises in the immediate area in relevant size, with a non-related party and justified under the terms and conditions of common practice of property <u>trade or lease</u> as reasonable so far as the storey level or price difference by location is concerned. (2) The Company has proved that the property purchased or leased</p>	<p>If the result of appraisal conducted by the Company as stated in 5.6.5 (1) ~ (3) falls below the transaction price, proceed to 5.6.7. Except under the following circumstances supported by objective evidence and professional opinions of the real estate appraisers and certified public accountants to justify the situation: (1) If the related party acquired uncultivated lands or leased lands for construction, prove if any of the following condition was satisfied: (1.1) Uncultivated lands shall be appraised under the required methods. Buildings shall be appraised on the basis of the construction cost plus reasonable construction profit and the total of which exceeds the actual price of transaction. Reasonable construction profit is based on the average gross margin of the construction segment of the related party in the last 3 years, or the gross margin of the construction industry announced by the <u>institutions</u> covering the most recent period, whichever is lower. (1.2) Transaction of property in other storey of the same <u>subject</u> premises or premises in the immediate area in relevant size, with a non-related party and justified under the terms and conditions of common practice of property trade or</p>	<p>The requirement of acquiring the right-of-use of property from a related party was loosened to reflect the practice of leasing property and plant thereby the lease with a non-related party in the immediate area within 1 year could be used for the calculation and as reference for justifying the transaction price. Likewise, 5.6.6 (1) (1.3) was combined with 5.6.6(1) (1.2), and the cases of lease were included as the cases of the transactions.</p>

Provisions currently in effect	Provision after the amendment.	Content of original provisions	Reasons for amendment
	<p>from the related party <u>or the right of use of the property is relevant with the transaction</u> with a non-related party in similar floor size in the immediate area within one year.</p> <p>(3) The <u>aforementioned transactions</u> in the immediate area shall be a location at the same or nearby block and is within a perimeter of 500 meters from the <u>subject premises</u>, or approximated the posted present value. Relevant floor size refers to the property transaction with non-related parties with floor size no less than 50% of the subject premises. One year as referred to shall be the period of one year from the day of acquisition or the property <u>or the right of use of the property</u> moving backward for one year in retrospect.</p>	<p>lease as reasonable so far as the storey level or price difference by location is concerned.</p> <p><u>(1.3) Transaction of property in other storey of the same subject premises with a non-related party and justified under the terms and conditions of common practice of property trade or lease as reasonable so far as the storey level is concerned.</u></p> <p>(2)The Company has proved that the property purchased or leased from the related party or the right of use of the property is relevant with the <u>transaction</u> with a non-related party in similar floor size in the immediate area within one year.</p> <p>(3) The <u>aforementioned transactions</u> in the immediate area shall be a location at the same or nearby block and is within a perimeter of 500 meters from the subject premises, or approximated the posted present value. Relevant floor size refers to the property transaction with non-related parties with floor size no less than 50% of the subject premises. One year as referred to shall be the period of one year from the day of acquisition or the property or the right of use of the property moving backward for one year in retrospect.</p>	
V. the Content 5.6.7	<p>If the appraisal result of the transactions of acquiring property <u>or the right-of-use of the property</u> from a related party under 5.6.5 and 5.6.6 falls below the actual transaction price, proceed to the following:</p> <p>(1) Appropriate as special reserve on the difference between the transaction price of property <u>or the right-of-use of the property</u> and the appraised cost. This portion of special reserve cannot be distributed or capitalized for</p>	<p>If the appraisal result of the transactions of acquiring property from a related party under 5.6.5 and 5.6.6 falls below the actual transaction price, proceed to the following:</p> <p>(1) Appropriate as special reserve on the difference between the transaction price of property or the right-of-use of the property and the appraised cost. This portion of special reserve cannot be distributed or capitalized for</p>	The acquisition of the right-of-use of property from related parties by leasing was included in this provision in conformity to the requirement of IFRS 16-Lease with the requirement of action taken in response to

Provisions currently in effect	Provision after the amendment.	Content of original provisions	Reasons for amendment
	<p>issuing new shares. If the investment of the Company accounted <u>for</u> under the equity method was made with public companies, appropriate for special reserve in proportion to the shareholding of the Company with these companies in accordance with applicable laws.</p> <p><u>(2) The Company has established the Auditing Committee. The requirements of Article 218 of the Company Act shall be applicable to the Independent Directors who are members of the Auditing Committee.</u></p> <p>(3) Report the state of affairs under the preceding <u>2</u> paragraphs to the Shareholders Meeting, and disclose the details of the transactions in the annual report and prospectus.</p>	<p>issuing new shares. If the investment of the Company accounted for under the equity method was made with public companies, appropriate for special reserve in proportion to the shareholding of the Company with these companies in accordance with applicable laws.</p> <p>(2) Report the state of affairs under the preceding paragraph to the Shareholders Meeting, and disclose the details of the transactions in the annual report and prospectus.</p>	<p>circumstance that the appraised cost falls below the actual transaction price.</p> <p>II. The Company has established the Auditing Committee. The Independent Directors who are members of the Auditing Committee shall be governed by Article 218 of the Company Act.</p> <p>III. Rearrangement of 5.6.7 (2) to combine with 5.6.7 (3).</p>
V. the Content 5.6.8	<p>If special reserve has been appropriated in <u>accordance</u> with 5.6.7, the Company may use the reserve only after the assets acquired or leased at a higher price has been recognized for devaluation, <u>or has been disposed, or the lease</u> agreement was terminated, or with appropriate compensation or recovery to its original condition, or is justifiable with proof and at the consent of the competent authority.</p>	<p>If special reserve has been appropriated in accordance with 5.6.7, the Company may use the reserve only after the assets acquired or leased at a higher price has been recognized for devaluation, or has been disposed, or with appropriate compensation or recovery to its original condition, or is justifiable with proof and at the consent of the competent authority.</p>	<p>Revision of the wording in complying with legal requirement.</p>
V. the Content 5.6.9	<p>If the Company acquires property <u>or the right-of-use of the property</u> from a related party which indicated by evidence as not in arm's length transaction, proceed to 5.6.7 and 5.6.8.</p>	<p>If the Company acquires property from a related party which indicated by evidence as not in arm's length transaction, proceed to 5.6.7 and 5.6.8.</p>	<p>The right-of-use of the property was included in compliance with legal requirement.</p>
V. the Content 5.6.10	<p>For transactions amount the <u>Company</u> and its parent company, subsidiaries, and direct or indirect wholly-owned subsidiaries by <u>shareholding or capital ownership specified below</u>, the Board shall authorize the Chairman to make decision within designated limit in the first place, and report to the nearest session of the Board for ratification:</p> <p><u>(1) The acquisition or disposal of</u></p>	<p>In the acquisition or <u>disposal of business equipment between the Company and its subsidiaries</u>, the Board shall authorize the Chairman to make decision within designated limit in the first place, and report to the nearest session of the Board for ratification.</p>	<p>Considered the coordination for the collective purchase or lease of business equipment for eventual transfer (including trading or sublet) among public companies and their parent</p>

Provisions currently in effect	Provision after the amendment.	Content of original provisions	Reasons for amendment
	<u>business equipment or the right-of-use of the equipment.</u> <u>(2) The acquisition or disposal of the right-of-use of business equipment.</u>		companies, subsidiaries, or among the direct and indirect wholly-owned subsidiaries, and the risk of transactions is relatively low, that the Chairman should be authorized for deciding the acquisition or disposal of business equipment , the right-of-use assets or business property among these business entities with corresponding revision of the wording.
V. the Content 5.6.11	(This article is deleted. )	<u>If any of the following applies to transactions between the Company and related parties, present to the Shareholders Meeting for final approval after passing by the Board. In addition, related parties or parties affiliated with the related parties are not entitled to vote in the decision-making process:</u> <u>(1) The transaction amount varied with the appraisal amount by more than 20%.</u> <u>(2) The transaction amount and the conditions of the transactions influenced the operation of the Company significantly.</u> <u>(3) Significant influence on shareholders equity.</u> <u>(4) Any others that the Board deemed necessary to present to the Shareholders Meeting for final approval.</u>	This provision is deleted without keeping the sequential number.
V. the Content 5.7	The assessment and procedure for the acquisition <u>or disposition of intangible assets or the right-of-use assets or membership cards:</u>	The assessment and procedure for the acquisition or disposal of <u>membership cards, intangible assets or other</u>	The right-of-use of the property was included in compliance with

Provisions currently in effect	Provision after the amendment.	Content of original provisions	Reasons for amendment
		<u>major assets</u> :	legal requirement.
V. the Content 5.7.1	Determination of price and references: collect related information on the prices and compare the price or bargain for the deal in the acquisition or disposal of membership cards. Collect related information on the prices with cautious assessment of applicable laws and the content of the contracts in the acquisition or disposal of intangible assets <u>or the right-of-use of these assets</u> to determine the transaction price.	Determination of price and references: collect related information on the prices and compare the price or bargain for the deal in the acquisition or disposal of membership cards. Collect related information on the prices with cautious assessment of applicable laws and the content of the contracts in the acquisition or disposal of intangible assets <u>and other major assets</u> to determine the transaction price.	The right-of-use of the property was included in compliance with legal requirement.
V. the Content 5.7.2	Appointment of an expert for professional opinions: If the acquisition or disposition of intangible assets <u>or the rights of use of the assets or membership cards</u> by the Company is more than 20% of the paid-in capital or NT\$300 million, consult a certified public accountants for an opinions to determine if the transaction price is reasonable, and proceed to SAS No. 20 announced by the Accounting Research and Development Foundation except for transactions with <u>domestic government agencies.</u> The calculation of the aforementioned transaction amount shall be governed by Paragraph 2 of 5.11.1. One year as referred to shall be the period from the day of occurrence moving backward for a period of one year in retrospect. The portion already supported by the appraisal reports issued by <u>professional appraisers or the professional opinions of the certified public accountants could be excluded from the calculation.</u>	Appointment of an expert for professional opinions: If the acquisition or disposition of <u>membership cards</u> or intangible assets or <u>other vital assets</u> by the Company is more than 20% of the paid-in capital or NT\$300 million, consult a certified public accountants for an opinions to determine if the transaction price is reasonable, and proceed to SAS No. 20 announced by the Accounting Research and Development Foundation except for transactions with domestic government agencies. The calculation of the aforementioned transaction amount shall be governed by Paragraph 2 of 5.11.1. One year as referred to shall be the period from the day of occurrence moving backward for a period of one year in retrospect. The portion already <u>approved by the Board</u> under this procedure could be excluded from the calculation.	The reason for amendment is the same as for 5.5.1 with revision of the wording.
V. the Content 5.7.4	Executor: the executors of the acquisition or disposal of intangible assets or the right-of-use assets <u>or membership cards of the Company</u> shall be the financial department and related authorities of the Company.	Executor: the executors of the acquisition or disposal of <u>membership cards</u> and intangible assets of the Company shall be the financial department and related authorities of the Company.	The right-of-use of the property was included in compliance with legal requirement.
V. the Content	Transaction process: The process for the acquisition or disposal of	Transaction process: The process for the acquisition or	The right-of-use of the property

Provisions currently in effect	Provision after the amendment.	Content of original provisions	Reasons for amendment
5.7.5	intangible assets <u>or the right-of-use assets or membership cards</u> shall be governed by the internal control system of the Company in the aspect of “Purchase and Payment”.	disposal of <u>membership cards</u> and intangible assets shall be governed by the internal control system of the Company in the aspect of “Purchase and Payment”.	was included in compliance with legal requirement.
V. the Content 5.9.2	[the above was skipped] (2) Personnel responsible for the dealing <u>of</u> derivatives shall not perform the function of confirmation and delivery of trade at the same time, or vice versa. (3) The personnel responsible for risk assessment, monitoring and control and the aforementioned personnel shall be in separate functional departments, and shall report to the Board or senior officers who are not responsible for duties respecting the transaction or decision on the holding of <u>position</u> . (4) Conduct routine assessment on the position <u>of</u> derivatives held by the Company at regular intervals in accordance with the methods specified in 5.9.6.	[the above was skipped] (2) Personnel responsible for the dealing of derivatives shall not perform the function of confirmation and delivery of trade at the same time, or vice versa. (3) The personnel responsible for risk assessment, monitoring and control and the aforementioned personnel shall be in separate functional departments, and shall report to the Board or senior officers who are not responsible for duties respecting the transaction or decision on the holding of position. (4) Conduct routine assessment on the position and amount of derivatives held by the Company at regular intervals in accordance with the methods specified in 5.9.6.	Revision of the wording.
V. the Content 5.9.3	The internal auditors shall find out if the internal control of derivative trade is appropriate at regular intervals, and examine if the dealing department has complied with the <u>procedure</u> in conducting derivative trade and analyze the transaction cycle monthly, and compile the findings into audit reports. If severe violation was discovered, report to the <u>Independent Directors and Auditing Committee</u> in writing.	The internal auditors shall find out if the internal control of derivative trade is appropriate at regular intervals, and examine if the dealing department has complied with the procedure in conducting derivative trade and analyze the transaction cycle monthly, and compile the findings into audit reports. If severe violation was discovered, report to the Independent Directors and Auditing Committee in writing:	In consideration of the spirit of audit contained in Article 15 of the “Regulations Governing Establishment of Internal Control System by Public Companies” with the establishment of the position of Independent Directors, the Company shall notify the

Provisions currently in effect	Provision after the amendment.	Content of original provisions	Reasons for amendment
			Independent Directors at once of any server violation of the rules and regulations governing derivative trade.
V. the Content 5.9.4	<p>[the above was skipped]</p> <p>(1.1) Appoint designated senior officers to pay close attention to the monitoring and control of the transaction risk inherent to derivative trade from time to time.</p> <p>(1.2) Assess the performance of derivative trade to determine if the transactions are relevant with the corporate strategy of the Company and within the tolerance of risk at regular intervals.</p> <p>(2) The Board shall authorized senior officers to manage derivative trade in accordance with the following principles:</p> <p>(2.1) Assess if the risk management policy is appropriate and is in compliance with applicable laws and this Procedure at regular intervals.</p> <p>(2.2) Monitor the transaction and the profit position, take <u>necessary</u> measures in response to any exclusion discovered, and report to the Board at once. If the Company has established the positions of Independent Directors, the Independent Directors <u>shall</u> attend the session of the Board to express opinion.</p> <p>[Skipped hereunder]</p>	<p>[the above was skipped]</p> <p>(1.1) Appoint designated senior officers to pay close attention to the monitoring and control of the transaction risk inherent to derivative trade from time to time.</p> <p>(1.2) Assess the performance of derivative trade to determine if the transactions are relevant with the corporate strategy of the Company and within the tolerance of risk at regular intervals.</p> <p>(2) The senior officers appointed by the Board shall manage derivative trade in accordance with the following principles:</p> <p>(2.1) Assess if the risk management policy is appropriate and is in compliance with applicable laws and this management <u>Procedure</u> at regular intervals.</p> <p>(2.2) Monitor the transaction and the profit position, take necessary measures in response to any exclusion discovered, and <u>report to the Chairman</u> once for mapping out the solution and report to the <u>nearest session of the Board</u> on the status. If the Company has established the positions of</p>	Revision of the wording in complying with legal requirement.

Provisions currently in effect	Provision after the amendment.	Content of original provisions	Reasons for amendment
		Independent Directors, the Independent Directors shall attend the session of the Board to express opinion. [Skipped hereunder]	
V. the Content 5.9.5	The Company shall set up a registry for tracking derivative trade with the particulars of the types of derivatives, the amount of trade, the date of approval by the Chairman or the Board, and the items under cautious assessment under 5.9.4 (1), 5.9.4 (2) (2.1) and <u>5.9.6(1)</u> inscribed therein.	The Company shall set up a registry for tracking derivative trade with the particulars of the types of derivatives, the amount of trade, the date of approval by the Chairman or the Board, and the items under cautious assessment under <u>5.9.1 (4)</u> , <u>5.9.4 (1)(1.2)</u> , and <u>5.9.4 (2) (2.1)</u> inscribed therein.	Rearrangement of the sequential order of the provisions with relevant revision of the wording in conformity to legal requirement.
V. the Content 5.9.6	[the above was skipped] (1) Assess the position of derivative trade at least once a week, and the position of hedge trade for business needs at least twice a month. Present the assessment report to the senior officer authorized by the Board. (2) The Board shall authorize a senior officer to monitor and assess the risk management policy current in effect at regular interval to ensure it is effective and appropriate, the conduct of derivative trade is in compliance with applicable rules and regulations, the performance of derivative trade is relevant with the corporate strategy of the Company, and the risk is controlled within the threshold of the Company, and report to the Chairman of any exclusion to map out the solution for the problem, and report to the nearest session of the Board on the status.	[the above was skipped] (1) Assess the position of derivative trade at least once a week and the position of hedge trade for business needs at once every fortnight. Present the assessment report to the senior officer authorized by the Board. (2) The Board shall authorize a senior officer to monitor and assess the risk management policy current in effect at regular interval to ensure it is effective and appropriate, the conduct of derivative trade is in compliance with applicable rules and regulations, the performance of derivative trade is relevant with the corporate strategy of the Company, and the risk is controlled within the threshold of the Company, and report to the Chairman of any exclusion to map out the solution for the problem, and report to the nearest session of the Board on the status.	Revision of the wording in complying with legal requirement.



Provisions currently in effect	Provision after the amendment.	Content of original provisions	Reasons for amendment
V. the Content 5.10.2	<p>Prepare public documents for the <u>shareholders containing information on the merger, spinoff, or acquisition</u>, including the terms and conditions of the merger, spinoff and acquisition and related matters before the convention of the Shareholders Meeting. The professional opinions of the experts in <u>5.10.1</u> and the notice of Shareholders Meeting shall also be forwarded to the shareholders at the same time as reference for the shareholders in making decision of the merger, spinoff, or acquisition. Unless the convention of Shareholders Meeting for decision of the merger, spinoff, or acquisition is not required <u>under</u> law.</p> <p><u>If any side of the companies participating in the merger, spinoff, or acquisition cannot successfully</u> hold the session of Shareholders Meeting and make decision due to the lack of a quorum and sufficient votes, or under other legal restrictions, or the motion was vetoed by the Shareholders Meeting, the companies participating in <u>the merger, spinoff, or acquisition shall explain the cause</u>, remedial action to be taken and the expected date of a new round of convention of the Shareholders Meeting to the public.</p>	<p>After the Company has gone <u>public</u>, the Company shall prepare an open <u>file</u> to the shareholders containing information on the important contracts on the merger, spinoff or acquisition and related matters before the convention of the Shareholders Meeting, and forward the professional opinions from the experts and the meeting notice to the shareholders about the convention as specified in I to the shareholders at the same time as reference for the shareholders to make decision of the merger, spinoff, or acquisition. Unless the convention of Shareholders Meeting for decision of the merger, spinoff, or acquisition is not required <u>under law</u>. If Shareholders Meeting cannot be held and decision cannot be made due to the lack of a quorum and sufficient votes, or under other legal restrictions, or the motion was vetoed by the Shareholders Meeting, explain the cause, remedial action to be taken and the expected date of a new round of convention of the Shareholders Meeting to the public.</p>	Revision of the wording in complying with legal requirement.
V. the Content 5.10.3	<p>The companies participating in the merger, spinoff or acquisition shall report to Financial Supervisory Commission (hereinafter referred to as "FSC") for consent in the first place and hold session of the Board and the Shareholders Meeting on</p>	<p>The Company shall call for the session of the Board and the Shareholders Meeting on the same day as the companies participating in the merger, spinoff, or acquisition <u>for resolution of merger, spinoff, or</u></p>	Revision of the wording in complying with legal requirement.

Provisions currently in effect	Provision after the amendment.	Content of original provisions	Reasons for amendment
	<p>the same day <u>for resolution of merger, spinoff, or acquisition</u> unless the law provides otherwise or under special circumstances.</p> <p>[Skipped hereunder]</p>	<p><u>acquisition</u> unless the law provides otherwise or under special circumstances that requires the report to Financial Supervisory Commission (hereinafter referred to as “FSC”) for consent in the first place. [Skipped hereunder]</p>	
V. the Content 5.10.4	<p><u>If the companies participating in the merger, spinoff or acceptance of assigned shares are companies listed at TWSE or TPEX,</u> compile the following information into record in writing and retain for 5 years as reference.</p> <p>(1) Basic information on the personnel: they are the personnel participating in the planning or execution of the merger, spinoff, acquisition or acceptance of assigned shares before the disclosure of related information, and the titles, names, ID card number (passport numbers for foreign nationals).</p> <p>[Skipped hereunder]</p>	<p><u>The Company</u> shall compile the following information into complete record in writing and retain for 5 years for reference.</p> <p>(1) Basic information on the personnel: they are the personnel participating in the planning or execution of the merger, spinoff, acquisition or acceptance of assigned shares before the disclosure of related information, and the titles, names, ID card number and <u>font size</u> (passport numbers for foreign nationals).</p> <p>[Skipped hereunder]</p>	Revision of the wording in complying with legal requirement.
V. the Content 5.10.5	<p>If the companies participating in the merger, spinoff or acceptance of assigned shares are companies listed at TWSE or TPEX, declare the information as specified in 5.10.4(1)~(2) in the required format with the competent authority via the Internet information system for record within 2 days after the resolution of the Board.</p> <p><u>If the companies participating in the merger, spinoff, acquisition or acceptance of assigned shares are not listed at TWSE or TPEX, participants who are companies listed at TWSE or TPEX shall enter into agreement with the former and</u></p>	<p><u>The Company shall duly observe applicable laws</u> by declaring the information as specified in 5.10.4(1)~(2) in the required format with the competent authority via the Internet information system for record within 2 days after the resolution of the Board.</p>	Revision of the wording in complying with legal requirement.

Provisions currently in effect	Provision after the amendment.	Content of original provisions	Reasons for amendment
	<u>proceed to 5.10.4 and 5.10.5.</u>		
V. the Content 5.10.6	Personnel who participated in or acknowledged the plans of merger, spinoff, acquisition, or acceptance of assigned shares shall declare in undertaking of confidentiality in writing, and shall not disclose the content of the plans before disclosure, and shall not trade the stocks and other equity securities issued by the companies participating in the merger, spinoff, acquisition or acceptance of assigned shares in their own names or in the name of a third party.	all personnel participating in or acknowledge of the plans of the Company on merger, spinoff, acquisition, or acceptance of shares through assignment, declare the obligation of confidentiality in writing thereby shall not disclose the content of the plans before the information goes public, and shall not engage in the trading of the stocks and any other equity securities of the companies involved in the merger, spinoff, acquisition, or acceptance of shares through assignment by themselves or in the name of a third party.	Revision of the wording in complying with legal requirement.
V. the Content 5.10.7	Participants of the merger, spinoff, acquisition, or acceptance of assigned shares shall change the ratio of share swap or the acquisition price at free will except the following, and shall specify the conditions for the changes of share swap or acquisition price in the agreements <u>on the merger, spinoff, acquisition, or acceptance of assigned shares.</u> [Skipped hereunder]	The ratio of share swap or acquisition price cannot be changed at free will except under the following situations, and the conditions for changes of share swap or acquisition price in the agreements on the merger, spinoff, acquisition, or acceptance of assigned shares. [Skipped hereunder]	Revision of the wording in complying with legal requirement.
V. the Content 5.10.8	The rights and obligations of the companies participating in the merger, spinoff, acquisition or acceptance of assigned shares shall be explicitly stated in the agreements on the merger, spinoff, acquisition, or acceptance of assigned shares. (1) Breach of contract. (2) The company being acquired in the merger or spin off has offered equity securities in advance, or has	The rights and obligations of the companies participating in the merger, spinoff, acquisition or acceptance of assigned shares shall be explicitly stated in the agreements on the merger, spinoff, acquisition, or acceptance of assigned shares. (1) Breach of contract. (2) The company being acquired in the merger or spin off has offered equity securities	Revision of the wording in complying with legal requirement.

Provisions currently in effect	Provision after the amendment.	Content of original provisions	Reasons for amendment
	<p>the principle of handling the repurchase of treasury shares.</p> <p>(3) The quantity of treasury shares that the participating companies could repurchase under law after the day of calculation of the ratio of share swap and the principle of the operation.</p> <p>(4) The response to the change in the organization or the number of participating companies.</p> <p>(5) The scheduled progress of the plan and the expected date of completion.</p> <p>(6) If the plan cannot be completed on schedule, the procedure for the anticipated date and related procedure for holding Shareholders Meeting under law.</p>	<p>in advance, or has the principle of handling the repurchase of treasury shares.</p> <p>(3) The quantity of treasury shares that the participating companies could repurchase under law after the day of calculation of the ratio of share swap and the principle of the operation.</p> <p>(4) The response to the change in the organization or the number of participating companies.</p> <p>(5) The scheduled progress of the plan and the expected date of completion.</p> <p>(6) If the plan cannot be completed on schedule, the anticipated date and related procedure for holding Shareholders Meeting under law.</p>	
V. the Content 5.10.9	<p>Change in the number of participants in the merger, spinoff, acquisition, or acceptance of shares through assignment: If <u>any of the participants</u> in the merger, spinoff, acquisition or acceptance of shares through assignment desires to engage in merger, spinoff, acquisition, or acceptance of shares through assignment with other companies, it will not be necessary for the participant to hold another round of the Shareholders Meeting unless the number of participants decreased and the Shareholders Meeting has resolved and authorized the Board for making change in the authority, the procedures or legal action of the previous merger, spinoff, acquisition or acceptance of shares</p>	<p>If the Company desires to engage in merger, spinoff, acquisition or acceptance of assigned shares with other companies after participating in a spinoff, merger, acquisition or acceptance of assigned shares, and has disclosed related information under applicable laws or this Procedure, it is not necessary for the Shareholders Meeting of the Company to convene again for making decision unless the number of participants reduced and the Shareholders Meeting has authorized the Board to change the <u>permission right</u>. Accordingly, all participants in the original merger, spinoff,</p>	Revision of the wording in complying with legal requirement.

Provisions currently in effect	Provision after the amendment.	Content of original provisions	Reasons for amendment
	already accomplished shall be reenacted by all participants.	acquisition or acceptance of assigned shares shall repeat the procedures or legal action already accomplished.	
V. the Content 5.10.10	If some of the participants in the merger, spinoff, acquisition, or acceptance of assigned share are not public companies, the Company shall enter into agreement with these companies in accordance with 5.10.3~5.10.6, and 5.10.9.	If some of the participants in the merger, spinoff, acquisition, or acceptance of assigned share are not public companies, the Company shall enter into agreement with these companies in accordance with 5.10.3- 5.10.6, and 5.10.9.	Revision of the wording.
V. the Content 5.11.1	<p>If any of the following applies to the acquisition or disposal of assets by the Company, declare with related information by type of asset in the required format at the designated website within 2 days after the day of occurrence:</p> <p>(1) The acquisition or disposal of property or <u>the right-of-use</u> of the property, or any other assets beyond property <u>or the right-of-use</u> of the property with related parties and the amount of transaction is equivalent to 20% of the paid-in capital or 10% of the total assets of the Company, or more than NT\$300 million. Except the trading of <u>domestic</u> government bonds, R/P and reverse R/P bonds, the subscription or redemption of money market funds issued by domestic securities trust enterprises.</p> <p>(2) Proceeding to merger, spinoff, acquisition or acceptance of assigned shares.</p> <p>(3) The loss resulted from derivative trade at designated amount in whole or in particular contract of the Procedure.</p> <p>(4)The acquisition or disposal of business equipment and <u>the right-</u></p>	<p>If any of the following applies to the acquisition or disposal of assets by the Company, declare with related information by type of asset in the required format at the designated website within 2 days after the day of occurrence:</p> <p>(1) The acquisition or disposal of property or the right-of-use of the property, or any other assets beyond property or the right-of-use of the property with related parties and the amount of transaction is equivalent to 20% of the paid-in capital or 10% of the total assets of the Company, or more than NT\$300 million. Except the trading of domestic government bonds, R/P and reverse R/P bonds, the subscription or redemption of money market funds issued by domestic securities trust enterprises.</p> <p>(2) Proceeding to merger, spinoff, acquisition or acceptance of assigned shares.</p> <p>(3) The loss resulted from derivative trade at designated amount in whole or in</p>	<p>I. Considered the simplicity of inquiring the credit standing of the national and local governments of the country that transactions with these governments could be exempted from announcement. The credit standing of foreign governments varied significantly and is not included for exemption from announcement. As such, amendment was made to include only domestic government bonds.</p> <p>II. The right-of-use assets were</p>

Provisions currently in effect	Provision after the amendment.	Content of original provisions	Reasons for amendment
	<p>of-use assets with non-related parties and the amount is equivalent to any of the following levels:</p> <p><u>(4.1) The transaction amount is more than NT\$500 million for public companies with paid-in capital of less than NT\$10,000 million.</u></p> <p><u>(4.2) The transaction amount is more than NT\$1,000 million for public companies with paid-in capital of more than NT\$10,000 million.</u></p> <p><u>(5) Acquisition of property through commissioning of construction on proprietary lands or leased lands, joint venture in construction with split up of the finished premises, joint venture in construction with split up of proceeds from sale, Joint venture in construction with separate marketing of the finished premises and the counterparty of trade is not a related party that the Company is expected to invest more than NT\$500 million.</u></p> <p><u>(6)The amount of transaction is equivalent to 20% of the paid-in capital or more than NT\$300 million except the trading of assets specified from (1) to (5), debts disposed by financial institutions, or investment in Mainland China. Except the following:</u></p> <p><u>(a) The trading of domestic government bonds.</u></p> <p><u>(b) Investment is the profession with the trading of securities at TWSE or TPEX, or subscription of regular corporate bonds and other bank debentures (excluding subordinated debentures) unrelated to equity offered in the primary</u></p>	<p>particular contract of the Procedure.</p> <p>(4)The acquisition or disposal of business equipment and the right-of-use assets with non-related parties and the amount is more than <u>NT\$500 million.</u></p> <p>(5) The amount of transaction is equivalent to 20% of the paid-in capital or more than NT\$300 million except the trading of assets specified from (1) to (4), debts disposed by financial institutions, or investment in Mainland China. Except the following:</p> <p>(a) The trading of government bonds.</p> <p>(b) Investment is the profession with the trading of securities at the overseas stock exchanges or OTC markets, or subscription of regular corporate bonds and other bank debentures unrelated to equity offered in the primary market by securities dealers, or the subscription or redemption of securities investment trust funds or futures trust funds, or securities recommended by securities dealers acting as underwriter of stocks traded at the emerging stock market that could be subscribed at TPEX.</p> <p>(c) R/P and reverse R/P bonds, subscription or redemption of money market funds issued by domestic securities investment trust enterprises.</p> <p><u>(d)The acquisition or disposal of business equipment and the right-of-use assets with non-related parties and the amount</u></p>	<p>included in conformity to the requirement of IFRS 16 - Lease.</p> <p>III. Considered the scope of related party transactions was explicitly stated in 5.11.1 (1), the transactions with non-related parties were added to 5.11.1 (5) for clarification.</p> <p>III. The original provision of 5.11.1 (5) was rearranged as 5.11.1 (6).</p> <p>IV. Revision of wording in conformity to legal requirement.</p>

Provisions currently in effect	Provision after the amendment.	Content of original provisions	Reasons for amendment
	<p>market, or the subscription or redemption of securities investment trust funds or futures trust funds, or securities recommended by securities dealers acting as underwriter of stocks traded at the emerging stock market that could be subscribed at TPEX.</p> <p>(c) R/P and reverse R/P bonds, subscription or redemption of money market funds issued by domestic securities investment trust enterprises.</p> <p>The amount of the aforementioned transactions shall be calculated in accordance with the following method. One year shall be period from the day of transaction moving backward for one year in retrospect. The portion being announced could be excluded from the calculation:</p> <p>(1) The amount of each transaction.</p> <p>(2) The amount of acquisition or disposal of the same kind of subject matter of trade with particular counterparty accumulated in one year.</p> <p>(3) The amount of acquisition or disposal of property under the same development project or the <u>right-of-use of the property</u> accumulated in one year (accumulate separately for acquisition and disposal).</p> <p>(4) The amount of the acquisition or disposal of the same security accumulated in one year (accumulate separately for acquisition and disposal).</p>	<p>is less than NT\$500 million.</p> <p><u>(e) Acquisition of property through commissioning of construction on proprietary lands or leased lands, joint venture in construction with split up of the finished premises, joint venture in construction with split up of proceeds from sale, Joint venture in construction with separate marketing of the finished premises that the Company is expected to invest more than NT\$500 million.</u></p> <p>The amount of the aforementioned transactions shall be calculated in accordance with the following method. One year shall be period from the day of transaction moving backward for one year in retrospect. The portion being announced could be excluded from the calculation:</p> <p>(1) The amount of each transaction.</p> <p>(2) The amount of acquisition or disposal of the same kind of <u>target</u> of trade with particular counterparty accumulated in one year.</p> <p>(3) The amount of acquisition or disposal of property under the same development project or the right-of-use of the property accumulated in one year (accumulate separately for acquisition and disposal).</p> <p>(4) The amount of the acquisition or disposal of the same security accumulated in one year (accumulate</p>	

Provisions currently in effect	Provision after the amendment.	Content of original provisions	Reasons for amendment
		separately for acquisition and disposal).	
V. the Content 5.11.2	The Company enters the information on the status of its derivative trade and derivatives traded by subsidiaries which are not public companies of the ROC monthly in the required format into designated website of the competent authority by the 10 <sup>th</sup> day of the next month.	The Company announces and declares the status of its derivative trade and derivatives traded by subsidiaries which are not public companies of the ROC monthly by entering the required <u>information</u> in the required format into designated website of the competent authority by the 10th day of the next month.	Revision of the wording.
V. the Content 5.11.3	In the event of error or missing data in the information at the time of announcement that corrective action is necessary, the Company shall make a new round of announcement and declaration within 2 days after the acknowledgement of the error or missing data.	In the event of error or missing data in the information at the time of announcement that corrective action is necessary, the Company shall make a new round of announcement and declaration within 2 days after the acknowledgement of the error or missing data.	Revision of the wording.
V. the Content 5.11.4	In acquiring or disposing of assets, the Company shall place related contracts, minutes of meetings on record, registries, quotations, the professional opinions of the CPAs, lawyers or securities underwriters at the Company for at least 5 years unless the law provides otherwise.	In acquiring or disposing of assets, the Company shall place related contracts, minutes of meetings on record, registries, quotations, the professional opinions of the CPAs, lawyers or securities underwriters at the Company for at least 5 years unless the <u>Articles of Incorporation of the Company</u> or the law provides otherwise.	Revision of the wording.
V. the Content 5.11.5	If any of the following occurs after the Company has made announcement and declaration on the transaction as required, announce and declare related information at the designated website of the competent authority within 2 days after the occurrence: (1) There is a change in,	If any of the following occurs after the Company has made announcement and declaration on the transaction as required, announce and declare related information at the designated website of the competent authority within 2 days after the occurrence:	Revision of the wording.



Provisions currently in effect	Provision after the amendment.	Content of original provisions	Reasons for amendment
	termination or rescission of the original contracts. [Skipped hereunder]	(1) There is a change in, termination or rescission of the original contracts. [Skipped hereunder]	
V. the Content 5.11.6	If the subsidiaries of the Company are not public companies of the ROC, the announcement and declaration of the acquisition or disposal of assets shall be made by the Company in the names of and on behalves of these subsidiaries. The requirements of the amount of paid-in capital or total assets as specified in <u>5.11.1</u> are applicable to the subsidiaries where the paid-in capital or total assets of the Company shall be the basis of calculation.	If the subsidiaries of the Company are not public companies of the ROC, the announcement and declaration of the acquisition or disposal of assets <u>required in this provision</u> shall be made by the Company in the names of and on behalves of these subsidiaries. The requirements of <u>20%</u> of the paid-in capital or <u>10%</u> of the total assets for declaration applied to the subsidiaries shall be based on the paid-in capital or the total assets of the Company.	The standard for announcement and declaration of the subsidiaries shall be consistent with the parent company. Related wording was revised in line with the addition of 5.11.1 on the requirement of announcement and declaration if the paid-in capital is equivalent to NT\$10,000 million so that it could also be applicable to the subsidiaries.
V. the Content 5.11.7	<u>This provision is deleted.</u>	If the subsidiaries of the Company are not public companies and engaged in the acquisition or disposal of assets with the parent company, the parent company shall act on behalves of and in the names of the subsidiaries in making announcement and declaration irrespective of the amount of transactions.	This provision is deleted with the sequential number being kept.
V. the Content 5.11.9	If the stock issued by the Company bears no face value or the face value is not NT\$10/share, the requirement of 20% of the paid-in capital in the amount of transaction	If the stock issued by the Company bears no face value or the face value is not NT\$10/share, the requirement of 20% of the paid-in capital in	Additional section was introduced to specify the method of

Provisions currently in effect	Provision after the amendment.	Content of original provisions	Reasons for amendment
	shall be based on 10% of the shareholders equity attributable to the parent company. <u>Likewise, the requirement of paid-in capital amounting to NT\$10,000 million shall be calculated on the basis of NT\$20,000 million of the shareholder equity attributable to the parent company.</u>	the amount of transaction shall be based on 10% of the shareholders equity attributable to the parent company.	calculation if the stock issued by the Company bears no face value or the face value is not NT\$10/share, and paid-in capital amounted to NT\$10,000 million as stated in 5.11.
VI. Implementation and amendment	<p>This Procedure shall be subject to the approval of the Board and the ratification of the Shareholders Meeting for coming into force. <u>The same procedure is applicable to any amendment thereto. If specific Director holds objection on record or in written declaration, circulate related information to each member of the Auditing Committee.</u></p> <p>The Company has established the positions of Independent Directors. If relevant motions were referred to the Board for discussion under this Procedure, consider the opinions of the Independent Directors to its entirety. If there is adverse opinion or qualified opinion from the Independent Directors, keep such opinions as minutes of Board meeting on record.</p> <p>The Company has established the Auditing Committee. The institution or amendment to this Procedure shall be subject to the consent of the Auditing Committee by at least 1/2 of the members and the approval of the Board.</p> <p>[Skipped hereunder]</p>	<p>The institution of this Procedure by the Company shall be subject to the approval of the Board and <u>the ratification of the Shareholders Meeting. With effect on the day on which the Company was listed at TWSE or TPEX, and there is adverse opinion or qualified opinion from the Independent Directors, the Company shall keep such opinions as minutes of Board meeting on record. The same procedure is applicable to any amendment thereto.</u></p> <p>The Company has established the positions of Independent Directors. If relevant motions were referred to the Board for discussion under this Procedure, consider the opinions of the Independent Directors to its entirety. If there is adverse opinion or qualified opinion from the Independent Directors, keep such opinions as minutes of Board meeting on record.</p> <p>The Company has established the Auditing Committee in accordance with the <u>Articles of</u></p>	Revision of the wording.

Provisions currently in effect	Provision after the amendment.	Content of original provisions	Reasons for amendment
		<p><u>Incorporation.</u> The institution or amendment to this Procedure shall be subject to the consent of the Auditing Committee by at least 1/2 of the members and the approval of the Board.</p> <p>[Skipped hereunder]</p>	
VII. History and development	<p>This Procedure was instituted on: February 14 2015.</p> <p>Amended for the 1<sup>st</sup> instance on June 12 2018.</p> <p><u>Amended for the 2<sup>nd</sup> instance on June 6 2019.</u></p>	<p>This Procedure was instituted on: February 14 2015.</p> <p>Amended for the 1<sup>st</sup> instance on June 12 2018.</p>	<p>The date of amendment was added.</p>

**【 Attachment VII 】**

**List of candidates for directors and independent directors.**

Candidate Category	Candidate Name	Educational Background	Experience	Current Job	Has it served for three consecutive independent directors?/Reason
Director	IMPERIAL INTERNATIONAL CO., LTD Legal Representative: Chi, Ping-Hsin	Taoyuan Senior High School	Strong H Machinery Technology Co.,Ltd. - Founder	1. Strong H Machinery Technology (Cayman) Incorporation Chairman and General Manager 2. Strong H Machinery Technology Co.,Ltd. Director and General Manager 3. Grand Strong Precision Machines Co., Ltd. Executive Director and General Manager	Not applicable
Director	IMPERIAL INTERNATIONAL CO., LTD Legal Representative: Hsu, Hsiang-Jen	Master of Accounting, Soochow University	Partner of Deloitte & Touche	1. Strong H Machinery Technology (Cayman) Incorporation Chief Financial Officer. Comptroller 2. Strong H Machinery	Not applicable

Candidate Category	Candidate Name	Educational Background	Experience	Current Job	Has it served for three consecutive independent directors?/Reason
				Technology Co.,Ltd. Chief Financial Officer. Comptroller 3. Grand Strong Precision Machines Co., Ltd. Chief Financial Officer. Comptroller	
Director	Chi, Tao-Song	Zhong Li Commercial Senior High School	Mean Light Co., Ltd. - Manager	Strong H Machinery Technology (Cayman) Incorporation Taiwan Branch Manager	Not applicable
Director	Hsu, Chin-Shan	Kun Shan University- Mechanical Engineering	Passion Trading Co., LTD- Account Manager	CEO of Yichang Steel Plant Co., Ltd. Assistant	Not applicable

Candidate Category	Candidate Name	Educational Background	Experience	Current Job	Has it served for three consecutive independent directors?/Reason
Independent Director	Wang, Ching-Hsiang	Master of Accounting, Soochow University	1. Hua De Alliance - Director 2. Solomon & Co., CPAs	1. Yangtze CPAs & Co.- Director General 2. United Orthopedic Corporation-Supervisor Supervisors 3. FULL WANG INTERNATIONAL DEVELOPMENT CO.,LTD. Independent Director	No
Independent Director	Tai, Kuo-Cheng	Ph.D of Industry, Yokohama National University		1. Feng Chia University- Associate Professor of Mechanical and Computer Aided Engineering 2. Feng Chia University- Bachelor of Science in Precision Systems Design	No
Independent Director	Wang, Jian-Zhi	Fu Jen Catholic University-Department of law	SmartAnt Telecom Co., Ltd-Chairman	1. EnWise CPAs & Co.- Responsible Person 2. Nextronics Engineering Co. Supervisors 3. Sunlux Energy Co. Independent director and	No

Candidate Category	Candidate Name	Educational Background	Experience	Current Job	Has it served for three consecutive independent directors?/Reason
				Remuneration committee 4. Professional Computer Technology Limited-Artificial person Supervisor of Mingliang Investment Co., Ltd.- Representative 5. Supervisor of Insyde Software Co., Ltd.	

### 【 Attachment VIII 】

The restrictions on the suspension of the new directors and their representatives from the competition are as follows:

Name of -Director/Independent director	Current position as a member of another company
IMPERIAL INTERNATIONAL CO., LTD Legal Representative: Chi, Ping-Hsin	1. Faith Light International Corporation (Samoa)- Representative 2. VANDEN INTERNATIONAL CO., LTD. (Samoa) - Representative 3. Strong H Machinery Technology Co.,Ltd. Director and General Manager 4. Grand Strong Precision Machines Co., Ltd. Executive Director and General Manager 5. IMPERIAL INTERNATIONAL CO., LTD- Representative 6. Joyful Gain Investment Limited- Representative 7. Regency Star International Limited- Representative 8. PREMIER CHOICE VENTURES INC.- Representative 9. DOUBLE FAITH HOLDING LIMITED- Representative 10. Global Sharp Investments Limited- Representative 11. QIANGHAO Machinery Technology (Qingdao) Co., Ltd -Representative
IMPERIAL INTERNATIONAL CO., LTD Legal Representative: Hsu, Hsiang-Jen	1. Faith Light International Corporation (Samoa) Chief Financial Officer. Comptroller 2. VANDEN INTERNATIONAL CO., LTD. (Samoa) Chief Financial Officer. Comptroller 3. Strong H Machinery Technology Co.,Ltd.- Chief Financial Officer. Comptroller 4. Grand Strong Precision Machines Co., Ltd.- Chief Financial Officer. Comptroller
Chi, Tao-Song	1. Strong H Machinery Technology Co.,Ltd.-Supervisor 2. Grand Strong Precision Machines Co., Ltd.-Supervisor 3. HERO PROMISE LIMITED- Representative
Hsu, Chin-Shan	Yi Chang Steel Co., Ltd. - CEO's Assistant
Wang, Ching-Hsiang	1. United Orthopedic Corporation-Supervisor 2. FULL WANG INTERNATIONAL DEVELOPMENT CO., LTD.- Independent director
Tai, Kuo-Cheng	no
Wang, Jian-Zhi	1. Nextronics Engineering Co.-Supervisor 2. Sunlux Energy Co.- Independent director and Remuneration committee 3. Professional Computer Technology Limited-Artificial person/ Supervisor of Mingliang Investment Co., Ltd.-Representative 4. Supervisor of Insyde Software Co., Ltd



**[Appendix I]**  
**Strong H Machinery Technology (Cayman) Incorporation**  
**Rules of Procedure for Shareholder Meetings**

**I. Purpose**

This set of rules is instituted for the governance of the Shareholders Meeting, vitalization of supervisory function, and reinforcement of the management mechanism.

**II. Scope**

This set of rules is applicable to the convention of the Shareholders Meeting.

**III. Authority and Responsibility**

The Financial Department shall be responsible for the administrative affairs, the convention, and parliamentary procedure of the Shareholders Meeting.

**IV. Definitions**

N/A

**V. the Content**

- 5.1 This set of rules is instituted in accordance with the Articles of Incorporation of the Company and other applicable laws for the governance of the Shareholders Meeting, vitalization of supervisory function, and reinforcement of the management mechanism.
- 5.2 This set of rules shall govern the parliamentary procedure of the Shareholders Meeting unless the law and the Articles of Incorporation of the Company provides otherwise.
- 5.3 The Board shall call for the sessions of the Shareholders Meeting unless the Articles of Incorporation of the Company or the law provides otherwise.
- 5.4 The Company shall send the meeting notice, the document for power of attorney, motions for ratification and discussion, election or discharge of Directors, including the causes of the motions and supporting materials in electronic format to the MOPS website 30 days prior to a regular session and 15 days prior to a special session of the Shareholders Meeting. The Annual Meeting Handbook and supplementary information of the meeting shall be uploaded to the designated website of the competent authority 21 days prior to a regular session and 15 days prior to a special session of the Shareholders Meeting. The Annual Meeting Handbooks and the supplementary information are made available to shareholders fifteen days prior to the annual meeting of shareholders; also, on display at the Company's and its Stock Agent's and distributed to shareholders at the meeting place.
- 5.5 The reasons for the meeting shall be inscribed in the aforementioned notice and announcement, and may be delivered to the addressees via electronic means at their consent.
- 5.6 The motions of the election or discharge of Directors, amendment to the Articles of Incorporation, dissolution of the Company, merger, spinoff and other matters that cannot be proposed as extemporary motions under law or the Articles of Incorporation of the Company shall be put on the agenda of the meeting, and cannot be proposed as extemporary motions.
- 5.7 Shareholders holding more than 1% of the outstanding shares issued by the Company may propose their motions for the regular session of the Shareholders Meeting in writing.

Only one motion per shareholder is permitted and any other motions more than one will not be included on the list of motions. The Board cannot list the motions proposed by shareholders that cannot be included in the agenda under the Articles of Incorporation of the Company as motions in the session.

- 5.8 The Company shall make announcement of the accepting of the motions from shareholders, the place of processing and the duration of submitting the motions prior to the day on which the transfer of company shares by shareholders before the regular session of the Shareholders Meeting should be halted. The duration of processing shall at least be 10 days.
- 5.9 Each motion proposed by shareholders should be no more than 300 words and any content in excess of this length will be excluded. Shareholders presenting motions should attend the regular session in person or appoint a proxy to attend for discussion on the motions.
- 5.10 The Company shall notify the shareholders on the processing of the motions being proposed before the meeting date, and put the motions qualified for discussion on the meeting notice. The Board shall explain why the motions of the shareholders that cannot be put on the agenda of the regular session.
- 5.11 In case any of the shareholders entitled to be notified of the Shareholders Meeting cannot receive the meeting notice not because of the intentional omission of the Company, the agenda of the session for the Shareholders Meeting will still be effective and valid.
- 5.12 Shareholders may appoint proxies to attend any session of the Shareholders Meeting by using the power of attorney prepared by the Company.
- 5.13 One shareholder may appoint one proxy only with the use of the power of attorney, and shall deliver the power of attorney to the Company 5 days prior to the meeting date. If there are two identical power of attorney delivered to the Company, the first one will be honored. However, exception is granted if the shareholder issues a proper declaration to withdraw the previous proxy arrangement.
- 5.14 If specific shareholder desire to attend the session of the Shareholders Meeting in person after appointing a proxy with the power of attorney already delivered to the Company, such shareholder shall petition for the revocation of the power of attorney with the Company at least 2 days prior to the meeting date. If no petition of revocation could be received beyond the aforementioned deadline, the attendance and voting by proxy shall stand.
- 5.15 The session of the Shareholders Meeting shall be held inside the Republic of China at a location convenient for the shareholders in transportation. The time for the Shareholders Meeting should preferably be started on 9:00am and ended by 3:00pm. The opinions of the Independent Directors shall be fully considered in setting the time and place of the meeting.
- 5.16 The Company shall specify the time and place for the registration of the shareholders to the meeting, and other important notice in the meeting notice. The Company shall allow for at least 30 minutes for the shareholders to complete the registration procedure, and post clearly the location of registration with appointment of sufficient manpower to receive the

shareholders. The Company shall prepare a sign-in registry book for the shareholders and the proxies (hereinafter collectively known as “shareholders”) to sign in for the meeting. Shareholders may also present the sign-in card in lieu of signing in.

- 5.17 The Company shall release the Annual General Meeting Handbook, the annual report, the attendance pass, the speech memo, ballot, and other meeting materials to the shareholders attending the meeting. If an election of Directors is also held, deliver the ballot for voting in the election should also be released to the shareholders.
- 5.18 Shareholders shall attend the meeting with the presentation of the attendance pass, sign-in card or any other documentation for attending the meeting. Other parties requesting for the entitlement to attend the meeting shall present relevant identification documents for confirmation.
- 5.19 If the shareholder is a government agency or institution, more than one representative could be appointed to the meeting. The number of legal person entrusted to attend the shareholders’ meeting is limited to one person.
- 5.20 If the session of the Shareholders Meeting is called for by the Board, the Chairman shall preside over the meeting. In the absence of the Chairman due to leave or other reasons, the Vice Chairman shall preside over the meeting in the name of and on behalf of the Chairman. If there is no position for a Vice Chairman or in the absence of the Vice Chairman, the Chairman shall appoint one Director to act as the proxy, or, the Directors shall nominate one amongst themselves to preside over the meeting. Directors entitled to act on behalf of and in the name of the Chairman shall be in office for at least 6 months and have good understanding of the financial position and operation of the Company. The same requirement is applied to representatives of institutional directors.
- 5.21 At least more than half of the Directors shall attend a session of the Shareholders Meeting called for by the Board.
- 5.22 Where a session of the Shareholders Meeting may be called for by a third party entitled to call for such meeting, and such party shall preside over the meeting. If there are 2 or more parties calling for the session, one of them shall be nominated to preside over the session.
- 5.23 The Company may appoint the retained lawyers, CPAs or relate personnel to attend the Shareholders Meeting s observers.
- 5.24 The Company shall keep track on all sessions of the Shareholders Meeting from the time the shareholders registered for the meeting, the entire session, to the balloting and counting of votes continuously by voice recording and videotaping.

The aforementioned voice records and videotapes shall be retained for at least 1 year. If specific shareholders instated legal action against the Company in accordance with the Articles of Incorporation of the Company or under law, the aforementioned voice records and videotapes shall be kept until the completion of the legal proceedings.

- 5.25 The attendance of the shareholders to the Shareholders Meeting shall be based on the quantity of shares represented. The attendance of shareholders by quantity of shares represented shall be based on the record of the sign-in registry or the sign-in cards submitted, plus the votes cast by correspondence or electronic mean.

- 5.26 The Chairman shall announce for the session at the exact time set for the Shareholders Meeting, and shall announce for the postponement of the meeting if the number of shareholders present falls below half of the quantity of outstanding shares. Only 2 postponements may be allowed and the duration of delay could not be longer than one hour inclusively. If the number of shareholders present still falls below half of the quantity of outstanding shares after 2 postponements, the Chairman shall announce for the cancellation of the session. If it is necessary for the Shareholders Meeting to convene again, call for a new round of session in accordance with the Articles of Incorporation.
- 5.27 The Board shall set the agenda for the convention of Shareholders Meeting at its call. The meeting shall proceed in accordance with the agenda and no change is permitted unless at the resolution of the Shareholders Meeting.
- 5.28 If the convention of Shareholders Meeting is called for other parties entitled to call for the meeting, the aforementioned requirement shall be applicable.
- 5.29 If the agenda set under the preceding 2 paragraphs is still in progress (including the discussion of extemporary motions), the Chairman cannot announce for the adjournment of the session without resolution of the Shareholders Meeting. If the Chairman violated such requirement and announced for the adjournment of the session, other Directors shall assist the shareholders in session to appoint a person to act as the chairman in continuing the session under the due process of law.
- 5.30 The Chairman shall give sufficient time and opportunity for the shareholders to discuss the motions, amendment to the motions, or extemporary motions, and shall interrupt the discussion on due time for referring the motions to voting.
- 5.31 Before presenting a speech, shareholders shall put down the summary, the shareholder account number (or attendance pass number), and the account title on the speech memo where the Chairman shall set the priority for assigning the floor to the shareholders.
- 5.32 Shareholders who just submitted the speech memo without presenting the speech shall be deemed no presentation of speech. If the content of the speech does not correspond to the subject given on the speaker's slip, the spoken content shall prevail.
- 5.33 Each shareholder may have the floor for expressing opinion on particular motion for no more than twice without the consent of the Chairman and only 5 minutes would be allowed for each instance. The Chairman shall interrupt the shareholder who spent more than the allowable time and goes beyond the scope of the motion.
- 5.34 Shareholders shall not cause interference to any other shareholder who has the floor for expression of opinion unless at the consent of the Chairman or the shareholder on the floor. The Chairman shall stop any action of interference from other shareholders.
- 5.35 Where specific institutional shareholder may appoint 2 or more representatives to the Shareholders Meeting, only one may express opinion on particular motion.
- 5.36 The Chairman shall respond or appoint related personnel to respond to shareholders after expressing their opinions.
- 5.37 The resolutions of the Shareholders Meeting shall be based on the quantity of shares in the balloting.

- 5.38 Some shares held by the shareholders bear no voting right, which will be excluded from balloting as a part of the votes cast.
- 5.39 Shareholders shall recuse from balloting on the motions involving their private interest but causing damage to the interest of the Company. Likewise, these shareholders shall not act as proxies of other shareholders in balloting.
- 5.40 The quantity of share representing no voting rights should be excluded as an integral part of the quantity of shares represented by the shareholders in session.
- 5.41 If particular shareholder representing 2 or more other shareholders in balloting, except the appointment of the Chairman of the Shareholders Meeting as proxies in balloting in writing or via electronic mean as stated in 5.43, the votes cast by such shareholders shall not be representing more than 3% of the total votes and any vote in excess of this quantity shall not be counted.
- 5.42 Shareholders are entitled to one vote for the holding of each share unless the Articles of Incorporation of the Company specified otherwise.
- 5.43 When the Shareholders Meeting is in session, balloting could be made by correspondence or electronic mean. The method of voting by correspondence or electronic mean shall be inscribed in the meeting notice. Shareholders casting their votes by correspondence or electronic mean shall be deemed appointment of the Chairman of the Shareholders Meeting to cast the votes as per the instruction inscribed in the correspondence or electronic file. However, these shareholders shall be construed as abstaining from voting on amendments to extemporary motions or amendments to the motions proposed in the session.
- 5.44 The expression of intent of voting by correspondence or electronic mean shall be delivered to the Company 2 days prior to the meeting date. If there is repeated expression of intent, the first shall be counted. However, exception is granted if the shareholder issues a proper declaration to withdraw the previous vote.
- 5.45 If specific shareholder desires to attend the Shareholders Meeting after expressing the intent of voting by correspondence or electronic mean, such shareholders shall express the intent of exercising the voting right in person thereby to revoke the expression of intent previously made in the same procedure and in the same mean no later than 2 days prior to the meeting date or the previous expression of intent of voting by correspondence or electronic mean shall stand. If the shareholder has exercised written or electronic votes, and at the same time delegated a proxy to attend the shareholders meeting, then the voting decision exercised by the proxy shall prevail.
- 5.46 Resolution of the motions shall be made by a simple majority of the votes represented by the shareholders in session unless the Articles of Incorporation of the Company specified otherwise. In the process of balloting, the Chairman or the designated person shall announce the total quantity of votes represented by the shareholders in session, and vote for and against each motion one-by-one. The result of balloting shall be announced on the same day after the adjournment of the meeting, including the votes for and against each motion, and enter into the system of MOPS.

- 5.47 If the Chairman has inquired the opinions from the shareholders in session on particular motion without objection from the shareholders, it shall be deemed unanimous consent for the motion. If there is objection, proceed to the aforementioned method of balloting for resolution. Any other motions or amendments to or substitute of the original motions which were not inscribed in the agenda shall be seconded by other shareholders.
- 5.48 If there is amendment to or substitute of particular motion, the Chairman shall combine the amendment or substitute for voting at the same time with the original motion. If one of the proposals is passed, the others shall be considered to have been rejected and further voting is unnecessary.
- 5.49 The Chairman shall appoint the monitors and tally-clerks in the balloting and these persons must be shareholders.
- 5.50 The votes for the balloting or election shall be counted in transparency at the venue of the Shareholders Meeting on the same day, and announce the result on the scene, including the distribution of the votes. The details shall be tracked as minutes of meeting on record.
- 5.51 An election of Directors may be held in the session of the Shareholders Meeting by the Company in accordance with applicable rules and regulations. The Company shall announce the election result on the scene, including the list of Director-elects and the votes cast.
- 5.52 The ballots for the aforementioned election shall be sealed and signed by the monitors, and kept for at least 1 year. If specific shareholder instated legal action against the Company on the resolution of the Shareholders Meeting in accordance with the Articles of Incorporation of the Company, the aforementioned ballots shall be kept until the completion of the legal proceedings.
- 5.53 The resolutions of the Shareholders Meeting shall be tracked as minutes of meeting on record, signed or sealed by the Chairman, and release to the shareholders within 20 days after the convention of the Shareholders Meeting. The compilation and distribution of the minutes of meeting on record may be made in electronic mean.
- 5.54 The aforementioned minute of meeting on record may be released by announcement through uploading to MOPS website.
- 5.55 The exact date including day, month and year, the name of the chairman, the method of resolution, and summary of the procedure and the result shall be inscribed in the minutes of meeting on record and kept within the perpetuity of the Company.
- 5.56 If the inquiry made by the Chairman for the opinions of the shareholders in session on particular motion is the method of resolution as mentioned, and the motion deemed passed without objection from the shareholders, the detail shall be tracked as “Motion passed by common consent of the Shareholders on inquiry of the Chairman”. If specific shareholder has objection, specify the method of balloting, and number of votes for the motion and the distribution of the votes.
- 5.57 The quantity of shares acquired by parties through requesting for entitlement of voting shall be compiled into statistical data in the required format by the Company on the day of the Shareholders Meeting, and disclose at the venue of the meeting.

- 5.58 If a motion for balloting involved information in materiality under law, the Company shall transmit the content to the designated website of the competent authority by the designated deadline.
- 5.59 The service personnel at the Shareholders Meeting shall wear ID or arm badge.
- 5.60 The Chairman shall command the prefect team or security personnel to keep order of the venue. The prefect team or security personnel shall wear arm badge or ID marked with “Prefect” in keep order of the venue.
- 5.61 Sound system is equipped at the venue of meeting. The Chairman shall stop shareholders using other amplifying systems for expression of opinion on the floor.
- 5.62 If specific shareholder acts in violation of the rules of procedure and defies the corrective action of the Chairman that caused interruption to the meeting, the Chairman shall order the prefects or the security personnel to escort this shareholder out of the meeting venue.
- 5.63 The Chairman may announce for recess in the duration of the meeting. In the event of force majeure, the Chairman may rule to discontinue the session and seek another time to continue depending on the situation.
- 5.64 If the meeting venue is no longer available while the Shareholders Meeting is still in session under the agenda (including extemporary motions), the Shareholders Meeting shall determine another place for the continuation of the session.
- 5.65 According to the Articles of Incorporation of the Company, the Shareholders Meeting may resolve to postpone or continue the session within 5 days after the Chairman has announced for the discontinuation of the session.

#### **VI. Implementation and amendment**

The Rules of Procedure shall be subject to the approval of the Shareholders Meeting for coming into force. The same procedure is applicable to any amendment thereto.

**Note:** The Rules of Procedure is applicable to Strong H Machinery Technology (Cayman) Incorporation and all subsidiaries.

#### **VII. History and development:**

The Rules of Procedure were instituted on: February 25 2015.

**THE COMPANIES LAW (2016 REVISION)**  
**AN EXEMPTED COMPANY LIMITED BY SHARES**  
**AMENDED AND RESTATED MEMORANDUM AND ARTICLES OF ASSOCIATION**  
**OF**  
**STRONG H MACHINERY TECHNOLOGY(CAYMAN) INCORPORATION**  
**強信機械科技股份有限公司**

**Amended by Special Resolution passed on the 12 day of June, 2018**



**THE COMPANIES LAW (2016 REVISION)**  
**AN EXEMPTED COMPANY LIMITED BY SHARES**  
**AMENDED AND RESTATED MEMORANDUM OF ASSOCIATION**

**OF**

**STRONG H MACHINERY TECHNOLOGY (CAYMAN) INCORPORATION**

強信機械科技股份有限公司

**(Amended by Special Resolution passed on  
the 12 day of June, 2018)**

1. The name of the Company is **STRONG H MACHINERY TECHNOLOGY (CAYMAN) INCORPORATION** 強信機械科技股份有限公司.
2. The Company is a company limited by shares.
3. The registered office of the Company is at Harneys Services (Cayman) Limited, 4<sup>th</sup> Floor, Harbour Place, 103 South Church Street, P.O. Box 10240, Grand Cayman KY1-1002, Cayman Islands or at such other place as the Directors may from time to time decide.
4. The objects for which the Company is established are unrestricted and the Company shall have full power and authority to carry out any object not prohibited by any law as provided by Section 7(4) of the Companies Law (as amended) of the Cayman Islands (the "Statute")
5. The Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit as provided by Section 27(2) of the Statute.
6. Nothing in the preceding sections shall be deemed to permit the Company to carry on the business of a Bank or Trust Company without being licensed in that behalf under the provisions of the Banks & Trust Companies Law (as amended), or to carry on Insurance Business from within the Cayman Islands or the business of an Insurance Manager, Agent, Sub-agent or Broker without being licensed in that behalf under the provisions of the Insurance Law (as amended), or to carry on the business of Company Management without being licensed in that behalf under the provisions of the Companies Management Law (as amended).
7. The Company, as an exempted company, will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands; provided that nothing in this section shall be construed as to prevent the Company effecting and concluding contracts in the Cayman Islands, and exercising in the Cayman Islands all of its powers necessary for the carrying on of its business outside the Cayman Islands.
8. The liability of the members of the Company is limited to the amount, if any, unpaid on the shares respectively held by them.
9. The authorised capital of the Company is NT\$1,000,000,000 divided into 100,000,000 shares of a par value of NT\$10.00 each provided always that subject to the Statute and the Articles of Association the Company shall have power to redeem or repurchase any of its shares and to sub-divide or consolidate the said shares or any of them and to issue all or any part of its capital whether original, redeemed, increased or reduced with or without any preference, priority, special privilege or other rights or subject to any postponement of rights or to any

conditions or restrictions whatsoever and so that unless the conditions of issue shall otherwise expressly provide every issue of shares whether stated to be ordinary, preference or otherwise shall be subject to the powers on the part of the Company hereinbefore provided.

10. Capitalised terms that are not defined in this Memorandum of Association bear the same meaning as those given in the Articles of Association of the Company

**THE COMPANIES LAW (2016 REVISION)**

**AN EXEMPTED COMPANY LIMITED BY SHARES**

**AMENDED AND RESTATED ARTICLES OF ASSOCIATION**

**OF**

**STRONG H MACHINERY TECHNOLOGY (CAYMAN) INCORPORATION**

強信機械科技股份有限公司

**(Amended by Special Resolution passed on**

**the 12 day of June, 2018)**

1. In these Articles, the regulations contained in Table A in the Schedule to the Statute shall not apply and, unless there be something in the subject or context inconsistent therewith, the following words and expressions shall have the following meanings:

“Applicable Public Company Rules”	means the ROC laws, rules and regulations governing public reporting companies or companies listed on any ROC stock exchange or securities market that from time to time are required by the relevant regulator as being applicable to the Company, including, without limitation, the Company Act of the ROC, the Securities and Exchange Act of the ROC, the rules and regulations promulgated by the FSC and the rules and regulations promulgated by any of the ROC Securities Exchanges, as amended from time to time;
“approved stock exchange”	has the meaning as defined in the Statute and including the Taipei Exchange (the GreTai Securities Market) of Taiwan and the Taiwan Stock Exchange;
“Articles”	means these Articles of Association in their present form or as supplemented, altered or substituted from time to time by Special Resolution;
“Audit Committee”	means the audit committee of the Board established pursuant to these Articles;
“Board”	means the board of Directors appointed or elected pursuant to these Articles or, as the case may be, the Directors present at a meeting of Directors at which there is a quorum;
“Class” or “Classes”	means any class or classes of Shares as may from time to time be issued by the Company;
“Company”	means STRONG H MACHINERY TECHNOLOGY (CAYMAN) INCORPORATION 強信機械科技股份有限公司.;

“Consolidated Company”	means the new company that results from the consolidation of two or more Constituent Companies;
“Consolidation”	means the combination of two or more Constituent Companies into a Consolidated Company and the vesting of the undertaking, property and liabilities of such companies in the Consolidated Company within the meaning of the Statute;
“Constituent Company”	means a company that is participating in a Merger or a Consolidation with one or more other companies within the meaning of the Statute;
“delegation of the operation”	means delegation of the operation of the business (委託經營) as defined in the Company Act of ROC, as amended from time to time;
“Directors”	means the directors for the time being of the Company;
“dividend”	means dividends, capital distributions and capitalisation issues;
“frequent joint operation”	means frequent joint operation (經常共同經營) as defined in the Company Act of ROC, as amended from time to time;
“FSC”	means the Financial Supervisory Commission of the ROC;
“Independent Directors”	means the Directors who are elected as "Independent Directors" pursuant to Applicable Public Company Rules;
“listed Shares”	means Shares which are traded or listed on an approved stock exchange;
“Market Observation Post System”	means the public company reporting system maintained by the Taiwan Stock Exchange Corporation, online via <a href="http://mops.twse.com.tw/">http:// mops.twse.com.tw/</a> ;
“Member”	means a person who is registered as the holder of Shares in the Register of Members;
“Memorandum”	means the memorandum of association of the Company as amended or substituted from time to time;
“Merger”	means the merging of two or more Constituent Companies and the vesting of their undertaking, property and liabilities in one of such companies as the Surviving Company within the meaning of the Statute;
“month”	means a calendar month;
“notice”	means written notice as further provided in these Articles unless otherwise specifically stated;
“Non TWSE-Listed or TPEX-Listed	means a company whose shares are not listed any of

Company"	the ROC Securities Exchanges;
"Officer"	means any person appointed by the Board to hold an office in the Company;
"Ordinary Resolution"	subject to these Articles, means a resolution: <ul style="list-style-type: none"> <li>(a) pass by not less than a simple majority of votes casted at a general meeting attended by Members, being entitled to do so, voting in person or, where proxies are allowed, by proxy at a general meeting of the Company and where a poll is taken, by not less than a simple majority of the number of votes cast by such Members; or</li> <li>(b) so long as the Shares are not listed on any ROC Securities Exchange, approved in writing by all of the Members entitled to vote at a general meeting of the Company in one or more instruments each signed by one or more of the Members and the effective date of the resolution so adopted shall be the date on which the instrument, or the last of such instruments, if more than one, is executed;</li> </ul>
"Register of Members"	means the principal register and any branch register of Members of the Company to be maintained at such place within or outside the Cayman Islands as the Board shall determine from time to time;
"Registered Office"	means the registered office of the Company as required by the Statute;
"Remuneration Committee"	means the remuneration committee of the Board, established pursuant to these Articles;
"ROC" or "Taiwan"	means Taiwan, the Republic of China;
"ROC Securities Exchanges"	means the Taipei Exchange (the GreTai Securities Market) (including the Emerging Stock Market) and the Taiwan Stock Exchange of the ROC;
"Seal"	means the common seal of the Company and includes each and every duplicate seals;
"Secretary"	includes an assistant secretary and any person, firm, or corporation appointed by the Board to perform the secretarial duties of the Company;
"Share"	means a share in the capital of the Company. All references to "Shares" herein shall be deemed to be Shares of any or all Classes as the context may require and, for the avoidance of doubt, in these Articles the expression "Share" shall include a fraction of a Share;
"Share Swap"	means, an act wherein the shareholders of a company transfer all of the company's issued shares to another company, such company issues its shares or pay cash or transfers other property to the shareholders of the first company as consideration for the transfer in

accordance with the Applicable Public Company Rules.

“Solicitor”

means any Member, a trustee business or a securities agent mandated by Member(s), who solicits an instrument of proxy from any other Member to appoint him/her/it as a proxy to attend and vote at a general meeting, pursuant to the Applicable Public Company Rules;

“Special Resolution”

subject to these Articles, means a resolution :

(a) passed by a majority of not less than two-thirds of votes cast at a general meeting attended by Members, being entitled to do so, voting in person or, where proxies are allowed, by proxy at a general meeting of the Company of which notice specifying the intention to propose the resolution as a Special Resolution has been duly given; or

(b) so long as the Shares are not listed on any ROC Securities Exchange, approved in writing by all of the Members entitled to vote at a general meeting of the Company in one or more instruments each signed by one or more of the Members aforesaid, and the effective date of the special resolution so adopted shall be the date on which the instrument or the last of such instruments, if more than one, is executed;

“Spin-off”

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

“Statute”

means the Companies Law (as amended) of the Cayman Islands and every statutory modification, re-enactment or revision thereof for the time being in force;

“Subsidiary”

means, with respect to any company, (1) the entity, one half or more of whose total number of the issued voting shares or the total amount of the capital stock are directly or indirectly held by such company; (2) the entity that such company has a direct or indirect control over its personnel, financial or business operation; (3) the entity, one half or more of whose directors are concurrently acting as the directors of such company; or (4) the entity, one half or more of whose total number of issued voting shares or the total amount of the capital stock are held by the same member(s) of such company;

“Supermajority Resolution”

subject to these Articles, means a resolution passed by a majority of votes at a general meeting attended by Members, as being entitled to do so, voting in person or where proxies are allowed, by proxy, representing

two-thirds or more of the total issued shares of the Company. However, where the total number of shares represented by the Members present at such general meeting is less than two-thirds of the total issued shares of the Company, but is more than one half of the total issued shares of the Company, "Supermajority Resolution" shall instead mean a resolution passed by a majority of not less than two-thirds of votes cast by the Members attending that meeting, being entitled to do so, voting in person or, where proxies are allowed, by proxy, at such general meeting;

"Surviving Company"	means the sole remaining Constituent Company into which one or more other Constituent Companies are merged within the meaning of the Statute;
"Taiwan Clearing House"	means the Taiwan Clearing House established by the Taiwan Payments Clearing System Development Foundation to process check clearing and settlement services;
"Treasury Shares"	means a Share held in the name of the Company as a treasury share in accordance with the Statute and the Applicable Public Company Rules;
"Transfer Prohibition Period"	so long as the Shares are listed on any ROC Securities Exchange, the transfer prohibition period refers to the date from 60 days prior to and including the convening date of a regular general meeting, or 30 days prior to and including the convening date of an extraordinary general meeting until and including the date of the regular general meeting or extraordinary general meeting (as applicable).
"written" and "in writing"	include all modes of representing or reproducing words in visible form.

Words importing the singular number only include the plural number and vice versa.

Words importing the masculine gender include the feminine gender, and vice versa.

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

Words importing persons only include natural persons, companies or associations or bodies of persons whether incorporated or not.

References to any statute or statutory provision shall be construed as relating to any statutory modification or re-enactment thereof for the time being in force.

References to a document being executed include references to it being executed under hand or under seal or by any other method.

2. The business of the Company may be commenced as soon after incorporation as the Board shall deem fit.
3. Subject to all applicable laws, the Board may pay, out of monies of the Company, all expenses incurred in connection with the formation and establishment of the Company

including the expenses of registering the Company as an exempted company in the Cayman Islands.

### **CERTIFICATES FOR SHARES**

4. So long as the Shares are listed on any ROC Securities Exchange, Shares of the Company shall be issued in scripless form unless the issuance of share certificates is required by the provisions of the Applicable Public Company Rules. In case where certificates for Shares were issued, certificates representing Shares of the Company shall be in such form as shall be determined by the Board. Such certificates may be under Seal. All certificates for Shares shall be consecutively numbered or otherwise identified and shall specify the Shares to which they relate. The name and address of the person to whom the Shares represented thereby are issued, with the number of Shares and date of issue, shall be entered in the Register of Members. All certificates surrendered to the Company for transfer shall be cancelled and no new certificate shall be issued until the existing issued certificate(s) representing the Shares to be transferred shall have been surrendered and cancelled. The Board may by resolution determine, either generally or in a particular case, that any or all signatures on certificates may be printed thereon or affixed by mechanical means.
5. Notwithstanding Article 4 of these Articles, if a certificate for Shares is defaced, lost or destroyed, it may be replaced on payment of a reasonable fee and on such terms (if any) as to evidence, indemnity and to payment of any expenses of the Company in investigating such evidence and preparing such indemnity as the Board shall deem fit.

### **ISSUE OF SHARES**

6. (a) Subject to the provisions, if any, in connection with the Memorandum and to any resolution of Members of the Company in general meeting and without prejudice to any special rights previously conferred on the holders of existing Shares, the Board may allot, issue, grant options over or otherwise dispose of Shares of the Company (including fractions of a Share) to such persons, at such times and on such other terms as the Board deems proper, provided that no Share shall be issued at a discount except in accordance with the Statute and any Applicable Public Company Rules, and PROVIDED ALWAYS that, notwithstanding any provision to the contrary contained in these Articles, the Company shall be precluded from issuing bearer Shares.  
  
(b) Subject to the Statute, the Company may issue new Shares with restrictive rights ("Restricted Shares") to the employees of the Company and/or its Subsidiaries as approved by way of a Supermajority Resolution, PROVIDED that Article 8(a) shall not apply in respect of such issuance and so long as the Shares are listed on any ROC Securities Exchange, the terms and conditions of such Restrictive Shares, including but not limited to the number of the shares to be issued, the issuance price, and any other related matters shall comply with the Applicable Public Company Rules.
7. So long as the Shares are listed on any ROC Securities Exchange, where the Company increases its issued share capital by issuing new Shares for cash consideration in Taiwan, the Company shall allocate ten percent (10%) of the total number of such new Shares to be issued, for offering to the public in Taiwan unless it is not necessary or appropriate, as determined by the FSC or other Taiwan authorities, for the Company to conduct the aforementioned public offering. However, if the Members by Ordinary Resolution at a general meeting resolves to offer a percentage higher than the aforementioned ten percent (10%) to the public in Taiwan, the percentage resolved as such shall prevail. The Company may determine that certain percentage of the total number of such new Shares be offered to the employees of the Company and its Subsidiaries for subscription with terms and conditions including but not limited to the respective percentage and restriction on transfer of such Shares as determined by the Board at its discretion in accordance with the Applicable Public Company Rules.



8. (a) So long as the Shares are listed on any ROC Securities Exchange, unless otherwise resolved by Ordinary Resolution at a general meeting, where the Company proposes to issue new Shares for cash consideration, the Company shall make a public announcement and send notices to Members in order to notify each Member that he/she/it is entitled to exercise a pre-emptive right to purchase his/her/its pro rata portion of the remaining new Shares (after allocation of the public offering portion and the employee subscription portion as set out in Article 7 above) to be issued for cash consideration. The Company shall state in such announcement and notices to the Members that if any Member fails to purchase his/her/its pro rata portion of such remaining new Shares within the prescribed period, such Member shall be deemed to have waived his/her/its pre-emptive right to purchase such new Shares. In the event that Shares held by a Member are insufficient for such Member to exercise the pre-emptive right to purchase one new Share, the entitlement of pre-emptive right of several Members may be combined together for joint purchase of new Shares or for purchase of new Shares in the name of a single Member pursuant to the Applicable Public Company Rules. If the total number of the remaining new Shares to be issued has not been fully subscribed by the Members within the prescribed period, the Company may offer the balance of such unsubscribed Shares to the public or to a specific person or persons in accordance with the Applicable Public Company Rules.
  - (b) The pre-emptive right of the Members under Article 8(a) shall not apply if new Shares are issued in any of the following circumstances:
    - (i) in connection with a Merger or Consolidation with another company, or pursuant to any Spin-off or reorganization of the Company;
    - (ii) in connection with fulfilling the Company's obligations under warrants and/or options issued by the Company, including those issued in accordance with the employee incentive programs under Article 11(a);
    - (iii) in connection with fulfilling the Company's obligations under convertible bonds or corporate bonds issued by the Company which are convertible into Shares or which entitle its holders to acquire Shares;
    - (iv) in connection with Shares issued pursuant to a statutory private placement in accordance with Applicable Public Company Rules; and
    - (v) in connection with new fully-paid up Shares issued to the Members as satisfaction of declared dividend pursuant to Article 104, and/or as effecting any capitalisation of any other amount pursuant to Article 106.
9. The Company shall only issue fully paid-up Shares.
  10. (a) Notwithstanding any provisions of these Articles, the Company may by Special Resolution designate one or more classes of shares with preferred or other special rights as the Company, by Special Resolution, may determine (shares with such preferred or other special rights, the "Preferred Shares"), and cause the rights and obligations of Preferred Shares to be set forth in these Articles.
  - (b) The rights and obligations of Preferred Shares may include but not limited to the following terms and shall be consistent with the Applicable Public Company Rules:
    - (i) the order of priority and fixed amount or fixed ratio of allocation of Dividends and bonus on Preferred Shares;
    - (ii) the order of priority and fixed amount or ratio of allocation of residual assets of the Company;

- (iii) the order of priority for or restriction on the voting right(s) of the Members holding the Preferred Shares, or the grant of no voting right thereof;
  - (iv) the method by which the Company is authorized or compelled to redeem the Preferred Shares, or a statement that redemption rights shall not apply; and
  - (v) other matters concerning rights and obligations incidental to Preferred Shares.
11. (a) Notwithstanding Article 6(b) and any on-market repurchase stipulated under Article 16 and 17, the Company may, by way of a Board resolution passed by a simple majority at a duly convened meeting attended by at least two-thirds of the total number of the Directors then in office, adopt one or more employee incentive programs pursuant to which the Company may issue Shares, options, warrants or other similar instruments, to employees of the Company and its Subsidiaries, PROVIDED THAT, if the price of such Shares, options, warrants or other similar instruments fall below the closing price of such Company Shares on the issuing date, then a Special Resolution passed by not less than two-thirds of votes cast at a general meeting attended by a majority of Members, being entitled to do so, either by proxy or in person is required. The Company may enter into agreements with employees of the Company and the employees of its Subsidiaries pursuant to the incentive program approved according to this Article, whereby employees may subscribe, within a specific period of time, a specific number of Shares. The terms and conditions of such agreements shall be no less restrictive on the relevant employee than the terms specified in the applicable incentive program. However, options, warrants or other similar instruments issued pursuant to this Article are not transferable save by inheritance upon the death of the holder thereof, and so long as the Shares are listed on any ROC Securities Exchange, the terms and conditions of such Shares, options, warrants or other similar instruments shall comply with the Applicable Public Company Rules.
- (b) Subject to Cayman Islands law, these Articles and to the approval by the Board and as resolved through Ordinary or Supermajority Resolution as the case may be, the Company may pay to the employees of the Company and the Subsidiaries of the Company an annual compensation from the Distributable Net Profit of the Current Year (as defined in Article 102 below), which may be payable in cash, fully paid-up Shares, or any combination of both, and the Board may determine the implementation methods relating to such annual compensation to employees. The annual compensation, if any, shall be effected out of the Annual Profit (as defined in Article 102 below).
- (c) When the Company issues options or warrants to its employees pursuant to the employee incentive programs aforementioned in this Article 11(a), the number of underlying Shares for each issuance of such options or warrants may not exceed ten percent (10%) of the total issued Shares of the Company (immediately before the issuance of such options and warrants), and the aggregated number of the Shares underlying all such outstanding options and warrants may not exceed fifteen percent (15%) of total issued Shares of the Company (immediately before the issuance of such options and warrants). The number of options and/or warrants granted by the Company mentioned herein shall comply with any Applicable Public Company Rules.
12. The Company shall maintain a Register of Members, and any such register maintained in respect of listed Shares may be kept by recording the particulars as required by the Statute in a form otherwise than legible if such recording otherwise complies with the laws applicable to and the rules and regulations of the relevant approved stock exchange. Subject to the provisions of the Statute and Articles 15 and 41 below, if the Board considers it necessary or appropriate, the Company may establish and maintain a principal or branch Register of Members at such location as the Board deems fit. The Company shall cause to be kept at the place where the principal register is kept a duplicate of any branch register duly entered up from time to time. In addition, so long as the Shares are listed on an ROC Securities Exchange, the Company shall, upon any issuance of new Shares, cause such shares to be credited to the accounts of the subscribing Members maintained with the Taiwan Depository

& Clearing Corporation pursuant to the Applicable Public Company Rules within thirty (30) days from the date of issuance of such Shares, and shall make a prior public announcement pursuant to the Applicable Public Company Rules.

### **TRANSFER OF SHARES**

13. (a) The instrument of transfer of any Share shall be in any usual or common form or such other form as the Board may, in their absolute discretion, approve and be executed by or on behalf of the transferor and if so required by the Board, shall also be executed by or on behalf of the transferee and shall be accompanied by the certificates (if any) for the Shares to which the transfer relates and such other evidence as the Board may reasonably require to show the right of the transferor to make the transfer. The transferor shall be deemed to remain a Member until the name of the transferee is entered in the Register of Members in respect of the relevant Shares.
- (b) Subject to the Statute and notwithstanding anything to the contrary in these Articles, title to listed Shares may be evidenced and transferred in accordance with the laws applicable to and the rules and regulations of the relevant approved stock exchange that are or shall be applicable to such listed Shares.
14. The registration of transfers may be suspended when the Register of Members is closed for transfers in accordance with Article 25.
15. For so long as the Shares are listed on one of the ROC Securities Exchanges, the Company shall keep and maintain a branch Register of Members in Taiwan.

### **REDEMPTION, PURCHASE, SURRENDER AND TREASURY SHARES**

16. (a) Subject to the provisions of the Statute, the Memorandum and the Articles, notwithstanding Article 6, the Company is authorised to issue Shares which are redeemable at the option of the Company or its Members on such terms and in such manner as the Company may by Special Resolution determine before the issue of such Shares.
- (b) Subject to the provisions of the Statute, the Memorandum, the Article, Applicable Public Company Rules and any rights conferred on the holders of any Class of Shares, the Company may repurchase its own Shares (including fractions of a Share), including any redeemable Shares, provided that the manner and terms of the repurchase have first been authorised by the Company in a general meeting by an Ordinary Resolution and the Company may make payment therefor in any manner authorised by the Statute, including but not limited to out of capital, and the Shares so repurchased by the Company shall be cancelled. The number of Shares to be repurchased and cancelled by the Company pursuant to such Ordinary Resolution shall be pro rata among the Members in proportion to the number of Shares held by each Member.
- (c) Subject to the Statute and the Applicable Public Company Rules, the consideration payable by the Company to any Member in respect of a repurchase of Shares by the Company may be paid in cash or may be satisfied by the transfer of any assets. Where the consideration payable by the Company to a Member in respect of a repurchase of Shares by the Company is to be satisfied by the transfer of any assets ("Non-Cash Consideration"), the Board shall, prior to the general meeting approving the repurchase of Shares, (i) conduct a valuation on the said assets and such valuation must be audited and certified by an accountant admitted to practice in the ROC and (ii) seek specific consent from each Member who is to receive such Non-Cash Consideration and must receive his/her/its written consent prior to the general meeting approving the repurchase of Shares. In the event that written consent is not received from a Member in respect of Non-Cash Consideration, the Company shall pay cash consideration in an amount equals

to such Non-Cash Consideration to such Member in respect of the repurchase of Shares from such Member. The assets to be transferred to Members by the Company in respect of a repurchase of Shares and the audited valuation of such assets shall be approved by an Ordinary Resolution at the same general meeting approving the repurchase of Shares.

- (d) Notwithstanding the foregoing and subject to the provisions of the Statute, so long as the Shares are listed on any ROC Securities Exchange, the Company may purchase its Shares listed and traded on such ROC Securities Exchange in accordance with the Applicable Public Company Rules without being subject to the application of Article 16(b) and (c) if such purchase is authorised by the Board by way of a resolution passed by a simple majority of the Directors at a duly convened meeting of the Board except that the quorum necessary for a Board meeting considering such on-market repurchases shall be at least two-thirds of the total number of the Directors in office, and the Board shall report the execution status of such repurchase to the Members at the next general meeting.
  - (e) No Share may be redeemed or purchased unless it is fully paid-up.
  - (f) The Company may accept the surrender for no consideration of any fully paid Share (including a redeemable Share) unless, as a result of the surrender, there would no longer be any issued Shares of the Company other than shares held as Treasury Shares.
  - (g) The Company is authorised to hold Treasury Shares in accordance with the Statute.
  - (h) The Board may classify any of the Shares that it purchases or redeems, or any shares surrendered to it as Treasury Shares in accordance with the Statute.
  - (i) Shares held by the Company as Treasury Shares shall continue to be classified as Treasury Shares until such Shares are either cancelled or transferred in accordance with the Statute.
  - (j) A Treasury Share shall not be counted in determining the total number of issued shares at any given time, whether for the purposes of these Articles or the Statute.
17. (a) So long as the Shares are listed on any ROC Securities Exchange, any transfer by the Company of any Treasury Share to any employee of the Company and/or its Subsidiaries for less than the average actual purchase or redemption price, shall require the prior approval of the Members in general meeting by way of a Special Resolution. A summary of the following matters relating to the Company's transfer of Treasury Shares to employees of the Company and/or its Subsidiaries must be specified in the notice of the general meeting where such authorization is sought:
- (i) the proposed transfer price, the discount rate, the bases of calculations and the reasonableness thereof;
  - (ii) the number of Treasury Shares to be transferred, and the purpose and the reasonableness of the proposed transfer;
  - (iii) qualifications of the employees, and the number of Treasury Shares they may purchase; and
  - (iv) impact on shareholders' equity, such as additional expenses incurred, reduction of the Company's earnings per share, and the financial burdens on the Company resulting from transferring Treasury Shares to employees at less than the average actual purchase or redemption price.
- (b) So long as the Shares are listed on any ROC Securities Exchange and subject to the Applicable Public Company Rules (including Regulations Governing Share Repurchase by *Exchange-Listed* and *OTC-Listed* Companies promulgated by the FSC), the aggregate number of Treasury Shares transferred to employees in accordance with Article 17 (a) may not exceed five (5) percent of the total issued Shares, and the aggregate number of

shares to any single employee may not exceed 0.5 percent of the total issued Shares.

- (c) So long as the Shares are listed on any ROC Securities Exchange, when the Company transfers its Treasury Shares to any employee of the Company and/or its Subsidiaries, the Company may enter into a contract with such employee for the purpose of restricting such employee's subsequent transfers of his/her Shares (so transferred to him/her by the Company) for a period of no more than two (2) years.

#### **VARIATION OF RIGHTS OF SHARES**

- 18. (a) If at any time the Share capital of the Company is divided into different Classes of Shares, the rights attached to any Class (unless otherwise provided by the terms of issue of the Shares of that Class) may, whether or not the Company is being wound up, be varied by a Special Resolution passed at a general meeting of the holders of common Shares and a Special Resolution passed at a separate meeting of the holders of Shares of that Class. The provisions of these Articles relating to general meetings shall apply to every such general meeting of the holders of a Class of Shares.
  - (b) Upon the creation of any new Class of Shares or alteration of the rights of existing Class of Shares (being ordinary shares), the Company shall amend the Memorandum and/or these Articles to state the rights and obligations of such Classes of Shares into these Articles.
19. The rights conferred upon the holders of the Shares of any Class issued with preferred or other rights shall not, unless otherwise expressly provided by the terms of issue of the Shares of that Class, be deemed to be varied by the creation, allotment or issue of further Shares ranking *pari passu* therewith or subsequent to them or by the redemption or purchase of Shares of any Class by the Company.

#### **TRANSMISSION OF SHARES**

20. In case of the death of a Member, the survivor or survivors where the deceased Member was a joint holder, and the legal personal representatives of the deceased Member where the deceased Member was a sole holder, shall be the only persons recognized by the Company as having any title to the deceased Member's interest in the Shares, but nothing contained herein shall release the estate of any such deceased holder from any liability in respect of any Shares which had been held by him/her solely or jointly with other persons.
- 21. (a) Any person becoming entitled to a Share in consequence of the death or bankruptcy or liquidation or dissolution of a Member (or in any other way other than by transfer) may, upon such evidence being produced as may from time to time be required by the Board and subject as hereinafter provided, elect either to be registered himself/herself/itself as holder of the Share or to make such transfer of the Share to such other person nominated by him/her/it as the deceased or bankrupt person could have made and to have such person registered as the transferee thereof, but the Board shall, in either case, have the same right to decline or, in accordance with Article 25, suspend, registration of the transfer as it would have had in the case of a transfer of the Share by that Member before his/her death or bankruptcy as the case may be.
  - (b) If the person so becoming entitled shall elect to be registered himself/herself/itself as holder he/she/it shall deliver or send to the Company a notice in writing signed by him/her/it stating that he/she/it elects to be so registered.
22. A person becoming entitled to a Share by reason of the death or bankruptcy or liquidation or dissolution of a Member (or in any other case than by transfer) shall be entitled to the same dividends and other advantages to which he/she/it would be entitled if he/she/it were the registered holder of the Share, except that he/she/it shall not, before being registered as a Member in respect of the Share, be entitled in respect of it to exercise any right conferred by

the Shares in relation to meetings of the Company.

23. (a) The Company shall be entitled to treat the registered holder of any Share as the absolute owner thereof and accordingly shall not be bound to recognise any equitable claim or other claim to, or interest in, such share on the part of any other person.
- (b) No person shall be entitled to recognition by the Company as holding any Share on any trust and the Company shall not be bound by, or be compelled in any way to recognise, (even when having notice thereof) any equitable, contingent, future or partial interest in any share or any other right in respect of any share except an absolute right to the entirety of the share in the holder.

#### **ALTERATION OF CAPITAL & CHANGE OF LOCATION OF REGISTERED OFFICE**

24. (a) Subject to and in so far as permitted by the provisions of the Statute, the Company may from time to time by Ordinary Resolution:
- (i) increase its share capital by such sum, to be divided into Shares of such Classes and amount, as the resolution shall prescribe;
  - (ii) consolidate all or any of its share capital into Shares of a larger amount than its existing Shares;
  - (iii) subdivide its existing Shares or any of them into Shares of a smaller amount provided that in the subdivision the proportion between the amount paid and the amount, if any, unpaid on each reduced Shares shall be the same as it was in case of the Share from which the reduced Shares is derived; and
  - (iv) cancel any shares that at the date of the passing of the resolution have not been taken or agreed to be taken by any person, and diminish the amount of its share capital by the amount of the Shares so cancelled;
- (b) The Company may from time to time, by Special Resolution and subject to compliance with the provisions of the Statute, reduce its share capital or share premium account or capital redemption reserve or other undistributed reserve in any manner permitted by law.
- (c) Subject to the provisions of the Statute, the Company may by resolution of the Board change the location of its registered office.

#### **CLOSURE OF REGISTER OF MEMBER AND RECORD DATE**

25. For purpose of determining Members entitled to receive notice of or to vote at any meeting of Members or any adjournment thereof, or Members entitled to receive payment of any dividend, or in order to make a determination as to the Members of the Company for any other proper purpose, the Board may determine that the Register of Members shall be closed for transfers for any period. So long as the Shares are listed on any ROC Securities Exchange, the Register of Members may only be closed in accordance with Applicable Public Company Rules.
26. To the extent required by Applicable Public Company Rules, in lieu of or apart from closing the Register of Members, the Board may fix in advance one or more dates as the record dates for determining the Members entitled to receive notice of or to vote at a meeting of the Members, or for the purpose of determining the Members entitled to receive payment of any dividend.

#### **GENERAL MEETING**

27. The Company may in each year hold a general meeting as its annual general meeting, PROVIDED HOWEVER THAT, for so long as the Shares are listed on any ROC Securities Exchange, an annual general meeting shall be held within six (6) months following the end of each fiscal year of the Company and it shall be specified as such meeting in the notice convening the same. Unless otherwise provided in these Articles, all general meetings shall be convened by the Board.
28. The general meetings shall be held at such time and place as the Board shall determine provided that unless otherwise provided by the Statute, and unless otherwise determined by the Board, all general meetings shall be held in Taiwan. So long as the Shares are listed on any ROC Securities Exchange, if the Board resolves to hold a general meeting outside Taiwan, the Company shall apply for the approval of the applicable ROC Securities Exchange within two (2) days after the Board passes such resolution. Where a general meeting is to be held outside Taiwan, so long as the Shares are listed on any ROC Securities Exchange, the Company shall engage a professional securities agent licensed in Taiwan to be present at such general meeting and to handle the administration of such general meeting, including without limitation, the handling of the voting of proxies submitted by Members.
29. General meetings other than annual general meetings shall be called extraordinary general meetings. The Board may convene an extraordinary general meeting of the Company whenever they determine that such a meeting is necessary in their absolute discretion.
30. The Board shall, upon a Members' requisition, forthwith proceed to convene an extraordinary general meeting of the Company. For the purpose of these Articles, a "Members' requisition" is a requisition of one or more Member(s) of the Company holding in the aggregate at the date of deposit of the requisition not less than three percent (3%) of the total number of issued Shares at the time of requisition and whose Shares shall have been held continuously by such Member(s) for at least one (1) year.
31. The requisition from the Member(s) must be in writing and shall express the purpose of the extraordinary general meeting to be requisitioned and must be signed by the requisitioner(s) and deposited at the Registered Office. The requisition may consist of several documents in like form, each signed by one or more requisitionists.
32. If the Board does not within fifteen (15) days from the date of deposit of the requisition dispatch the notice to convene an extraordinary general meeting, the requisitioner(s) may themselves convene the extraordinary general meeting. An extraordinary general meeting convened as aforesaid by requisitioner(s) shall be convened and held in the same manner as nearly as possible in which general meetings are convened and held by the Board.
33. (a) Subject to the Statute and without prejudice to other provisions of these Articles as regards the matters to be dealt with by Special Resolution, the Company may from time to time by Special Resolution:
  - (i) change its name;
  - (ii) alter or add to these Articles;
  - (iii) alter or add to the Memorandum with respect to any objects, powers or other matters specified therein; or(b) Subject to the Statute, the Company may, by a Special Resolution, effect a Merger or a Consolidation of the Company in accordance with the Statute.
34. Subject to the Statute, Article 24(b) and 33(b), the Company may from time to time by Supermajority Resolution:
  - (a) resolve that any particular declared dividend be satisfied in part by the issuance of new Shares credited as fully paid to the Members pursuant to Article 104;

- (b) effect any capitalisation of any amount pursuant to Article 106 hereof;
  - (c) effect any Spin-off of the Company;
  - (d) enter into, amend, or terminate any agreement for lease of the Company's whole business, or for delegation of the operation, or for frequent joint operation with others;
  - (e) transfer all or a material part of its business or assets; or
  - (f) acquire or assume all businesses or assets of another person which will have a material effect on the Company's business operation.
- 34.1 For so long as the Shares are listed on any ROC Securities Exchange, subject to the Applicable Public Company Rules, the Company may, by at least two-thirds (2/3) of votes cast by Members at a general meeting with a quorum of more than half of the total number of the issued Shares, issue securities by way of private placement within the territory of the ROC, provide that, for issuance of straight corporate bonds by way of private placement within the territory of the ROC, the Company may do so solely by resolution of the Board of Directors and such issuance can be in a single or a series of tranches taking place within one year from the date of the resolution of the Board of Directors in accordance with the Applicable Public Company Rules.
- 34.2 Subject to the Statute and Applicable Public Company Rules, the Company shall not, without passing a resolution adopted by a majority of not less than two-thirds of the total number of votes represented by the issued shares in the Company:
- (a) enter into a Merger, in which the Company is not the surviving company and is proposed to be struck-off and thereby dissolved, which results in a delisting of the Shares on the TWSE, and the surviving or newly incorporated company is a Non TWSE- Listed or TPEX-Listed Company;
  - (b) make a general transfer of all the business and assets of the Company, which results in a delisting of the Shares on the TWSE, and the assigned company is a Non TWSE-Listed or TPEX-Listed Company;
  - (c) be acquired by another company as its wholly-owned subsidiary by means of a Share Swap, which results in a delisting of the Shares on the TWSE, and the acquirer is a Non TWSE-Listed or TPEX-Listed Company; or
  - (d) carry out a Spin-off, which results in a delisting of the Shares on the TWSE, and the surviving or newly incorporated spun-off company is a Non TWSE-Listed or TPEX-Listed Company.
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35. Subject to the Statute, the Company may by Special Resolution resolve to wind up the Company voluntarily, provided that for resolution to wind up the Company voluntarily because the Company is unable to pay its debt as they fall due, it shall be passed by Supermajority Resolution.

#### **NOTICE OF GENERAL MEETINGS**

36. For so long as the Shares are listed on any ROC Securities Exchange, at least thirty (30) days' notice of an annual general meeting shall be given to each Member, stating the date, place and time at which the meeting is to be held and the general nature of business to be conducted at the meeting. For so long as the Shares are listed on any ROC Securities Exchange, at least fifteen (15) days' notice of an extraordinary general meeting shall be given to each Member, stating the date, place and time at which the meeting is to be held and the



general nature of the business to be considered at the meeting. All notices convening general meetings of the Company shall be exclusive of the day on which it is dispatched or deemed to be transmitted and the day of the meeting.

37. A general meeting of the Company shall, notwithstanding that it is called on shorter notice than that specified in these Articles, be deemed to have been properly called if it is so agreed by all the Members having the right to attend and vote at an annual general meeting or an extraordinary general meeting (as the case may be).
38. The non-receipt of notice of a meeting, by any person entitled to receive such notice shall not invalidate the resolutions passed at or the proceedings of that meeting.
39. So long as the Shares are listed on any ROC Securities Exchange, the Company shall send materials as required by the Applicable Public Company Rules (including written ballots if the Members may exercise their votes by means of written ballots at general meetings, proxy form, and summary information and details about issues for recognition, discussion, election or dismissal of Directors) relating to the matters to be discussed in each meeting together with the notice convening the general meeting in accordance with Article 36 hereof and shall transmit the same via the Market Observation Post System. The Board shall prepare a meeting handbook for the relevant general meeting and supplemental materials in accordance with the Applicable Public Company Rules, which will be sent to or made available to all Members and shall be transmitted to the Market Observation Post System in accordance with Applicable Public Company Rules, at least twenty-one (21) days prior to the date of the annual general meeting, and at least fifteen (15) days prior to the date of an extraordinary general meeting.
40. In the event that any of the following matters is to be considered at a general meeting, the notice of the general meeting shall contain a summary of the material issues to be discussed in respect of these matters:
  - (a) election or removal of Directors;
  - (b) alteration of the Memorandum and/or these Articles; and
  - (c) (i) dissolution, Merger, Consolidation, Share Swap, or Spin-off, (ii) the entry into, any changes to or termination of any contract for lease of the Company's whole business, entrusted business or frequent joint venture of the Company with others, (iii) transfer of the whole or any material part of the business or assets of the Company, (iv) acceptance of the transfer of the whole business or assets from another person which will have a material effect on the business operation of the Company;
  - (d) ratification of an action of Director(s) who is/ are engaged in business for him/herself or on behalf of another person, such business being within the scope of the business of the Company;
  - (e) payment of dividends to Members to be satisfied in part by way of issuance of new Shares;
  - (f) distribution to Members on a pro-rata basis based on their respective shareholding in the Company to be paid out of the Company's share premium account and/or a distributable reserve of the Company (including, but not limited to, any capital reserve arising from contributed surplus account which are distributable or endowment income and Legal Reserve) subject to the Statute and these Articles; and
  - (g) private placement of any equity securities to be issued by the Company.

The matters set out in Article 40(a) to Article 40(g) (inclusive) and Article 17 (a) shall not be raised as an ad hoc motion at any general meeting of the Company.

41. So long as the Shares are listed on any ROC Securities Exchange, the Board shall keep

printed copies of the Memorandum, these Articles, minutes of general meetings, financial statements, the branch Register of Members in Taiwan, and the counterfoil of any corporate bonds issued by the Company at the offices of the Company's branch share registrar in Taiwan (if any) and the Company's securities agent located in Taiwan unless electronic copies of the aforementioned documents may be kept pursuant to the Applicable Public Company Rules. From time to time, by submitting document(s) evidencing his/her interests involved and indicating the designated scope of the inspection, the Members may inspect, review or make copies of the aforementioned documents.

42. So long as the Shares are listed on any ROC Securities Exchange, the Company shall make copies of all statements and records prepared by the Board and the report prepared by the Audit Committee available at its securities agent located in Taiwan no later than ten (10) days prior to the date of the general meeting in accordance with Applicable Public Company Rules. Members may, at their own expenses, inspect, review or copy the aforementioned documents from time to time and such Members may be accompanied by their advisors, attorneys or certified public accountants for the purpose of such inspection and review.

### **PROCEEDINGS AT GENERAL MEETINGS**

43. No business shall be transacted at any general meeting unless a quorum of Members is present at the time when the meeting proceeds to business and is maintained throughout the meeting. Unless otherwise provided for in these Articles, two or more Members present in person, or by proxy representing, more than one-half of the total issued Shares, shall constitute a quorum for any general meeting.
44. So long as the Shares are or listed on any ROC Securities Exchange, the Company shall comply with the relevant Applicable Public Company Rules whereby following the end of each fiscal year of the Company, the Board shall table at an annual general meeting of the Company, business reports, financial statements and the Board's proposals for allocation and distribution of profits or losses for approval or ratification (as the case may be) by the Members as required by the Applicable Public Company Rules. In accordance with the Applicable Public Company Rules, the Board shall, after approval or ratification by the Members at the annual general meeting, distribute or make public announcement on the Market Observation Post System to each Member copies of the approved or ratified financial statements, reports and proposals together with the Company's resolutions which approved or ratified the allocation and distribution of profits or loss.
45. A resolution put to the vote of the meeting shall be decided on a poll. No resolution put to the vote of the meeting shall be decided by a show of hands.
46. Subject to all applicable laws, nothing in these Articles shall prevent any Member from initiating proceedings in a court of competent jurisdiction for an appropriate remedy in connection with illegal, or in a way against these Articles, convening any general meeting or passing any resolution. The Taipei District Court, ROC, may be the court of first instance for adjudicating any disputes arising out of the foregoing.
47. Unless otherwise expressly required by the Statute, the Memorandum or these Articles, any matter presented for resolution, approval, confirmation or adoption by the Members at any general meeting may be passed by an Ordinary Resolution.
48. Provided that the Shares are not listed on any ROC Securities Exchange, a resolution (including a Special Resolution) in writing (in one or more counterparts) signed by all Members for the time being entitled to receive notice of and to attend and vote at general meetings (or being corporations by their duly authorised representatives) shall be as valid and effective as if the same had been passed at a general meeting of the Company duly convened and held.
49. So long as the Shares are listed on any ROC Securities Exchange, one or more Members holding one percent (1%) or more of the total issued Shares immediately prior to the relevant

period during which the Register of Members is closed for transfers, may in writing submit to the Company a proposal for consideration and, if appropriate, approval at an annual general meeting. Such proposals shall not be included in the agenda if:

- (a) the proposing Member(s) hold(s) less than one percent (1%) of the total issued Shares as at the relevant date in accordance with this Article;
  - (b) the matter proposed to be discussed may not be resolved at an annual general meeting;
  - (c) the proposing Member has made more than one proposal for consideration at the same annual general meeting; or
  - (d) the proposal is meeting submitted after the expiration of the specified period determined by the Board.
50. Unless otherwise agreed by a majority of the Members attending and entitled to vote thereat, the Chairman shall act as chairman at all meetings of the Members at which such person is present. In his/her/its absence, a chairman shall be appointed or elected in accordance with the Applicable Public Company Rules.
51. (a) Unless otherwise expressly provided herein, if a quorum is not present by the time appointed for the general meeting, the chairman may adjourn the commencement of the general meeting to a later time, but no more than one (1) hour in all circumstances. If the commencement of the general meeting has been adjourned twice and a quorum is still not present, then the general meeting shall be adjourned to such other day and at such other time and place as the Board may determine. The Board (or the Secretary duly authorised by the Board) may adjourn any general meeting called in accordance with the provisions of these Articles (other than a meeting requisitioned under these Articles) provided that notice of adjournment is given to each Member. The Board may determine the date, time and place for the adjourned meeting as it deems appropriate and shall give fresh notice of the date, time and place for the adjourned meeting to each Member in accordance with the provisions of these Articles, PROVIDED THAT for so long as the Shares are listed on any ROC Securities Exchange, such adjournment shall also comply with the Applicable Public Company Rules.
- (b) The chairman of a general meeting may, with the consent of a majority of the Members present at any general meeting at which a quorum is present, and if so directed shall, adjourn the meeting. Unless the meeting is adjourned to a specific date, place and time announced at the meeting being adjourned, a notice stating the date, place and time for the resumption of the adjourned meeting shall be given to each Member entitled to attend and vote thereat in accordance with the provisions of these Articles and for so long as the Shares are listed on any ROC Securities Exchange, such adjournment shall also comply with the Applicable Public Company Rules.

#### **VOTES OF MEMBERS**

52. (a) Subject to the Statute, the Memorandum, these Articles, and any rights or restrictions for the time being attached to any Class or Classes of Shares, every Member who is present at a general meeting, either in person (or in the case of a Member being a corporation, by its authorised representative) or by proxy, shall have one vote for every Share of which he/she/it is the holder.
- (b) So long as the Shares are listed on any ROC Securities Exchange, any Members holding Shares on behalf of another beneficiary Member(s) may exercise his/her/its voting rights severally in accordance with the request(s) of the respective beneficial Member(s). The qualifications, scopes, exercises, operational procedures and other matters in relation to the aforesaid separate exercise of voting rights shall be conducted in accordance with the Applicable Public Company Rules.

(c) So long as the Shares are listed on any ROC Securities Exchange, if a Member holding more than one Share does not cast all his votes in the same way, such Member must do so in accordance with the Applicable Public Company Rules.

53. Votes may be cast either personally or by proxy. A Member may appoint only one proxy and only under one instrument to attend and vote at each meeting. The instrument appointing a proxy shall be deposited at the Registered Office or the office of the Company's FSC-recognised shareholders' service agent (as the term is defined under the Applicable Public Company Rules) in the ROC or at such other place as is specified for that purpose in the notice convening the general meeting, or in any instrument appointing a proxy sent out by the Company not less than five days before the time for holding the meeting or adjourned meeting at which the person named in the instrument proposes to vote. Where more than one instrument to appoint a proxy are received from the same Member by the Company, the first instrument received shall prevail, unless an explicit written statement is made by the relevant Member to revoke the previous proxy in the later-received instrument.
54. (a) Subject to the Statute and all applicable law, the Board may determine that Members not attending and voting at a general meeting in person or by proxy may exercise their voting right either by means of a written ballot or by means of electronic transmission prior to the commencement of that general meeting; provided, however, that so long as the Shares are listed in any ROC Securities Exchange, the Company shall provide the Members with the right to exercise his/her/its voting right through electronic transmission, and, in case a general meeting is to be held outside of Taiwan, the Company shall, subject to the Statute and all applicable law, provide the Members with a method for exercising their voting right by means of a written ballot or electronic transmission. Such method for exercising voting right shall be described in the notice convening the general meeting to be given to the Members in accordance with these Articles. For the avoidance of doubt, Shares voted in the manner mentioned above shall, for purposes of these Articles and the Statute, be counted towards the quorum of the respective meeting and a Member who exercises his/her/its voting rights by means of a written ballot or electronic transmission shall be deemed to have appointed a FSC-recognized shareholders' service agent, or if such agent was not engaged the chairman of the general meeting, as his proxy..
- (b) Subject to the Statute and all applicable law, all Members voting by means of a written ballot or of electronic transmission shall be deemed to have waived notice of, and the right to vote in regard to, any ad hoc motion or amendment to the items set out in the notice convening the general meeting to be resolved at the said general meeting.
- (c) Subject to Article 55, in the event that a Member who has exercised his/her/its voting power by means of a written ballot or by means of electronic transmission decides to attend a general meeting, then the vote casted in the aforesaid manner shall be deemed to have been revoked and the voting power exercised by the Member at the general meeting shall prevail.
55. Subject to the Statute and all applicable law, in the event any Member who has exercised his/her/its voting rights by means of a written ballot or by means of electronic transmission (as applicable) pursuant to Article 54 intends to attend the general meeting physically in person or by authorised representative if the Member is a corporation, he/she/it shall, at least two (2) days prior to the date of the general meeting, deposit at the Registered Office or at the office of the securities agent engaged by the Company in the ROC so long as the Shares are listed on any ROC Securities Exchange or at such other place as is specified in the notice convening the meeting a separate notice to rescind and revoke his/her/its votes cast by way of such written ballot or electronic transmission (as applicable) (for the purposes of this Article only, the "**Previous Voting**"), failing which, the Member shall be deemed to have waived his/her/its right to attend and vote at the relevant general meeting in person and the Company shall not count any votes cast by such Member physically at the relevant general meeting . Subject to the Statute and all applicable law, votes by means of written ballot or electronic transmission shall be valid unless the relevant Member revokes the Previous Voting before the prescribed time.

56. In the case of joint holders of Shares, such joint holders shall appoint a representative among them to exercise the votes of their Shares and shall notify the Company of such appointment. If no such representative is appointed by such joint holders of record, then the vote of the senior who tenders a vote, whether in person (or in case of a corporation, by authorised representative) or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the Register of Members.
57. (a) No Member shall be entitled to vote at any general meeting unless he/she/it is registered as a Member of the Company on the record date for such general meeting. A Member of unsound mind, or in respect of whom an order has been made by any court having jurisdiction in lunacy, may vote by his committee, receiver, curator bonis, or other person in the nature of a committee, receiver or curator bonis appointed by that court, and any such committee receiver, curator bonis or other persons may, subject to all applicable laws, vote by proxy in accordance with these Articles.
- (b) Subject to the Statute, so long as the Shares are listed in any ROC Securities Exchange, when a Director pledges more than one-half of the Shares which he/she/it held at the moment when he/she/it was elected as a Director, such Director shall refrain from exercising the votes with respect to the Shares pledged exceeding the one-half threshold, and the votes of the Shares pledged exceeding the one-half threshold shall not be counted in the total number of votes of Member present at the meeting. However, such Shares shall be counted in determining the quorum of the general meeting.

#### **SHARES WHICH ARE NOT ENTITLED TO VOTE**

58. Shares set out below shall not be voted at any general meeting and shall not be counted into the total number of issued Shares for determining the quorum of the general meeting:
- (a) Shares that are directly or indirectly owned by the Company;
- (b) Shares that are owned by its Subsidiary, more than one-half of the total number of issued voting shares or paid-up capital of that Subsidiary is directly or indirectly owned by the Company; and
- (c) Shares that are owned by a company, more than one-half of the total number of issued voting shares or paid-up capital of such a company is directly or indirectly owned by the Company, its Subsidiaries or the holding company(ies) to which the Company is a Subsidiary.
59. So long as the Shares are listed on any ROC Securities Exchange, if a Member who has a personal interest in respect of any matter proposed for consideration and, if appropriate, approval at a general meeting, and such interest is in conflict with and may harm the interests of the Company, such Member shall abstain from voting in respect of all his/her/its Shares which such Member would otherwise be entitled to vote in person or by proxy (or by corporate representative, if such Member is a corporation) with respect to the said matter, and the votes cast in respect of the Shares held by such Members shall not be counted, but such Members and their Shares may be counted in determining the quorum of the general meeting. The aforementioned Member shall also not vote on behalf of any other Member with respect to that same matter.

#### **DISSENTING MEMBERS' APPRAISAL RIGHT**

60. In the event any of the following resolutions is passed at a general meeting, any Member who has notified the Company in writing of his objection to such a resolution prior to the date of the relevant general meeting and has raised again his/her/its objection at the general meeting, may request the Company to buy back all of his/her/its Shares at the then prevailing fair value:

- (a) a resolution approving the entry into by the Company, any amendments to or termination of any lease of all of the Company's business, delegation of the operation or frequent joint operation (which expression shall have the meaning ascribed to them in the Applicable Public Company Rules) of the Company with others;
  - (b) a resolution approving the transfer by the Company of all or a material part of its business or assets, provided that this shall not apply where such transfer is to be made pursuant to the dissolution of the Company; or
  - (c) a resolution approving the acquisition by the Company of all of the business or assets from another person, which will have a material effect on the Company's business operations.
61. Subject to compliance with the Statute, in the event of a Spin-off of any part of the Company's business or if the Company is involved in any Merger or Consolidation with any other company, any Member who has abstained from voting on such matter (or had voted against such matter) and has expressed his/her/its dissent thereof in writing or verbally (but put on record) before or during the relevant general meeting at which such matter is considered and approved, may request the Company to buy back all of his/her/its Shares at the then prevailing fair value.

#### **PROXIES AND SOLICITATION OF PROXIES**

62. Unless otherwise provided in these Articles, the instrument appointing a proxy shall be in writing and if the appointor is a natural person, shall be executed under the hand of the appointor or of his/her attorney duly authorised in writing; or, if the appointor is a corporation, shall be executed by affixing with Seal or under the hand of an officer or attorney duly authorised in that behalf. A Member shall serve such instrument of proxy to the Company no later than five (5) days prior to the date of the general meeting. In case two or more instruments of proxy are received from one Member, the first one received by the Company shall prevail; unless such Member explicitly revoke the previous instrument of proxy in the subsequent instrument of proxy. A proxy need not be a Member of the Company. Unless otherwise provided in these Articles, the instrument appointing a proxy shall be deposited at the Registered Office, or, at the office of the securities agent engaged by the Company in the ROC so long as the Shares are listed on any ROC Securities Exchange, or at such other place, in such manner as is specified in the notice convening the meeting.
63. (a) For so long the Shares are listed on any ROC Securities Exchange and subject to the Applicable Public Company Rules, except for (i) trust enterprises organized under the laws of the ROC or (ii) a shareholders' service agent (as the term is defined under the Applicable Public Company Rules) recognised by the FSC, or (iii) the FSC-recognized shareholders' service agent or chairman as appointed in accordance with Article 54(a) in the event a person has been appointed as the proxy for two or more Members, the sum of Shares entitled to vote as represented by such proxy shall be no more than three percent (3%) of the total issued Shares immediately prior to the relevant date of closure of the Register of Members for purposes of determining Members entitled to vote at the general meeting; any vote in respect of the portion in excess of such three percent threshold shall not be counted.
- (b) Unless otherwise provided in these Articles, the instrument appointing a proxy shall be in the form approved by the Company and be expressed to be for a particular meeting and the adjourned meeting(s) thereof. The form of proxy shall include at least the following information: (a) instructions on how to complete the form, (b) the matters to be voted upon by the proxy, and (c) basic identification information relating to the relevant Member appointing the proxy, his/her/its proxy and the Solicitor (if any). The form of proxy shall be provided to the Members together with the notice for the relevant general meeting, and such notice and proxy materials shall be distributed to all Members on the same day.

- (c) In the event any Member who has served the Company with a proxy instrument intends to attend general meetings in person or exercise his/her/its voting power by means of written ballots or electronic transmissions, he/she/it shall, at least two days prior to the general meeting, serve a separate declaration of intention to revoke his/her/its appointment of proxy. Votes cast by proxy shall be valid if the relevant Member fails to revoke the appointment of proxy before the time prescribed by the Applicable Public Company Rules. For the avoidance of doubt, in the event that any Member who has exercised his/her/its voting power by means of written ballots or electronic transmissions pursuant to Article 54, but thereafter appoints a proxy in accordance with Article 63(b) and the Applicable Public Company Rules to attend such General Meeting, then the votes cast by such proxy at the General Meeting shall prevail over any previous electronic or written ballots.
- (d) Unless otherwise provided in these Articles, so long as the Shares are listed on an ROC Securities Exchange, all matters concerning proxies and/or the solicitation of instruments of proxies by a Solicitor relating to the Shares shall comply with these Articles and ROC's *Rules Governing the Use of Proxies for Attendance at Member Meetings of Public Companies* and all other applicable laws and regulations, including but without limitation, the Applicable Public Company Rules, for the time being whether or not expressly provided for in these Articles.

## DIRECTORS

64. There shall be a Board consisting of seven (7) to nine (9) Directors, each of whom shall be appointed to a term of office of three (3) years. Directors may be eligible for re-election.
65. So long as the Shares are listed on any ROC Securities Exchange, unless otherwise approved by one of the ROC Securities Exchanges on which the Company's Shares are traded, less than half of the total number of Directors can have a spousal relationship or family relationship within the second degree of kinship (as defined in the Applicable Public Company Rules) with any other Directors.
66. In the event that the Company convenes and holds a general meeting for the election of Directors and any of the Directors elected does not meet the requirements provided in Article 65 hereof, the non-qualifying Director(s) who was elected with the least number of votes shall be deemed not to have been elected, to the extent necessary to meet the requirements provided for in Article 65 hereof. Any person who is currently a Director but is in violation of the aforementioned requirements shall be automatically discharged from his/her/its office effective from such violation.
67. So long as the Shares are listed on any ROC Securities Exchange, unless otherwise permitted under the Applicable Public Company Rules, there shall be at least three (3) Independent Directors, and the total number of Independent Directors shall not be less than one-fifth of the total number of Directors. To the extent required by the Applicable Public Company Rules, at least one of the Independent Directors shall be domiciled in the ROC and at least one of the same shall have accounting or financial expertise.
68. Independent Directors shall have professional knowledge and shall maintain independence within the scope of their duties as Independent Directors of the Company, and shall not have any direct or indirect interests in the Company. The professional qualifications, restrictions on shareholdings, restrictions as to concurrent positions or engagements and assessment of independence with respect to Independent Directors shall be governed by the Applicable Public Company Rules.
69. The Board shall determine the remuneration (including any compensation) paid to the Directors (including the Independent Directors) according to the recommendation by the Remuneration Committee so long as the Shares are listed on any ROC Securities Exchanges. Factors which shall be considered when determining the remuneration paid to each Director shall include, without limitation, the extent and value of the services provided for the management of the Company, the operating performance of the Company, and the industry-

wide compensation levels and practices. The Directors shall also be entitled to be paid their travel, hotel and other expenses properly incurred by them in going to, attending and returning from meetings of the Board, or any committee of the Board, or general meetings of the Company, or otherwise in connection with the business of the Company, or to receive a fixed allowance in respect thereof as may be determined by the Board from time to time, or a combination partly of one such method and partly the other.

70. A Director who is engaged in anything on his/her/its own account or on behalf of another person, which is within the scope of the Company's business, shall explain to the Members in a general meeting the essential contents of such conduct and seek their approval by Supermajority Resolution.

71. (a) So long as the Shares are listed on any ROC Securities Exchange, if, during the term of office, a director transfers his shareholding such that he holds less than one half of the Shares he held as at the date of his appointment according to the Register of Members, the director shall, *ipso facto*, be automatically discharged from office.

(b) So long as the Shares are listed on any ROC Securities Exchange, a director's appointment shall not become effective in the following circumstances:

- (i) if such director transfers his Shares such that he holds less than one half of the Shares he held as at the date on which his appointment is approved according to the Register of Members, but prior to the commencement of the term of his appointment becoming effective, if applicable; or
- (ii) if such director transfers his Shares such that he holds less than one half of the Shares he held as at the date on which his appointment is approved according to the Register of Members during the Transfer Prohibition Period.

Any breach of Article 71(b) shall cause the appointment of any proposed director to be, *ipso facto*, void.

(c) The preceding subparagraphs (a) and (b) of this Article 71 do not apply when the Director involved is an Independent Director.

72. (a) Where a government agency or an incorporated entity is a Member, and such government agency or entity has been elected as a Director, it shall appoint an individual as its duly authorised representative to exercise the power and duties of a Director. Such representative may be replaced at any time and from time to time by the said government agency or entity at its sole discretion.

(b) Notwithstanding anything to the contrary, where a government agency or an incorporated entity is a Member, such government agency or entity (an "Appointer") is entitled to nominate one(1) or more individual representatives to be elected as Directors (for the purpose of these Articles, "Appointee Directors") in accordance with Article 73.

(c) The Appointer may, by prior written notice to the Company, remove the Appointee Directors nominated by it and appoint another individual as an Appointee Director for the remaining term of office. This Article 72(c) will not apply if the Appointee Director is removed by a Supermajority Resolution pursuant to Article 77.

## **ELECTION AND REMOVAL OF DIRECTORS**

73. Subject to Article 71(b) and Article 96, the Company may at any general meeting elect any person to be a Director in accordance with Article 74 below.

74. (a) Directors (including Independent Directors) shall be elected pursuant to a cumulative voting mechanism pursuant to a poll vote, where the total number of votes exercisable by any Member shall be the product of the number of Shares held by such Member and the number of Directors to be elected ("**Special Ballot Votes**"), and the total number of Special Ballot



Votes cast by any Member may, at the sole discretion of the Member, be consolidated for election of one candidate for directorship or may be split for the election of several candidates for directorship, as specified in the voting paper by the relevant Member. The candidates who receive the ballots representing the prevailing votes from the Members pursuant to this Article shall be elected as Directors.

- (b) Prior to any election or appointment of a Director pursuant to these Articles, such candidate of Director shall deliver a written confirmation to the Company indicating his/her willingness to serve as a Director if he/she is elected or appointed. Within fifteen (15) days after the election of Directors, an elected Director shall execute and deliver a letter of consent to the Company, the form of which shall be prescribed by the Company, notifying his/her acceptance of serving as a Director of the Company and of observing duties which may be set forth in such letter of consent.
  - (c) Directors shall hold office only until the general meeting at which such Director is required by the Applicable Public Company Rules to retire, resign, seek re-election or being removed pursuant to these Articles.
  - (d) So long as the Shares are listed on any ROC Securities Exchange, subject to the Statute, the Memorandum and these Articles, the Company shall adopt a candidate nomination mechanism for the office of Directors which is in compliance with the Applicable Public Company Rules.
75. (a) The list of candidates for the office of Independent Director shall be nominated by the Board and such list shall be distributed to the Members in accordance with Article 39, and in such manner and at such time as may be determined by the Board.
- (b) So long as the Shares are listed on any ROC Securities Exchange, subject to the Statute, the Memorandum and these Articles, the Company shall adopt a candidate nomination mechanism for the office of Independent Directors which is in compliance with the Applicable Public Company Rules.
  - (c) If the number of Independent Directors is less than or falls below three (3) due to vacation of office of such Independent Directors for any reason, the Company shall elect new Independent Directors at the next following general meeting. If the office of all of the Independent Directors have become vacant, the Board shall convene, within sixty (60) days of vacancy of the last Independent Director, a general meeting of Members to elect new Independent Directors to fill the vacancies.
76. If the number of Directors is less than or falls below Seven (7) for any reason, the Company shall elect new Director(s) at the next following general meeting. When the number of vacancies in the Board is equal to or more than one third of the size of the Board as set out in Article 64 above, the remaining Directors shall convene, within the next sixty (60) days therefrom, a general meeting of Members to elect new Directors to fill in the vacancies.
77. The Company may from time to time by Supermajority Resolution remove any Director from his/her office, whether another person has been appointed in his/her stead.
78. Subject to all applicable laws, where a Director has, in the course of performing his/her duties, committed any act resulting in material damage to the Company or committed a violation of applicable laws, regulations, and/or these Articles, and a Supermajority Resolution at a general meeting to approve his/her removal was put forth but failed to pass, any one or more Members holding three percent (3%) or more of the total issued Shares may, within thirty (30) days after the said general meeting, institute a legal proceeding in a court of competent jurisdiction for an order to remove such Director provided that such Member(s) hold three percent (3%) or more of the total issued Shares as at the date of the institution of such legal proceedings to remove such Director. The Taipei District Court, ROC, may be the court of first instance for this matter. The office of such Director shall ipso facto be vacated with effect from the date such order of court is obtained.

## **DIRECTOR'S PROXY**

79. If a Director is unable to attend a meeting of the Board, such Director may appoint another Director as his proxy to attend and to vote on his behalf at the meeting, in which event the presence and vote of the proxy shall be deemed to be that of the Director. The appointing Director shall, in each instance, issue a written proxy and state therein the manner in which his proxy is to vote in respect of the business to be discussed at that meeting, and such written proxy shall be lodged with the Board at the Registered Office or at such other place as is specified in the notice convening the Board meeting at any time before that meeting. A Director may only act as the proxy of one Director.

## **POWERS AND DUTIES OF DIRECTORS**

80. (a) Subject to Cayman Islands law and the Applicable Public Company Rules, the Board shall manage and conduct the business of the Company. The Board may pay all expenses incurred in promoting, registering and setting up the Company, and may exercise all such powers of the Company as are not, for the time being, by the Statute, these Articles, any applicable regulations or by any resolutions passed by the Company in general meeting, required to be exercised by the Company in general meeting.
- (b) Subject to Cayman Islands law, any Director shall owe fiduciary duties to the Company and such fiduciary obligations shall include but not limited to the observance of general standards of loyalty, good faith and the avoidance of a conflict of duty and interest. If any Director breached the aforesaid fiduciary duties, subject to the laws of the Cayman Islands, such Director shall be held liable for any damages therefrom. Subject to Cayman Islands law, the Members may by way of an Ordinary Resolution request a Director to disgorge the gains from his breach of the duty of loyalty and the duty to exercise fiduciary cares.
- (c) If a Director, during his conduct of the business of the Company, caused damages to other third parties by violating applicable laws, such Directors shall, subject to all applicable laws, be jointly liable with the Company to such damaged third parties.
81. The Board may from time to time and at any time by powers of attorney appoint any company, firm, person or body of persons, whether nominated directly or indirectly by the Board, to be the attorney or attorneys of the Company for such purpose and with such powers, authorities and discretions (not exceeding those vested in or exercisable by the Board under these Articles) and for such period and subject to such conditions as the Board may think fit, and any such powers of attorney may contain such provisions for the protection and convenience of persons dealing with any such attorneys as the Board may think fit and may also authorise any such attorney to delegate all or any of the powers, authorities and discretions vested in him/her.
82. All cheques, promissory notes, drafts, bills of exchange and other negotiable instruments and all receipts for monies paid to the Company shall be signed, drawn, accepted, endorsed or otherwise executed as the case may be in such manner as the Board shall from time to time by resolution determine.
83. The Board shall cause minutes to be duly entered in books provided for the purpose of:
- (a) all appointments of officers made by the Board;
  - (b) the names of the Directors (including those represented thereat by proxy) present at each meeting of the Board and of any committee of the Board;
  - (c) all resolutions and proceedings at all meetings of the Company and of the Board and of committees of the Board.

84. Subject to all applicable laws, the Applicable Public Company Rules, these Articles, and any internal regulation governing the lending of capital, endorsement, guarantees, and acquisition and disposition of assets which may be adopted by the Company by an Ordinary Resolution at general meetings, the Board may exercise all the powers of the Company to borrow money and to mortgage or charge its undertaking, property and assets (present and future) and uncalled capital or any part thereof and to issue other securities whether outright or as security for any debt, liability or obligation of the Company or of any third party, and to stand surety for or to guarantee, support or secure the performance of all or any of the obligations of any person, firm or company whether or not related or affiliated to the Company in any manner.

### **PROCEEDINGS OF DIRECTORS**

85. Unanimous written resolutions signed by all Directors shall have the same effect as if such resolutions were passed at duly convened meetings of the Board, and all such resolutions shall be described as "Written Directors' Resolutions" and shall be recorded in the Company's minute book. Any such resolution may consist of several documents in like form, each signed by one or more Directors. However, so long as the Shares are listed on any ROC Securities Exchanges, the Board must meet together for the dispatch of business and no written Directors' Resolutions may be passed. The Board may convene, adjourn and otherwise regulate its meetings as it thinks fit. Unless otherwise provided in these Articles, a resolution put to the vote at any meeting of the Board shall be decided by a majority of votes of the Directors present at that Board meeting at which there is a quorum. In case of an equality of votes, the resolution shall fail.
86. (a) Subject to paragraph (b) of this Article, meetings of the Board may be summoned in accordance with such rules and procedures for meetings of the Board as may be adopted from time to time by the Board.
- (b) A meeting of the Board shall be summoned by at least seven (7) days' notice in writing to all Directors, and the notice shall set forth the general nature of the business to be considered. However, a meeting of the Board may be summoned at any time if there is any emergency, provided that notice is waived by all the Directors either at, before or after the meeting is held. If notice of a meeting of the Board is given in person, by cable, telex, facsimile, or electronic messages, the same shall be deemed to have been given on the day it is delivered, sent or transmitted to each of the Directors.
87. (a) A Director shall attend meetings of the Board in person or by proxy in accordance with these Articles.
- (b) Unless otherwise provided in these Articles, the quorum necessary for the transaction of the business of the Board shall be more than one-half of the number of the Directors in office as at the date of the meeting, PROVIDED ALWAYS that if there shall at any time be only a sole Director the quorum shall be one. For the purposes of this Article, a proxy appointed by a Director shall be counted in a quorum at a meeting at which the Director appointing him/her is not present.
- (c) When the following resolutions put to the vote at any meeting of the Board, the quorum required shall be more than two-thirds of the number of Directors: (i) matters described in Article 11, 16(d) and 40 (c) herein; (ii) any issuance, allotment, or placement of new Shares; (iii) any issuance of debenture, bonds, or any other type of debt securities; (iv) any declaration of Directors or employees compensation pursuant to Article 102(a) or a plan of declaration of dividends and/or bonus; and (v) election and removal of the Chairman of the Board described in Article 89 herein.
88. The Board may act and pass or adopt resolutions notwithstanding any vacancy in its number.
89. The Board shall elect a Chairman of the Board and determine the period for which he/she is to hold office. The Chairman of the Board shall be elected by and among the Directors by a

majority vote at a meeting of the Board at which two-thirds or more of the number of Directors in office as at the date of the meeting are present. The Chairman of the Board shall take the chair at meeting of the Board, however if no such chairman is elected, or if at any meeting the chairman is not present, the Directors present may choose one of their number to be chairman of the meeting. The Chairman of the Board may be removed by a majority vote of more than two-thirds of the attending Directors at a meeting of the Board at which two-thirds or more of the number of Directors in office as at the date of the meeting are present, PROVIDED that the Chairman being so removed by the Board shall remain as a Director of the Company notwithstanding his/her removal as Chairman of the Board.

90. A Director who is directly or indirectly has personal interest in the matter proposed at the meeting of the Board (including but not limited to interested in a contract or proposed contract or arrangement with the Company) shall declare the important nature of such interest at such meeting. A Director who has a personal interest in the matter under discussion at a meeting of the Board, which conflicts with and may harm the interests of the Company, shall neither vote nor exercise voting rights on behalf of another Director at the relevant meeting for such matter; the votes cast by such Director who is prohibited from voting or exercising any voting right as prescribed above shall not be counted in the number of votes of Directors present for such matter where personal interest exists, HOWEVER, such interested Director may be counted towards the quorum of the meeting.
91. The Board may delegate any of their powers to committees consisting of such member or members of the Board as they think fit; any committee so formed shall in the exercise of the powers so delegated conform to any regulations and directions that may be imposed on it by the Board.
92. A committee of the Board may meet and adjourn as it thinks proper. Any resolution put to the vote at any committee meeting shall be determined by a majority of votes of the members present, and in the case of an equality of votes the resolution shall fail. The meetings and proceedings of any committee shall be governed by the provisions contained in these Articles for regulating the meetings and proceedings of the Board to the extent that the same are applicable and are not superseded by any regulations or directions imposed by the Board under the last preceding Article.
93. All acts done by any meeting of the Board or of a committee of Board shall, notwithstanding that it be afterwards discovered that there was some defect in the appointment of any Director, or that they or any of them were disqualified, be as valid as if every such person had been duly appointed and qualified to be a Director as the case may be.
94. Members of the Board or of any committee thereof may participate in a meeting of the Board or of such committee by means of videoconference or other electronic communication facilities whereby all persons participating in the meeting can see and hear each other simultaneously and instantaneously, and participation in a meeting pursuant to this provision shall constitute presence in person at such meeting.

#### **DUTY OF THE BOARD TO ADVISE IN A TENDER OFFER**

95. So long as the Shares are listed on any ROC Securities Exchange, the Board shall, within fifteen (15) days after receipt by the Company or by its litigation and non-litigation agent appointed pursuant to Applicable Public Company Rules of copies of (i) a tender offer application to purchase Shares, (ii) a tender offer prospectus, and (iii) relevant documents, resolve to recommend to the Members whether to accept or to reject the tender offer and make a public announcement of the following in accordance with the Applicable Public Company Rules:
  - (a) the type and number of Shares held by the Directors and each Member holding more than ten percent (10%) of the total issued Shares in their own names or in the names of other persons;

- (b) the Board shall made the recommendation regarding the identity and financial status of the tender offeror, the fairness assessment to the terms and conditions provided by the tender offeror and the reasonableness of the funding resources supporting the acquisition to the Members on such tender offer, setting forth the Directors' specific opinions of agree or disagree to such tender offer and the reason(s) thereunder;
- (c) whether or not there are any material changes to the financial condition of the Company after the publication of the latest financial report and an explanation of the change(s) (if any); and
- (d) the type, number and amount of the shares in the tender offeror (if the tender offeror is a company or corporation) or its affiliates held by the Directors and the Members holding more than ten percent (10%) of the total issued Shares in their own names or in the name of other persons.

So long as the Shares are listed on any ROC Securities Exchange, the Board shall comply with the then Applicable Public Company Rules in respect of a tender offer.

#### **VACATION OF OFFICE OF DIRECTOR AND DISQUALIFICATION OF A DIRECTOR**

96. A person shall not be elected as a Director or be vacated from his/her office, where applicable, in the event of any of the following:
- (a) if he/she resigns his/her office by notice in writing to the Company;
  - (b) if he/she is removed from office in accordance with these Articles;
  - (c) if he/she dies, becomes bankrupt and his/her credit has not been restored;
  - (d) if an order is made by any competent court or official on the grounds that he/she is or will be suffering from lunacy, mental disorder or is otherwise incapable of managing his/her affairs or his/her legal capacity is restricted according to the applicable laws;
  - (e) if he/she has committed an offence as specified in the ROC statute of prevention of organizational crimes or similar legislations in other jurisdictions, or subsequently is adjudicated guilty by a final judgment and the time elapsed after he/she has served the full term of such sentence is less than five (5) years;
  - (f) if he/she has committed an offence involving fraud, breach of trust or misappropriation, or subsequently sentenced to imprisonment for a term of more than one (1) year in any jurisdiction, and the time elapsed after he/she has served the full term of such sentence is less than two (2) years;
  - (g) if he/she has been adjudicated guilty by a final judgment for misappropriating public funds during the time of his/her public service, and the time elapsed after he/she has served the full term of such sentence is less than two (2) years; or
  - (h) if he/she has been blacklisted by the Taiwan Clearing House due to default on negotiable instruments, and the term of such sanction has not expired yet.

Where any of the events described in this Article 96 (c), (d), (e), (f), (g), and (h) applies to or occurs in relation to a candidate for the office of Director, such candidate shall immediately be disqualified and ceases to be eligible to be considered for election to the office of Director. Where a Director who is also the chairman of the Board is removed from office as Director or his office as Director is vacated pursuant to this Article 96, the office of chairman of the Board shall also be automatically vacated.

## **SEAL AND AUTHENTICATION OF DOCUMENTS**

97. (a) The Company may, if the Board so determine, have a Seal in such form as determined by the Board, which Seal shall, subject to paragraph (c) hereof, only be used by the authority of the Board or of a committee of the Board authorised by the Board and every instrument to which the Seal has been affixed shall be signed by a person who shall be either a Director or the Secretary or such other person authorised for this purpose by the Board or a committee of the Board.
- (b) The Board may adopt for use in any place or places outside the Cayman Islands a duplicate Seal or Seals each of which shall be a facsimile of the common seal of the Company and, if the Board so determine, with the addition on its face of the name of every place where it is to be used.
- (c) Any Director or the Secretary or other person appointed by the Board for the purpose may authenticate any documents affecting the constitution of the Company and any resolution passed by the Company or the Board or any committee, and any books, records, documents and accounts relating to the business of the Company, and to certify copies thereof or extracts therefrom as true copies or extracts; and if any books, records, documents or accounts are kept elsewhere than at the Registered Office or the head office of the Company, the local manager or other officer of the Company having the custody thereof shall be deemed to be a person so appointed by the Board. Subject to Cayman Islands law, a document purporting to be a document so authenticated or a copy of a resolution, or an extract from the minutes of a meeting, of the Company or of the Board or any local board or committee, or of any books, records, documents or accounts or extracts therefrom as aforesaid, and which is certified as aforesaid, shall be conclusive evidence in favour of all persons dealing with the Company upon the faith thereof that such resolution has been duly passed or, as the case may be, that any minute so extracted is a true and accurate record of proceedings at a duly constituted meeting or, as the case may be, that the copies of such books, records, documents or accounts were true copies of their originals or as the case may be, the extracts of such books, records, documents or accounts are true and accurate records of the books, records, documents or accounts from which they were extracted.

## **OFFICERS**

98. (a) The Board may from time to time appoint officers and/or managers as the Board considers necessary, for such term, at such remuneration, to perform such duties, subject to such other conditions or restrictions or to such provisions as to disqualification and removal as the Board from time to time prescribe. Subject to Cayman Islands law, Article 80 (b) and (c) shall be applied mutatis mutandis to an officer's duties and liabilities to the Company and other third parties.
- (b) So long as the Shares are listed on any ROC Securities Exchange, the Company shall maintain a litigation and non-litigation agent appointed by the Board by way of a resolution passed by a simple majority of the Directors at a duly convened meeting of the Board with the necessary quorum, and shall report the appointment of the litigation and non-litigation agent or any change thereof to the FSC in accordance with the Applicable Public Company Rules. The litigation and non-litigation agent shall have residence within the ROC and shall be the responsible person of the Company within the ROC (as such term is defined under the Securities and Exchange Act of the ROC). For the avoidance of doubt, the litigation and non-litigation agent shall not be an Officer of the Company.

## **DIVIDENDS, DISTRIBUTIONS AND RESERVE**

99. (a) Subject to the Statute, these Articles and any direction of the Company in general meetings, the Company, upon the recommendation by the Board, may by way of an

Ordinary Resolution, from time to time declare dividends and distributions to Members and authorise payment of the same out of the funds of the Company lawfully available therefor.

- (b) Subject to Cayman Islands law and any rights at the time being attached to any Shares, if dividends or distributions are to be declared on a Class of Shares such dividends or distributions shall be declared and paid according to the amounts paid or credited as paid on the Shares of such Class issued on the record date for such dividend or distribution as determined in accordance with these Articles.
100. The Board may, before making a recommendation to the Company in respect of dividends or distributions, set aside such sums as it thinks proper as a reserve or reserves which shall at the discretion of the Board, be applicable for any purpose of the Company and pending such application may, at the like discretion, be employed in the business of the Company.
101. No dividend or distribution shall be payable except out of the profits of the Company or from any reserve set aside from profits, or out of the share premium account of the Company, or as otherwise permitted by the Statute.
102. (a) So long as the Shares are listed on any ROC Securities Exchange, where there is an Annual Profit (i.e. the amount of income before income tax before distributing employees' and Directors' compensation of a current year, the "Annual Profit"), the Company shall set aside the following amounts as Directors and/or employees' compensation, provided that there is accumulated losses, the Company shall first reserve the losses covering amounts:
- (i) Collectively, Directors are entitled to receive year-end compensation of not more than three percent (3%) of the Annual Profit, and such compensation payment shall only be paid in cash; and
  - (ii) Employees of the Company and the Subsidiaries of the Company collectively are entitled to receive year-end compensation no less than one percent (1%) of the Annual Profit, which may be payable in cash, fully paid-up Shares, or any combination of both.
- (b) Where based on the Company's final accounts in respect of a current year, so long as the Shares are listed on any ROC Securities Exchange, there is profits, subject to Cayman Islands law, such profits would be distributable only after (i) paying applicable taxes, (ii) covering accumulated losses, (iii) setting aside a sum ten percent (10%) of the profits for the current year for any capital reserve pursuant to the Applicable Public Company Rules, unless the accumulated amount of such reserve equals to the total paid-up capital of the Company ("Legal Reserve") and (iv) setting aside a sum for an additional special reserve in compliance with the requirements promulgated by applicable ROC authorities (including, but not limited to, the FSC or any applicable ROC Securities Exchange). The balance of such profits remaining after all the foregoing deduction shall hereinafter be referred to as the "**Distributable Net Profit of the Current Year.**" Dividends may be declared and paid out of the Distributable Net Profit of the Current Year and any undistributed retained profit accrued from prior years (together, the "**Accumulated Distributable Net Profit**").
- (c) Notwithstanding anything to the contrary, as the Company continues to grow, the need for capital expenditure, business expansion and a sound financial planning for sustainable development increases, it is the Company's dividends policy that the dividends may be allocated in the form of cash dividends and/or bonus shares according to the Company's future expenditure budgets and funding needs. When the Board elects to recommend to the Company to declare and pay dividends to Members and/or from the Accumulated Distributable Net Profit, the Board shall prepare a plan of allocation and distribution of dividends and submit such plan to the Members for approval by way of an Ordinary Resolution at a general meeting subject to the following requirements:

- (i) The Accumulated Distributable Net Profit is available for distribution to the Members as cash or bonus shares to be issued to the Members. The total dividends as proposed for declaration in such plan shall not be less than ten percent (10%) of the Distributable Net Profit of the Current Year.
- (d) No unpaid dividend, distribution or other monies payable by the Company shall bear interest against the Company.
103. Any dividend, distribution, interest or other monies payable in cash to the holder of Shares may be paid by way of telegraphic transfer or electronic transfer or remittance or direct crediting to the bank account of such holder of Shares as he/she/it may designate and notify the Company, or cheque or warrant sent through the post addressed to the holder at his/her/its registered address, or, in the case of joint holders, to the holder who is first named in the Register of Members or to such person and to such address as such holder or joint holders may in writing direct, at the risk of the person entitled to such dividend, distribution, interest or other monies. Every such cheque or warrant shall be made payable or property distributable to the order of the person to whom it is sent. Anyone of two or more joint holders may give effectual receipts for any dividends, bonuses, or other monies payable in respect of the Share held by them as joint holders. Payment of the cheque or warrant by the bank on which it is drawn shall constitute good discharge to the Company notwithstanding that it may subsequently appear that the same has been stolen or than any endorsement thereon has been forged.
104. (a) Subject to Article 34, whenever the Company in general meeting has resolved that a dividend be paid or declared, the Company may upon the recommendation of the Board, further resolve by way of a Supermajority Resolution that such dividend be satisfied in part in the form of an allotment and issue of new Shares credited as fully paid without offering any right to Members to elect to receive such dividend in cash in lieu of such allotment, provided that not less than ten percent (10%) of the total dividend shall be satisfied by the payment of cash. In such case, the basis of any such allotment shall be determined by the Board, and the Board shall prepare a plan of declaration of dividends and/or distribution and such plan shall be submitted to the Members for approval at a general meeting by Supermajority Resolution.
- (b) The Board may do all acts and things considered necessary or expedient to give effect to any capitalisation pursuant to the provisions of paragraph (a) of this Article with full power to the Board to make such provisions as it thinks fit in the case of Shares becoming distributable in fractions (including provisions whereby, in whole or in part, fractional entitlements are aggregated and sold and the net proceeds distributed to those entitled, or are disregarded or rounded up or down or whereby the benefit of fractional entitlements accrues to the Company rather than to the Members concerned), and no Members who will be affected thereby shall be, and they shall be deemed not to be, a separate Class of Members by reason only of the exercise of this power. The Board may authorise any person to enter into on behalf of all Members interested, an agreement with the Company providing for such capitalisation and matters incidental thereto and any agreement made pursuant to such authority shall be effective and binding on all concerned.
- (c) The Board may on any occasion determine that the allotment of Shares under paragraph (a) of this Article shall not be made available or made to any Members with registered addresses in any territory where in the absence of a registration statement or other special formalities the allotment of Shares would or might be unlawful or impracticable or the legality or practicability of which may be time consuming or expensive to ascertain whether in absolute terms or in relation to the value of the holding of Shares of the Members concerned, and in such event the provisions aforesaid shall be read and construed subject to such determination and no Member who may be affected by any such determination shall be, and they shall be deemed not to be, a separate Class of Members for any purposes whatsoever.



## REMUNERATION COMMITTEE

105. The Board may establish a committee of the Board known as the “Remuneration Committee” in accordance with the Applicable Public Company Rules, including the *Regulations Governing Establishment and Operation of Remuneration Committees of Companies Listed in Taiwan Stock Exchange and the GreTai Securities Market*. So long as the Shares are listed on any ROC Securities Exchange, the Board shall adopt regulations governing the operation of the Remuneration Committee in accordance with the Applicable Public Company Rules.

## CAPITALISATION

106. (a) Subject to the Statute, Applicable Public Company Rules and these Articles, the Company may upon the recommendation of the Board by way of a Supermajority Resolution in a general meeting authorise the Board to capitalise any sum standing to the credit of any of the Company's reserve accounts which are available for distribution (including share premium account and capital redemption reserve defined in the Statute) or any distributable profits not required for the payment or provision of dividend on any Shares with preferential right to dividends, by appropriating such sum to Members on the Register of Members at the close of business on the date of the relevant resolution (or such other date as may be specified therein or determined as provided therein) in the proportions in which such sum would have been divisible amongst them had the same been a distribution of profits by way of dividend and to apply such sum on their behalf in paying up in full unissued Shares for allotment and distribution, credited as fully paid up to and amongst such Members in the proportion aforesaid.
- (b) Subject to the Statute, whenever such a resolution as aforesaid shall have been passed, the Board shall make all appropriations and applications of the reserves or profits resolved to be capitalised thereby, and attend to all allotments and issuance of fully paid Shares and generally shall do all acts and things required to give effect thereto. For the purpose of giving effect to any resolution under this Article, the Board may settle any difficulty which may arise in regard to any distribution under this Article as it thinks fit, and in particular may disregard fractional entitlements altogether or round the same up or down and may determine that cash payments shall be made to any Members in lieu of fractional entitlements or that fractions of such value as the Board may determine may be disregarded in order to adjust the rights of all parties or that fractional entitlements shall be aggregated and sold and the benefit shall accrue to the Company rather than to the Members concerned, and no Members who are affected thereby shall be deemed to be, and they shall be deemed not to be, a separate class of Members by reason only of the exercise of this power. The Board may authorise any person to enter on behalf of the persons entitled to participate in the distribution any agreement with the Company necessary or desirable for giving effect thereto and such appointment and any agreement made under such authority shall be effective and binding upon all concerned.
- (c) Without limiting the generality of the foregoing, any such agreement may provide for the acceptance by such persons of the Shares to be allotted, issued and distributed to them respectively in satisfaction of their claims in respect of the sum so capitalised. The Board may on any occasion determine that the allotment of Shares under this Article shall not be made available or made to any Members with registered addresses in any territory where in the absence of a registration statement or other special formalities the allotment of Shares would or might be unlawful or impracticable or the legality or practicability of which may be time consuming or expensive to ascertain whether in absolute terms or in relation to the value of the holding of Shares of the Member concerned, and in such event the provisions aforesaid shall be read and construed subject to such determination and no Member who may be affected by any such determination shall be, and they shall be deemed not to be, a separate class of Members for any purposes whatsoever.

## BOOKS OF ACCOUNT AND RECORDS OF THE COMPANY

107. The Board shall cause proper books of account to be kept with respect to all transactions of the Company and in particular with respect to:
- (i) all sums of money received and expended by the Company and the matters in respect of which the receipt or expenditure takes place;
  - (ii) all sales and purchases of goods by the Company;
  - (iii) the assets and liabilities of the Company; and
  - (iv) all other matters required by Statute and which are necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions.
108. (a) Proper books shall not be deemed to be kept with respect to the matters referred to in Article 107 if there are not kept such books of account as are necessary to give a true and fair view of the state of the Company's affairs and to explain its transactions.
- (b) The instruments of proxy, documents, forms/statements and information in electronic media prepared in accordance with these Articles and relevant rules and regulations shall be kept for at least six (6) years. However, if a Member institutes a lawsuit with respect to such instruments of proxy, documents, forms/statements and/or information mentioned herein, they shall be kept until the conclusion of the litigation if longer than six (6) years.

#### **NOTICES**

109. Notices shall be in writing and may be given by the Company to any Member either personally or by sending it by post, cable, telex or facsimile or by electronic means (including electronic mail) to him/her/it or to his/her/its address as shown in the Register of Members, such notice, if mailed, to be sent by airmail if the address be outside Taiwan.
110. (a) Where a notice is sent by post or airmail, service of the notice shall be deemed to be effected by properly addressing, pre-paying and posting a letter containing the notice, and shall be deemed to have been effected on the expiration of sixty (60) hours after the letter containing the same is posted as aforesaid.
- (b) Where a notice is sent by cable, telex, facsimile or electronic means to such number or address supplied by the Member to the Company for giving of notice to him/her/it, service of the notice shall be deemed to be effected on the day the same is sent as aforesaid.
111. A notice may be given by the Company to the joint holders of a Share by giving the notice to the joint holder first named in the Register of Members in respect of the Share.
112. Any notice or document delivered or sent in accordance with these Articles shall, notwithstanding that such Member is then deceased, bankrupt or wound up and whether or not the Company has notice of his death, bankruptcy or winding up, be deemed to have duly served or delivered in respect of any Shares registered in the name of such Member whether held solely or jointly with other persons by such Member, (unless his name shall at the time of service or delivery of the notice or document have been removed from the Register of Members as the holder of the Shares), and such service or delivery shall for all purposes of these Articles be deemed a sufficient service of such notice or document on his personal representatives and all persons interested (whether jointly with or as claiming through or under him) in any such Shares.
113. A notice may be given by the Company to the person or persons which the Company has been advised are entitled to a Share or Shares in consequence of the death or bankruptcy of a Member by sending it through the post as aforesaid in a pre-paid letter addressed to them by name, or by the title of representatives of the deceased, or trustee of the bankrupt, or by any like description at the address supplied for that purpose by the persons claiming to be so

entitled, or at the option of the Company by giving the notice in any manner in which the same might have been given if the death or bankruptcy had not occurred.

114. Notice of every general meeting shall be given in any authorized manner aforementioned to:
- (a) every person shown as a Member in the Register of Members as of the record date for such general meeting except that in the case of joint holders, the notice shall be sufficient if given to the joint holder first named in the Register of Members; and
  - (b) every person upon whom the ownership of a Share devolves by reason of his/her/it being a legal personal representative or a trustee in bankruptcy of a Member of record where the Member of record but for his/her death or his/her/its bankruptcy would be entitled to receive notice of the meeting.

Apart from the persons contemplated by paragraphs (a) and (b) above of this Article and apart from Directors and Independent Directors, no other person shall be entitled to receive notices of general meetings unless the Board determines otherwise in its sole discretion.

### **WINDING UP**

115. If the Company shall be wound up the liquidator may, with the sanction of a Special Resolution of the Company and any other sanction required by the Statute, divide amongst the Members in specie or kind the whole or any part of the assets of the Company (whether they shall consist of property of the same kind or not) and may for such purpose set such value as he/she deems fair upon any property to be divided as aforesaid and may determine how such division shall be carried out as between the Members within the same Class or different Classes of Members. The liquidator may with the like sanction, vest the whole or any part of such assets in trustees upon such trusts for the benefit of the Members as the liquidator shall think fit, but so that no Member shall be compelled to accept any Shares or other securities whereon there is any liability.
116. Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any Class or Classes of Shares, (i) if the Company shall be wound up and the assets available for distribution amongst the Members shall be insufficient to repay the whole of the paid up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the Members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the Shares held by them respectively, and (ii) if the Company shall be wound up and the assets available for distribution amongst the Members shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed *pari passu* amongst such Members in proportion to the amount paid up on the Shares held by them respectively.

### **AUDIT COMMITTEE**

117. The Board shall establish a committee of Board known as the "Audit Committee". The Audit Committee shall comprise solely of Independent Directors and the number of committee members shall not be less than three (3). One of the Audit Committee members shall be appointed and designated as the convener to convene meetings of the Audit Committee from time to time and at least one (1) of the Audit Committee members shall have accounting or financial expertise. A valid resolution of the Audit Committee requires approval of one-half or more of all its members.
118. Any of the following matters relating to the Company shall require the consent of one-half or more of all Audit Committee members by way of resolution and be submitted to the Board for approval:
- (a) adoption of or amendment to an internal control system;

- (b) assessment of the effectiveness of the internal control system;
- (c) adoption of or amendment to the handling procedures for financial or operational actions of material significance, such as acquisition or disposal of assets, derivatives trading, extension of monetary loans to others, or endorsements or guarantees for others;
- (d) any matter relating to the personal interest of the Directors;
- (e) a transaction relating to a material asset of the Company or derivatives transaction;
- (f) a material monetary loan, endorsement, or provision of guarantee;
- (g) the offering, issuance, or private placement of any equity securities;
- (h) the hiring or dismissal of an attesting certified public accountant, or the compensation given thereto;
- (i) the appointment or discharge of a financial, accounting, or internal audit officer;
- (j) approval of annual and semi-annual financial reports; and
- (k) any other matter so determined by the Company from time to time or required by any competent authority overseeing the Company.

With the exception of item (j), any other matter that has not been approved by one-half or more of all Audit Committee members may be undertaken upon the consent of two-thirds or more of the members of the Board by way of resolution at the Board meeting, and any resolution of the Audit Committee passed in respect of such matter shall be tabled at the Board meeting.

- 119. Each member of the Audit Committee shall supervise the execution of business operations of the Company, and may from time to time inspect the business and financial conditions of the Company, examine the books and documents relating to the Company, and request the Board or any officer to make reports in respect of the Company's affairs.
- 120. When performing its aforementioned duties, the Audit Committee or any of its member may appoint an attorney or a certified public accountant to conduct the auditing on its behalf.
- 121. The qualifications, composition, appointment, removal, exercise of power in performing duties and other matters with respect to the Audit Committee, shall comply with the Applicable Public Company Rules
- 122. In case the Board or any Director commits any act and any member of the Audit Committee becomes aware of such act, when carrying out the business operations of the Company, in a manner violating the applicable laws and/or regulations, these Articles, or any resolution passed at a general meeting, a member of the Audit Committee shall immediately demand that the Board or the violating Director, as the case may be, cease such act.
- 123. Member(s) continuously holding three percent (3%) or more of the total issued Shares for at least one (1) year may request any member of the Audit Committee in writing to institute, on behalf of the Company, a court action against a Director. Subject to all applicable law, in case the member of the Audit Committee fails to institute such action within thirty (30) days after having received the aforementioned request, then the Members filing the said request in accordance with this Article may institute the action on behalf of the Company in any court with competent jurisdiction, and the Taipei District Court, ROC may be the court of the first instance for this action.

## INDEMNITY

124. (a) The Directors and officers for the time being of the Company and any trustee for the time being acting in relation to any of the affairs of the Company and their executors and administrators respectively (each of which persons being referred to in this Article as an "indemnified person") shall be indemnified and secured harmless out of the assets of the Company from and against all actions costs, charges, losses, damages and expenses which they or any of them, their or any of their executors or administrators, shall or may incur or sustain by reason of any act done, concurred in or omitted in or about the execution of their duty or supposed duty in their respective offices or trusts, and no such indemnified party shall be answerable for the acts, receipts, neglects or defaults of any other of them or for joining in any receipt for the sake of conformity or for the solvency or honesty of any banker or other persons with whom any monies or effects belonging to the Company may be lodged or deposited for safe custody or for any insufficiency or deficiency of any security upon which any monies of or belonging to the Company may be placed out on or invested, or for any other loss, misfortune or damage which may happen or arise in the execution of their respective offices or trust, or in or about thereto, PROVIDED THAT this indemnity shall not extend to any matter in respect of any fraud, dishonesty, recklessness, willful neglect or default which may attach to any of the said persons.
- (b) The Company may purchase and maintain insurance for the benefit of any Director or officer of the Company against any liability incurred by him/her/it in his/her/its capacity as a Director or officer of the Company or indemnifying such Director or officer in respect of any loss arising or liability attaching to him/her/it by virtue of any rule of law in respect of any negligence, default, breach of duty or breach of trust of which the Director or officer may be guilty in relation to the Company or any subsidiary thereof.

#### FISCAL YEAR

125. Unless the Board otherwise determines, the fiscal year of the Company shall end on 31<sup>st</sup> December of each year and following the year of incorporation, the fiscal year shall begin on 1<sup>st</sup> January of each year.

## [Appendix III]

### **Strong H Machinery Technology (Cayman) Incorporation**

#### **Procedures for the Acquisition or Disposal of Assets (Before amendment )**

##### **I. Purpose**

This Procedure is instituted for the tightening of asset management, protecting investment and ensuring information transparency.

##### **II. Scope**

The acquisition or disposal of assets pertinent to 4.1 below shall be governed by this Procedure.

##### **III. Authority and Responsibility**

The financial department of the Company is responsible for the institution and amendment of this Procedure in accordance with the “Regulations Governing the Acquisition and Disposal of Assets by Public Companies”.

##### **IV. Definitions**

4.1 The scope of “assets” as referred to in this Procedure shall include the following:

- (1) Investment in stocks, government bonds, corporate bonds, bank debentures, domestic certificates of beneficial interests, overseas mutual funds, depository receipts, call (put) warrants, certificates of beneficial interest, and asset-backed securities.
- (2) Property (including lands, building and structure, investment property, inventory of the construction industry) and equipment.
- (3) Membership cards.
- (4) Patents, copyrights, trademarks, franchises and other intangible assets.
- (5) Rights to debts of financial institutions (including receivables, FX buying rate discount, loans, and overdue accounts for collection).
- (6) Derivatives.
- (7) Assets from acquisitions or dispositions through merger, spinoff, acquisition, or acceptance of assigned shares under law.
- (8) Other major assets.

4.2 “Derivatives” as referred to in this Procedure are the forwards contracts, options contracts, futures contracts, leverage margin contracts, swap contracts deriving from assets, interest rate, exchange rate, index or other interests and the composite contracts of the combination of the aforementioned commodities. Forwards contract does not include insurance contracts, performance contracts, warranty contracts, long-term lease contracts , and long-term buy-sell contracts.

4.3 “Assets from acquisition or disposition through merger, spinoff, acquisition, or acceptance of assigned shares under law” as referred to in this Procedure are the acquisition or disposal of assets through merger, spinoff, or acquisition under applicable laws, or the offering of new shares from acceptance of shares assigned by other companies (hereinafter

referred to as “assigned shares”)

- 4.4 “Related parties” as referred to in this Procedure are those defined by the Criteria for the Compilation of Financial Statements by Securities Issuers.
- 4.5 “Subsidiaries” as referred to in this Procedure are those defined by the Criteria for the Compilation of Financial Statements by Securities Issuers.
- 4.6 “Professional appraisers” as referred to in this Procedure are the real estate appraisers or other appraisal professionals entitled to appraise real estate and property under law.
- 4.7 “Day of occurrence” as referred to in this Procedure are the trade contracts signing day, payment day, trade order execution day, account transfer day, Board resolution day, or any other days on which the counterparty of trade and amount of transaction was determined, whichever comes first. For investment requiring the approval of the competent authority, the aforementioned date or the approval date of the competent authority, whichever comes first.
- 4.8 “Investment in Mainland China” as referred to in this Procedure shall be the investment in Mainland China under applicable laws.

## **V. The Content**

### **5.1 Exclusion of related parties:**

The professional appraisers and their appraisal staff, certified public accountants, lawyers or securities underwriter from whom the Company and associates obtained the appraisal reports or professional opinions from the CPA, lawyer, or securities underwriter shall not be related parties to the Company and the counterparties of trade.

### **5.2 Important Notice:**

- (1) If the acquisition or disposal of assets by the Company shall be subject to the approval of the Board under this Procedure or other applicable laws, and if specific Director holds adverse opinions or qualified opinions, keep as minutes of Board Meeting on record.
- (2) The Company has established the position of Independent Directors, and considered the opinions of the Independent Directors to its entirety when the motion of acquisition or disposal of assets as mentioned in the preceding paragraph was presented to the Board for discussion. If the Independent Directors have adverse opinions or qualified opinions, keep as minutes of Board Meeting on record.
- (3) The Company has established the Auditing Committee in accordance with the Articles of Incorporation, the transactions of major assets or derivative trade shall be subject to the approval of at least 1/2 of the members of the Auditing Committee and final approval of the Board. If the motion was not passed by more than 1/2 of the members of the Auditing Committee but approved by more than 2/3 of the Directors, specify the resolution of the Auditing Committee into the minutes of Board meeting on record. All members of the Auditing Committee and all Directors are those who are still in office.

### **5.3 The limit for the acquisition of property not for business use and securities:**

- (1) The acquisition of property by the Company not for business use shall not exceed 40%

of the net worth in total. The acquisition of property not for business use by the subsidiaries shall not exceed 40% of the net worth of the Company and respective subsidiaries in total.

- (2) Unless the Shareholders Meeting approved otherwise, the total investment in securities by the Company shall not exceed the net worth of the Company unless the. Likewise, the total investment by the subsidiaries in securities shall not exceed the net worth of the Company and also the net worth of respective subsidiaries.
- (3) Unless the Shareholders Meeting approved otherwise, the total investment of the Company in particular security shall not exceed its net worth. Likewise, the total investment by the subsidiaries in particular security shall not exceed the net worth of the Company and also the net worth of respective subsidiaries.

#### 5.4 Assessment and procedure for the acquisition or disposal of securities:

##### 5.4.1 The method of price determination and references:

In acquiring or disposing securities, the Company shall obtain the audited or reviewed financial statements of the targets of investment covering the most recent period, or other references and financial information pertinent to the target securities as references for the determination of transaction price, and make decision on the transaction price specified below:

- (1) The price for the acquisition or disposal of securities being traded at the centralized market or OTC markets shall be based on the market price at the time of trade.
- (2) The price for the acquisition or disposal of securities not traded at the centralized market or OTC markets shall be determined on the basis of the earnings per share, profitability, the prospect, market interest rate, coupon rate of bonds, credit standing of the issuers, and the transaction price at the time of trade.

##### 5.4.2 Consult the experts for expression of opinions:

In the acquisition or disposition of securities equivalent to 20% of the paid-in capital of the Company or more than NT\$300 million, consult a CPA to express an opinion on the rationality of the transaction price before the transaction day. If the CPA adopted the reports from an expert, proceed to SAS No. 20 released by the Accounting Research and Development Foundation of the ROC (hereinafter referred to as "ARDF") Unless the security has open quotation in an active market, in the subscription of the new shares offering by a wholly-owned subsidiary for raising capital, or the law provides otherwise. Assets acquired or disposed through court auction could be supported by the documents issued by the court as the substitute for appraisal report or opinions of the CPA. The calculation of the aforementioned transaction amount shall be governed by Paragraph 2 of 5.11.1.

##### 5.4.3 Authorized limit and decision latitude:

Gate approval	Authorized limit for each transaction
Chairman of the Board	NT\$60 million or less
Board of Directors	More than NT\$60 million



#### 5.4.4 Executors:

The financial department or related authorities of the Company shall be responsible for the execution of the acquisition and disposal of securities investment.

#### 5.4.5 Transaction process:

The process for the acquisition or disposal of securities shall be governed by the internal control system in the aspect of “Investment Management” and related procedures.

### 5.5 Assessment and procedure for the acquisition or disposal of property and equipment:

#### 5.5.1 Method for the determination of price and references:

(1) In the acquisition or disposal of property, the original user or related authorities of the Company shall petition for the transaction with the reason for transaction specified. The asset management function will consult the announced present value, appraised value, the price for transaction of nearby property, the transaction of similar property lately, and proceed to price comparison, bargaining or bid invitation.

(2) Professional opinions of the experts are required: If the acquisition or disposition of property, equipment by the Company equivalent to 20% of the paid-in capital of the Company or more than NT\$300 million, with the exception of transactions with the home government agencies, commissioning of construction on proprietary lands, commissioning of construction on lease lands, or the acquisition or disposition of business equipment, present the appraisal reports issued by professional appraisers prior to the day of occurrence in conformity to the following requirements:

(2.1) If under special circumstances that limited price, designated price or special price shall be considered for the determination of the price for transaction, the prior approval of the Board will be necessary. The same procedure is applicable to any subsequent change in the terms of conditions thereof.

(2.2) If the transaction amount exceeds NT\$1,000 million, appoint at least 2 professional appraisers for appraisal.

(2.3) If any of the following applies to the appraisal result of the professional appraisers, and unless the appraisal result for the acquisition of assets is higher than the actual transaction price or vice versa, consult a CPA to express an opinion on the reason of the difference and the appropriateness of the transaction price.

(2.3.1) The appraisal result varied with the transaction price by more than 20%.

(2.3.2) The appraisal result from more than 2 professional appraisers varied with the transaction price by more than 10%.

(2.4) If the appraisal was conducted before the contract signing day, the date of the appraisal report shall not be longer than 3 months from the contract signing date. Provided, where the publicly announced current value for the

same period is used and not more than 6 months have elapsed, an opinion may still be issued by the original professional appraiser. For acquisition or disposal of assets through court auction, the certification document issued by the court could be used as the substitute for the appraisal report.

The calculation of the aforementioned transaction amount shall be governed by Paragraph 2 of 5.11.1.

#### 5.5.2 Authorized limit and decision latitude

Gate approval	Authorized limit for each transaction
Chairman of the Board	NT\$60 million or less
Board of Directors	More than NT\$60 million

5.5.3: Executors: The financial department or related authorities of the Company shall be responsible for the execution of the acquisition and disposal of property and equipment.

#### 5.6 Assessment and procedure for acquisition or disposal of assets with related parties:

5.6.1 In the acquiring or disposing assets with related parties, the Company shall follow 5.41(2), 5.5.1 (2) and 5.7.2 of this Procedure and assess if the terms and conditions are justifiable. If the transaction amount is more than 10% of the total assets of the Company, the appraisal report issued by professional appraisers or the opinion of the certified public accounts is required.

The calculation of the aforementioned transaction amount shall be governed by Paragraph 2 of 5.11.1.

5.6.2 In determining if the counterparty of trade is a related party, consider the de facto relation further to the legal formality.

5.6.3 In the acquisition or disposition of property or the right of use of the property with a related party, or in the acquisition or disposition of other assets beyond property or the right of use of the property with a related party and the transaction amounted to 20% of the paid-in capital of the Company or 10% of the total assets of the Company, or more than NT\$300 million except the trading of domestic government bonds, R/P and reverse R/P bonds, the subscription or redemption of money market funds issued by domestic securities investment trust firms, the Company shall present the following information to the Auditing Committee for consent and the final approval of the Board before proceeding to the signing of the agreement on the transactions and effecting payment.

- (1) The purpose, necessity, and expected benefit from the acquisition or disposal of assets.
- (2) The reason for choosing designated related party as the counterparty of trade.
- (3) Information for assessment and justification of the acquisition or disposal of property or the right-of-use assets in accordance with this Procedure.
- (4) The original date and price, counterparty that the related party acquired the assets and the relation between the counterparty, the Company and the related party.

- (5) The projection of monthly cash flows in the year ahead from the month of entering into agreement, and assessment of the necessary and the rationality of the use of funds.
- (6) Obtain the appraisal reports issued by professional appraisers or the opinions of the CPA as specified in 5.6.1. If the appraisal result varied with the actual amount of transaction by more than 20%, consult a CPA for expressing substantive opinions on the difference and the appropriateness of the transaction price. In addition, the transaction shall be subject to the resolution of the Board in a session with the presence of more than 2/3 of the Directors and the consent by a simple majority of the Directors in session.
- (7) The restricted condition and other important terms for this transaction.
- (8) Consult a CPA for expression of opinion on the transaction to determine if it is relevant with the terms and conditions of business transaction and causes no harm to the interest of the minority shareholders. The calculation of the aforementioned amount of transaction shall be governed by Paragraph 2 in 5.11.1 of this Procedure. One year as referred to shall be the period from the day of transaction moving backing for one year in retrospect. The portion has been presented to the Auditing Committee and the Board under this Procedure with approval could be excluded from the calculation.

5.6.4 The Company has established the position of Independent Directors and considered the opinions of the Independent Directors to its entirety when the motion was presented to the Board for discussion under 5.6.3 of this Procedure. If the Independent Directors have adverse opinions or qualified opinions, keep as minutes of Board Meeting on record. The Company has established the Auditing Committee and the approval of at least 1/2 of the members of the Auditing Committee and final approval of the Board. All members of the Auditing Committee and all Directors are those who are still in office.

5.6.5 The Company shall assess if the cost of transactions is reasonable when acquiring property from a related party in accordance with the following methods:

- (1) Add necessary cost of capital and the cost to be borne by the buyer in the transactions to the transaction price with the related party. Necessary cost of capital as referred to is based on the weighted average interest rate for financing the Company in the year of asset purchase but shall not be higher than the upper limit of interest rate for lending from non-financial institutions as announced by the Ministry of Finance.
- (2) If the related party has pledge the subject of purchase to a financial institution as collateral for loan, it would be the total value appraised by the financial institution on the subject of purchase for granting the loan. However, the actual drawdown of loan from the financial institution should at least be 70% of the total appraised value of the subject of purchase accumulatively and the loan period is longer than 1

year. However, this shall not apply where the financial institution is a related party of one of the transaction counterparties.

- (3) In the combined purchase of the land and housing of the same subject matter of transaction, the cost of transaction shall be appraised separately on the land and the housing in any of the aforementioned methods as stated in II.
- (4) In acquiring property from a related party, the Company shall appraise the cost of property in accordance with the aforementioned requirement, and shall consult a certified public accountant for a second review and expression or substantive opinions.
- (5) If any of the following is applicable to the acquisition of property from a related party, the Company may just proceed to related appraisal and operation procedure as stated 5.6.3 and 5.6.4, where 5.6.5 (1)~(4) shall not be applicable:
  - (5.1) The related party acquired the property through succession or donation.
  - (5.2) The related party entered into agreement for the acquisition of the property or was longer than 5 years in retrospect from the date of entering into agreement on this transaction.
  - (5.3) The Company entered into agreement with the related party on joint venture of construction, or commissioning of construction on proprietary lands, leased lands, or acquired the property through commissioning of the related party for the construction of the property.

5.6.6 If the appraisal result of the Company as specified in 5.6.5 (1)~(3) falls below the transaction price, proceed to 5.6.7. Except under the following circumstances supported by objective evidence and professional opinions of the real estate appraisers and certified public accountants to justify the situation:

- (1) If the related party acquired uncultivated lands or leased lands for construction, prove if any of the following condition was satisfied:
  - (1.1) Uncultivated lands shall be appraised under the required methods. Buildings shall be appraised on the basis of the construction cost plus reasonable construction profit and the total of which exceeds the actual price of transaction. Reasonable construction profit is based on the average gross margin of the construction segment of the related party in the last 3 years, or the gross margin of the construction industry announced by the Ministry of Finance covering the most recent period, whichever is lower.
  - (1.2) Transaction of property in other storey of the same subject premises or premises in the immediate area in relevant size, with a non-related party and justified under the terms and conditions of common practice of property trade or lease as reasonable so far as the storey level or price difference by location is concerned.
  - (1.3) Transaction of property in other storey of the same subject premises with a non-related party and justified under the terms and conditions of common

practice of property trade or lease as reasonable so far as the storey level is concerned.

- (2) The Company has proved that the property purchased or leased from the related party or the right of use of the property is relevant with the transaction with a non-related party in similar floor size in the immediate area within one year.
- (3) The aforementioned transactions in the immediate area shall be a location at the same or nearby block and is within a perimeter of 500 meters from the subject premises, or approximated the posted present value. Relevant floor size refers to the property transaction with non-related parties with floor size no less than 50% of the subject premises. One year as referred to shall be the period of one year from the day of acquisition or the property or the right of use of the property moving backward for one year in retrospect.

5.6.7 If the appraisal result of the transactions of acquiring property from a related party under 5.6.5 and 5.6.6 falls below the actual transaction price, proceed to the following:

- (1) Appropriate as special reserve on the difference between the transaction price of property or the right-of-use of the property and the appraised cost. This portion of special reserve cannot be distributed or capitalized for issuing new shares. If the investment of the Company accounted for under the equity method was made with public companies, appropriate for special reserve in proportion to the shareholding of the Company with these companies in accordance with applicable laws.
- (2) Report the state of affairs under the preceding paragraph to the Shareholders Meeting, and disclose the details of the transactions in the annual report and prospectus.

5.6.8 If special reserve has been appropriated in accordance with 5.6.7, the Company may use the reserve only after the assets acquired or leased at a higher price has been recognized for devaluation, or has been disposed, or with appropriate compensation or recovery to its original condition, or is justifiable with proof and at the consent of the competent authority.

5.6.9 If the Company acquires property from a related party which indicated by evidence as not in arm's length transaction, proceed to 5.6.7 and 5.6.8.

5.6.10 In the acquisition or disposal of business equipment between the Company and its subsidiaries, the Board shall authorize the Chairman to make decision within designated limit in the first place, and report to the nearest session of the Board for ratification.

5.6.11 If any of the following applies to the transactions between the Company and related parties, the resolution of the Board and the final approval of the Shareholders Meeting will be necessary. In addition, the related parties or parties affiliated with the related parties cannot participate in the voting:

- (1) The transaction amount varied with the appraisal amount by more than 20%.

(2) The transaction amount and the conditions of the transactions influenced the operation of the Company significantly.

(3) Significant influence on shareholders equity.

(4) Any others that the Board deemed necessary to present to the Shareholders Meeting for final approval.

5.7 The assessment and procedure for the acquisition or disposal of membership cards, intangible assets or other major assets:

5.7.1 Determination of price and references: collect related information on the prices and compare the price or bargain for the deal in the acquisition or disposal of membership cards. Collect related information on the prices with cautious assessment of applicable laws and the content of the contracts in the acquisition or disposal of intangible assets or the right-of-use of these assets to determine the transaction price.

5.7.2 Appointment of an expert for professional opinions: If the acquisition or disposition of membership cards or intangible assets or other vital assets by the Company is more than 20% of the paid-in capital or NT\$300 million, consult a certified public accountants for an opinions to determine if the transaction price is reasonable, and proceed to SAS No. 20 announced by the Accounting Research and Development Foundation except for transactions with domestic government agencies. The calculation of the aforementioned transaction amount shall be governed by Paragraph 2 of 5.11.1. One year as referred to shall be the period from the day of occurrence moving backward for a period of one year in retrospect. The portion already approved by the Board under this procedure could be excluded from the calculation.

5.7.3 Authorized limit and decision latitude:

Gate approval	Authorized limit for each transaction
Chairman of the Board	NT\$60 million or less
Board of Directors	More than NT\$60 million

5.7.4 Executor: the executors of the acquisition or disposal of membership cards and intangible assets of the Company shall be the financial department and related authorities of the Company.

5.7.5 Transaction process: The process for the acquisition or disposal of membership cards and intangible assets shall be governed by the internal control system of the Company in the aspect of "Purchase and Payment".

5.8 Assessment and procedure for the acquisition or disposal of rights of debts of financial institutions: The Company does not engage in the acquisition or disposal of rights of debts of financial institution, and there is the possibility of such engagement in the future, the Company will report to the Board for approval and establish related assessment and operation procedures in advance.

5.9 The assessment and procedure for derivative trade:

5.9.1 The principles and polices of trade:

(1) Type of trade: The Company is mainly engaged in forwards, options, interest rate

or FX swap, R/P and reverse R/P bonds in derivative trade. If other derivatives are considered, the approval of more than 1/2 of the members of the Auditing Committee and the final approval of the Board will be required before proceeding to trade.

- (2) Operation or hedge strategy: The Company is engaged in derivative trade for purpose of hedging thereby the derivatives chosen aimed at hedging off the operation risk of the Company.
- (3) Limit of trade and segregation of duties and authorities:

(3.1) Limit of trade:

(3.1.1) For purpose of hedging: The authorized limit and decision latitude of hedge trade is specified below:

Gate approval	Permission for holding daily position.	Permission for net accumulated trading position
Chairman of the Board	US\$2 million and less	US\$2 million and less
Board of Directors	More than US\$2 million.	More than US\$2 million.

(3.1.2) Derivative trade not for hedging shall be reported to the Board for approval before proceeding.

- (3.2) Financial Department: responsible for the shaping of the operation strategy of derivative trade, and proceed to trade under relevant authorization.
- (3.3) Accounting Department: responsible for the bookkeeping of derivative trade, compilation of financial statements, and convergence of related data at regular intervals.
- (3.4) Audit Department: Understanding of the segregation of duties and authorities, the operation procedure and related internal control system to ensure effectiveness, and the conduct of audit on the dealing department in the aspect of compliance with this Procedure.
- (4) Performance evaluation: Proper control and present the pricing risk of the transactions. The Company assesses the income position on a monthly settlement basis.
- (5) Contract sum: The contract sum of all derivatives engaged for hedging shall not exceed the amount for actual business needs. The contract sum of all derivatives engaged beyond hedging shall not exceed 10% of the net worth of the Company.
- (6) Cut loss limit: after setting up the trading position, set the cut loss point to stop loss. The stop loss point shall not exceed 10% of the trade for particular contract or all contracts. If the position exceeds the cut loss limit, report to the Chairman at once and also the Board to map our necessary solution.

#### 5.9.2 Risk management policies:

(1) Scope of risk management:

- (1.1) Credit Risk Management: the counterparties of trade shall be domestic financial institutions in good credit standing and can provide professional information in general. The chief financial officer shall be responsible for the control of the limits of trade with financial institutions. Transactions should not be over concentrated and should vary with market change for proper adjustment of the trade limits with the financial institutions.
  - (1.2) Market risk management: choose the market with full transparency of quotation and other information.
  - (1.3) Liquidity risk management: the financial institutions must have sufficient equipment, information and capacity of trade, and can trade in any market for liquidity.
  - (1.4) Cash flow risk management: For the stability of the flowing of working capital for the Company, the Company uses only equity capital for derivative trade.
  - (1.5) Operation risk management: It is necessary to observe the authorized limits, operation procedures, and other rules and regulations established by the Company to avoid operation risk.
  - (1.6) Legal risk management: Any deal between the Company and particular financial institution shall be subject to the review of legal affairs of the Company before entering into agreement to avoid legal risk.
- (2) The personnel engaged in the dealing, confirmation, and delivery of derivative trade shall not perform the function of one another at the same time.
  - (3) The personnel responsible for risk assessment, monitoring and control shall be under a different functional department from the aforementioned personnel, and shall report to the Board or senior officers not charged with transactions or determination of position.
  - (4) The position of derivative trade shall be subject to routine assessment and the methods of which are specified in 5.9.6.

### 5.9.3 Internal Audit System

The internal auditors shall find out if the internal control of derivative trade is appropriate at regular intervals, and examine if the dealing department has complied with the procedure in conducting derivative trade and analyze the transaction cycle monthly, and compile the findings into audit reports. If severe violation was discovered, report to the Independent Directors and Auditing Committee in writing.

### 5.9.4 The Supervision of the Board:

- (1) The senior officers appointed by the Board shall manage derivative trade in accordance with the following principles:
  - (1.1) Appoint designated senior officers to pay close attention to the monitoring and control of the transaction risk inherent to derivative trade from time to time.



- (1.2) Assess the performance of derivative trade to determine if the transactions are relevant with the corporate strategy of the Company and within the tolerance of risk at regular intervals.
  - (2) The senior officers appointed by the Board shall manage derivative trade in accordance with the following principles:
    - (2.1) Assess if the risk management policy is appropriate and is in compliance with applicable laws and this management Procedure at regular intervals.
    - (2.2) Monitor the transaction and the profit position, take necessary measures in response to any exclusion discovered, and report to the Chairman once for mapping out the solution and report to the nearest session of the Board on the status. If the Company has established the positions of Independent Directors, the Independent Directors shall attend the session of the Board to express opinion.
  - (3) Where the Company may authorize designated personnel to conduct derivative trade under this Procedure, such personnel shall report the result to the Board in the nearest session.
- 5.9.5 The Company shall set up a registry for tracking derivative trade with the particulars of the types of derivatives, the amount of trade, the date of approval by the Chairman or the Board, and the items under cautious assessment under 5.9.1 (4), 5.9.4 (1)(1.2), and 5.9.4 (2) (2.1) inscribed therein.
- 5.9.6 Method of routine assessment and response to exceptions
- (1) Assess the position of derivative trade at least once a week and the position of hedge trade for business needs at once every fortnight. Present the assessment report to the senior officer authorized by the Board.
  - (2) The Board shall authorize a senior officer to monitor and assess the risk management policy current in effect at regular interval to ensure it is effective and appropriate, the conduct of derivative trade is in compliance with applicable rules and regulations, the performance of derivative trade is relevant with the corporate strategy of the Company, and the risk is controlled within the threshold of the Company, and report to the Chairman of any exclusion to map out the solution for the problem, and report to the nearest session of the Board on the status.
- 5.10 The assessment and procedure for merger, spinoff, acquisition or acceptance of assigned shares:
- 5.10.1 Before the Board convenes for making decision of merger, spinoff, acquisition, or acceptance of assigned shares, consult the CPAs, lawyers, or securities underwriters to express opinions on the rationality of the ratio of share swap, acquisition price, or the cash dividend or other assets payable to the shareholders and present to the Board for discussion. In the merger between the Company and direct or indirect wholly-owned subsidiaries by shareholding or capital, or the merger between the direct or indirect wholly-owned subsidiaries by shareholding or capital of the

Company, the aforementioned requirement of the professional opinions on the rationality of the merger by experts could be waived.

- 5.10.2 After the Company has gone public, the Company shall prepare an open file to the shareholders containing information on the important contracts on the merger, spinoff or acquisition and related matters before the convention of the Shareholders Meeting, and forward the professional opinions from the experts and the meeting notice to the shareholders about the convention as specified in I to the shareholders at the same time as reference for the shareholders to make decision of the merger, spinoff, or acquisition. Unless the convention of Shareholders Meeting for decision of the merger, spinoff, or acquisition is not required under law. If Shareholders Meeting cannot be held and decision cannot be made due to the lack of a quorum and sufficient votes, or under other legal restrictions, or the motion was vetoed by the Shareholders Meeting, explain the cause, remedial action to be taken and the expected date of a new round of convention of the Shareholders Meeting to the public.
- 5.10.3 The Company shall call for the session of the Board and the Shareholders Meeting on the same day as the companies participating in the merger, spinoff, or acquisition for resolution of merger, spinoff, or acquisition unless the law provides otherwise or under special circumstances that requires the report to Financial Supervisory Commission (hereinafter referred to as "FSC") for consent in the first place. Companies participating in the acceptance of assigned shares shall call for the Board meeting on the same day unless the law provides otherwise or under special circumstance that the prior approval of the Financial Supervisory Commission.
- 5.10.4 The Company shall compile the following information into complete record in writing and retain for 5 years for reference.
- (1) Basic information on the personnel: they are the personnel participating in the planning or execution of the merger, spinoff, acquisition or acceptance of assigned shares before the disclosure of related information, and the titles, names, ID card number and font size (passport numbers for foreign nationals).
  - (2) Date of vital events: including the date on which the statement of intent or MOU was signed, the appointment of financial or legal counsels, contracts were signed, and convention of the Board.
  - (3) Important documents and minutes of meeting on record: they are the plans, statement of intent or MOU, essential agreements and minutes of Board meeting on record respecting the merger, spinoff, acquisition, or acceptance of assigned shares.
- 5.10.5 If the companies participating in the merger, spinoff or acceptance of assigned shares are companies listed at TWSE or TPEX, declare the information as specified in 5.10.4(1)~(2) in the required format with the competent authority via the Internet information system for record within 2 days after the resolution of the Board.

5.10.6 all personnel participating in or acknowledge of the plans of the Company on merger, spinoff, acquisition, or acceptance of shares through assignment, declare the obligation of confidentiality in writing thereby shall not disclose the content of the plans before the information goes public, and shall not engage in the trading of the stocks and any other equity securities of the companies involved in the merger, spinoff, acquisition, or acceptance of shares through assignment by themselves or in the name of a third party.

5.10.7 The ratio of share swap or acquisition price cannot be changed at free will except under the following situations, and the conditions for changes of share swap or acquisition price in the agreements on the merger, spinoff, acquisition, or acceptance of assigned shares.

- (1) Raising capital by issuing new shares, issuing of convertible bonds, stock dividend, issuing exchangeable bonds, issuing preferred shares with subscription warranty, subscription warrants, and any other equity securities.
- (2) Disposal of major assets that significantly affected the financial position of the Company.
- (3) Occurrence of severe disasters, significant change in technology and others that affected the shareholders equity or stock price of the Company.
- (4) Any side of the participants in merger, spinoff, acquisition, or acceptance of assigned shares elects to make adjustment in the repurchase of treasury shares.
- (5) Significant change in the number and the organizations of the participants of the merger, spinoff, acquisition, or acceptance of assigned shares.
- (6) Other conditions for changes as inscribed in the contracts and have been publicly disclosed.

5.10.8 The rights and obligations of the companies participating in the merger, spinoff, acquisition or acceptance of assigned shares shall be explicitly stated in the agreements on the merger, spinoff, acquisition, or acceptance of assigned shares.

- (1) Breach of contract.
- (2) The company being acquired in the merger or spin off has offered equity securities in advance, or has the principle of handling the repurchase of treasury shares.
- (3) The quantity of treasury shares that the participating companies could repurchase under law after the day of calculation of the ratio of share swap and the principle of the operation.
- (4) The response to the change in the organization or the number of participating companies.
- (5) The scheduled progress of the plan and the expected date of completion.
- (6) If the plan cannot be completed on schedule, the anticipated date and related procedure for holding Shareholders Meeting under law.

5.10.9 If the Company desires to engage in merger, spinoff, acquisition or acceptance of

assigned shares with other companies after participating in a spinoff, merger, acquisition or acceptance of assigned shares, and has disclosed related information under applicable laws or this Procedure, it is not necessary for the Shareholders Meeting of the Company to convene again for making decision unless the number of participants reduced and the Shareholders Meeting has authorized the Board to change the permission right. Accordingly, all participants in the original merger, spinoff, acquisition or acceptance of assigned shares shall repeat the procedures or legal action already accomplished.

5.10.10 If some of the participants in the merger, spinoff, acquisition, or acceptance of assigned share are not public companies, the Company shall enter into agreement with these companies in accordance with 5.10.3- 5.10.6, and 5.10.9.

#### 5.11 Information Transparency:

5.11.1 If any of the following applies to the acquisition or disposal of assets by the Company, declare with related information by type of asset in the required format at the designated website within 2 days after the day of occurrence.

- (1) The acquisition or disposal of property or the right-of-use of the property, or any other assets beyond property or the right-of-use of the property with related parties and the amount of transaction is equivalent to 20% of the paid-in capital or 10% of the total assets of the Company, or more than NT\$300 million. Except the trading of domestic government bonds, R/P and reverse R/P bonds, the subscription or redemption of money market funds issued by domestic securities trust enterprises.
- (2) Proceeding to merger, spinoff, acquisition or acceptance of assigned shares.
- (3) The loss resulted from derivative trade at designated amount in whole or in particular contract of the Procedure.
- (4) The acquisition or disposal of business equipment and the right-of-use assets with non-related parties and the amount is more than NT\$500 million.
- (5) The amount of transaction is equivalent to 20% of the paid-in capital or more than NT\$300 million except the trading of assets specified from (1) to (4), debts disposed by financial institutions, or investment in Mainland China. Except the following:
  - (a) The trading of government bonds.
  - (b) Investment is the profession with the trading of securities at the overseas stock exchanges or OTC markets, or subscription of regular corporate bonds and other bank debentures unrelated to equity offered in the primary market by securities dealers, or the subscription or redemption of securities investment trust funds or futures trust funds, or securities recommended by securities dealers acting as underwriter of stocks traded at the emerging stock market that could be subscribed at TPEX.
  - (c) R/P and reverse R/P bonds, subscription or redemption of money market funds

issued by domestic securities investment trust enterprises.

- (d) The acquisition or disposal of business equipment and the right-of-use assets with non-related parties and the amount is less than NT\$500 million.
- (e) Acquisition of property through commissioning of construction on proprietary lands or leased lands, joint venture in construction with split up of the finished premises, joint venture in construction with split up of proceeds from sale, Joint venture in construction with separate marketing of the finished premises that the Company is expected to invest more than NT\$500 million.

The amount of the aforementioned transactions shall be calculated in accordance with the following method. One year shall be period from the day of transaction moving backward for one year in retrospect. The portion being announced could be excluded from the calculation:

- (1) The amount of each transaction.
- (2) The amount of acquisition or disposal of the same kind of target of trade with particular counterparty accumulated in one year.
- (3) The amount of acquisition or disposal of property under the same development project or the right-of-use of the property accumulated in one year (accumulate separately for acquisition and disposal).
- (4) The amount of the acquisition or disposal of the same security accumulated in one year (accumulate separately for acquisition and disposal).

5.11.2 The Company announces and declares the status of its derivative trade and derivatives traded by subsidiaries which are not public companies of the ROC monthly by entering the required information in the required format into designated website of the competent authority by the 10th day of the next month.

5.11.3 In the event of error or missing data in the information at the time of announcement that corrective action is necessary, the Company shall make a new round of announcement and declaration within 2 days after the acknowledgement of the error or missing data.

5.11.4 In acquiring or disposing of assets, the Company shall place related contracts, minutes of meetings on record, registries, quotations, the professional opinions of the CPAs, lawyers or securities underwriters at the Company for at least 5 years unless the Articles of Incorporation of the Company or the law provides otherwise.

5.11.5 If any of the following occurs after the Company has made announcement and declaration on the transaction as required, announce and declare related information at the designated website of the competent authority within 2 days after the occurrence:

- (1) There is a change in, termination or rescission of the original contracts.
- (2) The merger, spinoff, acquisition, or acceptance of shares cannot be completed as scheduled in the contracts.
- (3) There is a change in the content of the previous declaration.

5.11.6 If the subsidiaries of the Company are not public companies of the ROC, the announcement and declaration of the acquisition or disposal of assets required in this provision shall be made by the Company in the names of and on behalfs of these subsidiaries. The requirements of 20% of the paid-in capital or 10% of the total assets for declaration applied to the subsidiaries shall be based on the paid-in capital or the total assets of the Company.

5.11.7 If the subsidiaries of the Company are not public companies and engaged in the acquisition or disposal of assets with the parent company, the parent company shall act on behalfs of and in the names of the subsidiaries in making announcement and declaration irrespective of the amount of transactions.

5.11.8 If there is the requirement of 10% of total assets, it should be based on the total assets presented in the separate financial statements covering the most recent period compiled in accordance with the Criteria for the Compilation of Financial Statements by Securities Issuers.

5.11.9 If the stock issued by the Company bears no face value or the face value is not NT\$10/share, the requirement of 20% of the paid-in capital in the amount of transaction shall be based on 10% of the shareholders equity attributable to the parent company.

5.12 The procedure for the control of acquisition or disposal of assets by subsidiaries:

(1) The Company shall urge all subsidiaries to institute the procedure for the acquisition or disposal of assets, refer to the Board for resolution and the Shareholders Meeting for ratification. The same procedure is applicable to any amendment thereto.

(2) In the acquisition or disposal of assets, subsidiaries shall follow their respective "Procedure for the Acquisition or Disposal of Assets" or under applicable laws.

The financial department of the Company shall assess the feasibility, necessity, and rationality of the acquisition or disposal of the asset, and keep track on the status of execution for analysis and review.

(3) The internal auditors of the Company shall conduct audits on the subsidiaries in their compliance with the "Procedure for the Acquisition or Disposal of Assets", and compile the findings into reports. The findings and recommendations contained in the audit reports shall be made known to respective subsidiaries for corrective action after reporting with routine follow-up with the action taken to make sure timely corrective action has been taken.

5.13 Penalty:

If any of the related personnel of the Company violated this Procedure in the acquisition or disposal of assets, such personnel shall be punished in accordance with the rules and regulations of the Company governing personnel management depending on the severity of the offense.

5.14 Supplementary effect of applicable laws: anything not covered by this Procedure shall be governed by applicable laws.

## **VI. Implementation and amendment**

The institution of this Procedure by the Company shall be subject to the approval of the Board and the ratification of the Shareholders Meeting. With effect on the day on which the Company was listed at TWSE or TPEX, and there is adverse opinion or qualified opinion from the Independent Directors, the Company shall keep such opinions as minutes of Board meeting on record. The same procedure is applicable to any amendment thereto.

The Company has established the positions of Independent Directors. If relevant motions were referred to the Board for discussion under this Procedure, consider the opinions of the Independent Directors to its entirety. If there is adverse opinion or qualified opinion from the Independent Directors, keep such opinions as minutes of Board meeting on record.

The Company has established the Auditing Committee in accordance with the Articles of Incorporation. The institution or amendment to this Procedure shall be subject to the consent of the Auditing Committee by at least 1/2 of the members and the approval of the Board.

If the motion was not passed by more than 1/2 of the members of the Auditing Committee by passed by more than 2/3 of the Directors, specify the detail of the decision of the Auditing Committee as minutes of Board meeting on record.

All members of the Auditing Committee and all Directors as mentioned are those who are still in office.

Normative reference: Derivative Trade Registry.

Related forms and documents: Derivative Trade Registry.

Note: This Procedure is applicable to Strong H Machinery Technology (Cayman) Incorporation and its subsidiaries.

## **VII. History and development:**

This Procedure was instituted on: February 14 2015.

Amended for the 1<sup>st</sup> instance on June 12 2018.

## [Appendix IV]

### Regulations Governing Election of Directors

#### I. Purpose

The Regulations Governing Election of Directors was instituted pursuant to Article 21 and Article 41 of the “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies”, the Articles of Incorporation of the Company, and other applicable laws for the equal, fair, and transparent election of the Directors and Supervisors of the Company.

#### II. Scope

The Regulations shall be applicable to the election of the Directors of the Company

#### III. Authority and Responsibility

N/A.

#### IV. Definitions

N/A.

#### V. the Content

5.1 The election of the Directors of the company is governed by the Regulations unless the law or the Articles of Incorporation provides otherwise.

5.2 The overall balance of the Board will be taken into consideration in the election of Directors. Members of the Board shall be disciplined in the kinds of knowledge, skills, and education required for the performance of duties and shall be capable of the following:

5.2.1 Operation judgement capacity.

5.2.2 Accounting and financial analysis capacity.

5.2.3 Corporate management capacity.

5.2.4 Crisis management capacity.

5.2.5 Knowledge of the industry.

5.2.6 International market view.

5.2.7 Leadership capacity.

5.2.8 Decision-making capacity.

5.3 The qualification requirements and election of Independent Directors of the Company shall be in compliance with the Articles of Incorporation of the Company and applicable laws.

5.4 The Company adopted the cumulative voting system with registered voters thereby the holder of each share will be entitled to votes equivalent to the number of seats of Directors to be elected. Shareholders may cast the votes in favor of particular candidates or distribute the votes to different candidates.

5.5 The Board shall prepare the ballots for the election in the quantity equivalent to the number of Directors to be present in the session of the Board and mark down the votes on the ballots for release to the Shareholders in session. The attendance number may be used in lieu of the names of the voters for marking on the ballots.



5.6 Where the Company may establish the seats for Independent Directors under the Articles of Incorporation, the election of both the Directors and the Independent Directors shall be held simultaneously and the votes of the candidates to the seats of the Directors and Independent Directors shall be counted separately. Candidates who won the majority of the votes will be elected to the seats. If two or more candidates won the same number of votes but the seats of Directors and Independent Directors are limited, these candidates shall draw lots to decide who will get the seats. The Chairman or presiding officer shall draw the lot in the name of and on behalf of the candidates who are absent from the session.

5.7 The Chairman shall appointed several monitors and tally clerks who are also shareholders to perform related duties. The Board shall prepare the ballot box and open the box for the inspection of the public before balloting.

5.8 If the candidate is a shareholder, the elector shall mark down the account title and account number of the candidate in the field of candidate on the ballot. If the candidate is not a shareholder, mark down the name and ID number of the candidate. Where the government of an institutional shareholder may be a candidate in the election, mark down the name of the government agency or the name of the institution, or the name of the government agency or the institution and the representative in the field of the candidate on the ballot. If there are several representatives, mark down the names of the representatives.

5.9 A ballot shall be void if any of the following applies:

5.9.1 The ballot is not prepared by the Board.

5.9.2 Cast the vote with a blank ballot.

5.9.3 The handwriting on the ballot is unidentifiable or marked for correction.

5.9.4 If the candidate is a shareholder, the account title, account number marked on the ballot is not relevant with the record of the shareholders registry. If the candidate is not a shareholder, the name and the ID number is found irrelevant.

5.9.5 There are additional wording on the ballot other than the account title (name) or account number (ID number) of the candidate and the number of votes allocated.

5.9.6 The name of the candidate is identical with another shareholders but no account number of ID number was marked on the ballot for identification.

5.9.7 Ballots not placed inside the ballot box.

5.9.8 The total number of votes cast by the voters are more than the total number of votes approved in the election.

5.10 The ballots shall be opened and counted immediately after the balloting. The Chairman shall announce the voting result and the list of Director Elects on the scene.

5.11 The Board will issue notice of election to the seat to the Director Elects.

## VI. Implementation and amendment

The Regulations shall be subject to the approval of the Shareholders Meeting for coming into force. The same procedure is applicable to any amendment thereto.

Note: The Regulations is applicable to Strong H Machinery Technology (Cayman) Incorporation and all subsidiaries.

VII. History and development:

The Regulations was instituted on: February 14 2015.

## [Appendix V]

### Strong H Machinery Technology (Cayman) Incorporation Status of shareholding by all Directors

- I. The Company has 66,289,563 outstanding shares.  
The minimum quantity of shareholding by all Directors are 5,220,000 shares under the “Regulations Governing the Percentage of holding and Audit of Shareholding by Directors and Supervisors of Public Companies”.
- II. The quantity of shares held by the Directors stated in the shareholders registry as of the April 8 2019, the day on which share transfer was restricted for the recent convention of Shareholders Meeting:

Position Title	Title/name of institution	Current shareholding	
		Number of shares	proportion of shareholding
Chairman of the Board	IMPERIAL INTERNATIONAL CO., LTD Representative: CHI, PING-HSIN	27,272,000	41.14%
Director	IMPERIAL INTERNATIONAL CO., LTD Representative: HSU, HSIANG-JEN	27,272,000	41.14%
Director	CHI, TAO-SONG	0	0.00%
Director	HSU, CHIN-SHAN	0	0.00%
Independent Director	LIN, CHIN-CHUNG	0	0.00%
Independent Director	WANG, CHING-HSIANG	0	0.00%
Independent Director	TAI, KUO-CHENG	0	0.00%

Note: The Company adopted the Auditing Committee system where 3 seats of Independent Directors are also members of this committee. There is no Supervisor and the requirement of shareholding by Supervisors at certain percentage is not applicable.