

Stock Code : 5227

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Advanced Lithium Electrochemistry (Cayman) Co., Ltd.

**2021 Annual Shareholders' Meeting
Meeting Handbook
(Translation)**

Time: April 15, 2021 at 9a.m.

Place: No. 398, Taoying Road., Taoyuan Dist., Taoyuan City 330, Taiwan (R.O.C.)
(Chuto Plaza Hotels – Fu Guei Hall)

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Disclaimer:

THIS IS A TRANSLATION OF THE AGENDA FOR THE 2021 ANNUAL GENERAL SHAREHOLDERS' MEETING OF ADVANCED LITHIUM ELECTROCHEMISTRY (CAYMAN). THE TRANSLATION IS FOR REFERENCE ONLY. IF THERE IS ANY DISCREPANCY BETWEEN THE ENGLISH VERSION AND CHINESE VERSION, THE CHINESE VERSION SHALL PREVAIL.

ADVANCED LITHIUM ELECTROCHEMISTRY (CAYMAN) CO., LTD.
2021 Shareholders' Meeting Procedure

I.Meeting Procedure

- 1.Time: Thursday, April 15, 2021 at 9a.m.
- 2.Place: No. 398, Taoying Road., Taoyuan Dist., Taoyuan City 330, Taiwan (R.O.C.)
(Chuto Plaza Hotels – Fu Guei Hall)
- 3.Call Meeting to Order: Report total number of share attendance
- 4.Chairman's Speech:
- 5.Report Items:
 - (1) Business Report of 2020
 - (2) Inspection Report of Audit Committee of 2020
 - (3) Report of sound business operation 2020
 - (4) Report of private equity 2020
 - (5) Revision of the report on the "Guidelines for Operating in Good Faith"
- 6.Proposed Items:
 - (1) Proposal for Business Report and Financial Statements 2020
 - (2) The proposal of deficit compensation 2020
- 7.Discussion Items:
 - (1) Proposal for a capital reduction plan to offset company losses
 - (2) Proposal for the raising of private equity
 - (3) Proposal for modification of the "Regulations of Acquisition or Disposal of Assets"
- 8.Extemporaneous Motions
- 9.Adjournment

II. Report Items

Proposal 1:

Proposal: Business Report of 2020.

Explanation: Business Report of 2020, attached in Attachment 1 of the Meeting Agenda, page 9~10.

Proposal 2:

Proposal: Inspection Report of Audit Committee of 2020.

Explanation:

1. In accordance with Article 14, paragraph 4, subparagraph 3 of the Taiwan Securities Transaction Act, when the company sets up the audit committee, the provisions of the Taiwan Securities Transaction Act, the Company Act and other relevant laws for the supervisor are approved by the audit committee.
2. In accordance with the above provisions, the Audit Committee shall use the provisions of Article 228 of the Company Act to review the business report, financial statements and proposals of the deficit compensation approved by the 8nd meeting of the 8th Board of Directors, and issue a verification report. Please refer to Attachment 2 of the Meeting Agenda, page 11.

Proposal 3:

Proposal: The report of sound business operation 2020.

Explanation:

1. In accordance with No.1030051218 of the Financial Supervisory Commission on December 26, 2014 and No. 1090340270 of the Financial Supervisory Commission on May 7, 2020 the company has reported the implementation of sound business operation 2020 at the 9th meeting of the 8th term board of directors on March 4, 2021.
2. The report of sound business operation 2020 are as attached in Attachment 3 of the Meeting Agenda, page 12~14.

Proposal 4:

Proposal: Report of private equity 2020.

Explanation: Capital injection by issuance of 15 million shares of common stocks through private placement had been terminated by the resolution of the board of Directors due to can not be done before the expiry date on April 9 ,2021 ◦

Proposal 5:

Proposal: Revision of the report on the “Guidelines for Operating in Good Faith”.

Explanation: The modification table of the “Guidelines for Operating in Good Faith” is attached as pp15~17, Attachment 4 ◦

III. Proposed Items

Proposal 1: (By the Board of Directors)

Proposal: Proposal for Business Report and Financial Statements 2020, please approve it.

Explanation:

1. The consolidated financial statements 2020 of the company was reviewed by the accountant Wei-Hao Wu and Yu-Kuan Lin of PwC Taiwan, and reports were issued with unreserved opinions.
2. The business report and financial statements 2020 accepted by the board of directors, and it is proposed to the shareholders' meeting for approval.
3. Business report are as attached in Attachment 1 of the Meeting Agenda, page 9~10.
4. Consolidated financial statements are as attached in Attachment 5 of the Meeting Agenda, page 18~31.

Resolution:

Proposal 2: (By the Board of Directors)

Proposal: Proposal of the deficit compensation 2020, please approve it.

Explanation:

1. The company's 2020 after-tax loss is NT\$679,199,747, plus the loss to be made up at the beginning of the period of NT\$1,115,539,905 and the reduced paid-in capital of NT\$1,115,539,900 to make up for the loss, and the accumulated loss to be compensated at the end of the period is NT\$ 679,199,752 yuan.
2. Since the company has a loss after tax in 2020, it will not allocate or distribute dividends in accordance with the Articles of Incorporation.
3. Proposal of the deficit compensation 2020 are as attached in Attachment 6 of the Meeting Agenda, page 32.

Resolution:

IV. Discussion Items

Proposal 1: (By the Board of Directors)

Proposal: Proposal for a capital reduction plan to offset company losses.

Explanation:

1. The Company's paid-up capital is NT\$1,600,196,640 and issued 160,019,664 shares. As of December 31,2020, deficit yet to be compensated of NT\$679,199,752.
2. In order to improve the financial structure and make up for accumulated losses, it is proposed to reduce NT\$679,199,750, and eliminate 67,919,975 shares of common stock, shares ate eliminated according to the shareholding ratio of shareholders. It is estimated that the number of shares will be reduced by approximately 424.447679 shares, and the capital reduction ratio will be approximately 42.447679%.
3. If the shares are less than one share after capital reduction, the shareholder may be required to complete the registration with the Company's stock agency with five days

before the share stop-transfer date. If such registration is not completed within the prescribed time limit, the shareholder shall, reissue the cash as per the denomination of shares to the nearest NTD(round down). For those share less than one share, the Chairman of the company is authorized to contact specific persons to subscribe for the shares at denomination.

4. This time, for the shares replacement due to capital reduction, the new shares will be issued as shares in scripless form, the rights and obligations of which are the same as those of ordinary shares already issued; the paid-up capital after the reduction shall be NT\$920,996,890, divided into 92,099,689 shares at NT\$10 per share.
5. The base date of the share replacement due to capital reduction, the operation plan of share replacement due to capital reduction or the ratio of capital reduction shall be adjusted as a result of the change of the capital stock and other related matter, etc. When such matters are required by actual facts or as amended by the competent authority, the Chairman of the company shall be authorized by the shareholder's meeting to handle the affairs.

Resolution:

Proposal 2: (By the Board of Directors)

Proposal: Proposal for the raising of private equity.

Explanation:

1. In order to cope with the company's future development or reinvestment or increase the working capital, and enhance the company's competitiveness, it is proposed the company to handle no more than 20 million shares of private equity to issue new shares of capital increase in cash. It is proposed the shareholders' meeting to authorize the board of directors to take into account the market conditions and meet the actual needs of the company, and handle the following financing methods and principles.
2. In accordance with Article 43 paragraph 6 of the Securities and Exchange Act and the "Directions for Public Companies Conducting Private Placements of Securities", statements are as follows:
 - A. Basis and reasonableness of private equity pricing
 - (1). Basis for the issuing price: The price of the common stock issued by the private capital increase in cash will be no less than 80% of the reference price, which will be determined on the pricing date. The reference price is calculated based on the highest price in the following two benchmarks.
 - (a) The issuing price shall be determined by the average of the common stock closing price which is calculated on 1, 3 or 5 business days before the pricing date, deducting the bonus shares' ex-right and dividends, and adding back the stock price after the capital reduction.
 - (b) The issuing price shall be determined by the average of the common stock

closing price which is calculated on 30 business days before the pricing date, deducting the bonus shares' ex-right and dividends, and adding back the stock price after the capital reduction.

- (2). Reasonableness of the issuing price: The actual issue price is intended to be authorized by the board of directors in accordance with the law and to be within the range of no less than the resolutions of the shareholders' general meeting, depending on the specific future contacts, market conditions and the company's future prospects. The basis for the above-mentioned private placement price is in accordance with the regulations of the competent authority, and at the same time, the timing, object and quantity of the transfer of private equity are in strict restrictions. Also, it is not allowed to be listed in the OTC within 3 years, and the liquidity is poor. Therefore, the portion of private placements should be reasonable.

B. The means of selecting the specified persons

- (1). Private placements of securities are limited to the specific persons pursuant to Article 43 paragraph 6 of the Securities and Exchange Act and the Financial Supervisory certificate No. 0910003455 of the Financial Supervisory Commission on June 13, 2002.
- (2). If the subscriber is a strategic investor: The company will choose the subscriber with good understanding of the company's operations and is beneficial to future operations. Individuals or legal persons who assists the company to improve its quality, reduce costs, and increase efficiency by applying the person's own experience, techniques, brand reputation or channel programs, etc. In order to improve the company's financial structure and strengthen its solvency, the funds of the subscribers can improve the overall financial quality of the company. The huge cost of capital and operational risks can be reduced, and the company's financial structure can be improved. It is proposed that the board of directors to be authorized to review the relevant qualifications of strategic investors.
- (3). If the subscriber is an insider or related parties of the company: Currently there are no planned applicants for insider or related parties.
- (4). The subscriber has not yet been arranged by the company, and it is proposed that the board of directors to be authorized to decide the arrangement of the actual subscriber.

C. Reasons for private placement

- (1). Reasons for not using public offerings: Considering the timeliness, convenience and issuing costs, we plan on cash capital increase through private placement.
- (2). The purpose and the expected benefits of the private equity shares: The total number of private equity shares is limited to no more than 20 million shares, and the book value per share is NT\$10. It is proposed to authorize the board of directors for private placement several times (up to three times) within one year

from the date of resolution of the shareholders' meeting. The funds for each of the private placements are used to enrich working capital, reinvestment or other capital needs for future development, and effectively reduce the cost of capital, strengthen the company's competitiveness and enhance operational efficiency.

3. Private shares of the private placement of securities shall have the same rights and obligations as issued shares, and shall not be transferred except to the transferees specified in Article 43 paragraph 8 of the Securities and Exchange Act within three years from the delivery date. After three full years since the delivery date, it is proposed to authorize the board of directors to apply to the competent authority for the privately placed securities to be traded on the over-the-counter markets in accordance with the relevant laws and regulations.
4. Except for the portion of private placements, the essential contents of the private placement plan includes issuing price, number of shares, issuance conditions, project plans, progress in the use of funds, expected benefits, and other unfinished matters. If there are any modifications in the future due to changes in objective environmental factors, it is proposed that the board of directors is authorized to fully handle it in accordance with relevant regulations.
5. In accordance with the letter Cheng Pao Fa Tzu No. 1100000348 from Securities and Futures Investors Protection Center on Jan. 8, 2021, the Company explained relevant matters in the reply Cayman Aleees Tzu No. AC210205001 on Feb. 5, 2021

A. Please explain the necessity and rationality for conducting private placements during this shareholders meeting

The Board agreed to conduct private placements by resolution on Jan. 14, 2021. The Company shall use the funds from private placements to meet future development, re-investments or cash flow needs. Considering timeliness, convenience and distribution costs, private placements have the features of high speed and convenience and may not be freely transferable within three years, and hence, ensured business stability of the company. Hence, proposals for private placements to raise funds were arranged in the regular shareholders meeting during the past two years for unexpected needs.

The amount of "cash and cash equivalents" in the company's consolidated balance sheet on September 30, 2020, reached approximately 117.26% of the "operating income" in the consolidated income statement for the year 2019. The cash flow of the consolidated financial report for the third quarter of 2020 presents net inflows and other situations. This comes from the 348,000 thousand NT dollars of capital funding that was raised in the third quarter of 2020. However, in 2020, due to the impact that Covid 19 pandemic has brought on the global economy, there was a sharp plunge in the operating income. To facilitate the company's future operations and raise funds for research and development, this private placement case should be necessary and reasonable.

B. Please carefully evaluate the purpose of private placement, its impact on management rights, and the impact on shareholders' equity

(1). Purpose of private placement

The purpose of private placement is to respond to other funding needs for future development, enrich working capital and repay loans. Therefore, the timeliness, convenience, and issuance cost of the private placement are included in consideration. Private placement has quick and easy features. On the other side, it has restrictions that cannot be transferred within three years. It ensures a stable long-term relationship between the company and strategic investors. As a result, the company plans to raise funds through private placement.

(2). Impact on management rights

It is estimated that the fund raised from the private placement can account for 12.5% of the paid-in capital. At present, the company's management team is expected to control more than 25% of the equity. Currently, the list of applicants has not yet been confirmed. This case is only an alternative plan for an increase of finance. In the case that capital increase is deemed to be necessary, three issuances within a year will be adopted, and there will be no significant impact on the operating rights. If a single issuance causes a major change in the operating rights, the securities underwriters will be consulted in accordance with relevant laws and regulations for the necessity or evaluation methods on the rationality of the transfer of operating rights caused by private equity.

(3). Impact on shareholders' equity

The company expects to enhance business performance through the assistance of strategic investors' experience, technology and knowledge. This will help the company to grow steadily in the future. It will also have positive benefits for enhancing shareholders' equity.

Resolution:

Proposal 3: (By the Board of Directors)

Proposal: Proposal for modification of the "Regulations of Acquisition or Disposal of Assets".

Explanation:

1. The amendment is in accordance with the "Regulations Governing the Acquisition and Disposal of Assets by Public Companies" released by the Financial Supervisory Commission.
2. Modified "Regulations of Acquisition or Disposal of Assets" Table are as attached in Attachment 7 of the Meeting Agenda, page 33~37.

Resolution:

V.Extemporary Motions

VI.Adjournment

VII.Attachment

1.Business Report

Advanced Lithium Electrochemistry (Cayman) Co., Ltd.

Business Report of 2020

1. The overview and results of management policy and business plan implementation:

The company has been devoted to offering overall solution for materials of lithium batteries, and it has been in the industry of offering ingredients of positive electrode of lithium batteries for over a decade. It has accumulated a lot of experience in developing and innovating the techniques, and it obtains the patent of unique techniques. The company mainly produces positive electrode of lithium batteries with high quality, high cost-performance ratio, and long cycle life.

Since 2019, the company has adjusted its operating strategy and policy by actively expanding new customers in regions such as Europe, America, Japan and South Korea outside of China. We have also explored into the new niche market for energy storage and lithium iron batteries that replace lead-acid batteries for vehicles. Over time, the transformation has been generating clear outcomes, and it has gradually achieved steady growth in revenue. However, the impact of the Covid 19 pandemic on the global economy in 2020, the total of company's consolidated operating income in 2020 was NT\$142,707 thousand, with a decrease of NT\$245,372 thousand compared with its revenue of NT\$388,079 thousand in 2009, presenting a 63% drop. In 2020, the consolidated net loss after tax was NT\$679,200 thousand, with an increase of NT\$211,429 thousand, or a 45% rise, compared with the net loss of NT\$467,771 thousand NT dollars in 2019.

The company has devoted efforts in exploring new resources and update the technical competence. It also optimizes the products and client portfolio. Then, the company explore new niche market of materials for positive electrode of lithium batteries while seeking long-term operation with the clients. The aim is to establish good foundation for future development and build stable momentum for growing income.

All staff members will work hard with a cautious attitude so as to establish a more profitable operating environment, increase operating efficiency, and create corporate value in return for the long-term support of all stakeholders and investors.

2. The budget execution:

The company has not compiled the annual financial forecast in 2020, so there is no need to disclose the information on budget execution.

3. Analysis of financial income and expenditure, and profitability analysis:

Units: thousands of New Taiwan dollars

	Item	2020	2019
Financial income and expenditure	Consolidated operating income	142,707	388,079
	Consolidated gross profit (loss)	(149,191)	(27,693)
	Consolidate net loss after tax	(679,200)	(467,770)
Profitability	Net profit margin (Net loss)%	-104%	-7%
	Net profit margin (Net loss)%	-476%	-121%

Note: In accordance with the IFRS.

The company adjusted its operating strategy and policy in 2019 by actively connecting with new customers in Europe, America, Japan, South Korea and other countries. Also, it has successfully entered the new niche market of lithium-iron batteries for energy storage and the lithium-iron batteries to replace lead-acid batteries for vehicles. The transformation has generated substantial outcomes in 2019 and is gradually achieving steady growth in revenue. However, the impact of the Covid 19 pandemic on the global economy in 2020 caused a recession of the industry. The company's consolidated operating income in 2020 was 143 million NT dollars, with a decrease of approximately 245 million NT dollars from the revenue of 388 million NT dollars in 2019, showing a 63% drop. Due to the decrease in operating income in 2020, the consolidated operating gross loss of 2020 increased by about 121 million NT dollars, rising by 439%, compared with that in 2019.

Due to the decrease in operating income and the decrease in relevant sales expenses in 2020, the combined operating expenses in 2020 were reduced by approximately 23 million NT dollars compared with that in 2019. In addition, the asset impairment listed in the investment in convertible bonds issued by Wulong Electric Vehicle Company has increased compared with the previous year, which resulted in an increase of 113 million NT dollars in 2020 consolidated non-operating net expenditures compared to 2019.

In summary, the consolidated after-tax loss in 2020 was NT 679 million dollars, showing an increase of approximately NT 211 million dollars (a rise of approximately 45%) from that in 2019.

4. Research and development:

The company is actively investing in research and development of high-voltage lithium battery cathode materials and high-nickel ternary cathode materials, and commit to commercialization of new products.

- (1) The company continues to optimize the quality and function of the product, offer high-quality products to fulfill the needs of various clients, and increase its competitive advantage.
- (2) The company takes initiative and launch developing projects in collaboration with domestic and overseas research institutes as well as the clients so as to increase the cycle life and density of energy density of the batteries.

Chairman:

Sheng-Shi Chang



General Manager:

Sheng-Shi Chang



Accounting Manager:

Mei-Fang Huang



2. Inspection Report of Audit Committee

Inspection Report of Audit Committee

The Board of Directors handed over the Company's business reports, financial statements and proposals of deficit compensation 2020. The financial statements were entrusted by Yu-Kuan Lin and Wei-Hao Wu, certified by PricewaterhouseCoopers Taiwan, and issued an audit report.

The above-mentioned business report, financial statements and proposals of deficit compensation have been checked by the audit committee, and it is considered that there is no disagreement. The report of Article 14, paragraph 4, subparagraph 3 of the Securities Exchange Act are as mentioned above, please review it.

To

Advanced Lithium Electrochemistry (Cayman) Co., Ltd.
2021 Shareholders' Meeting

Audit Committee Convener: Wei-Min Shen



March 4, 2021

3.Report of sound business operation 2020

Advanced Lithium Electrochemistry (Cayman) Co., Ltd.

Report of sound business operation 2020

The implementation of sound business operation 2020 is as follows:

1.2020 consolidated loss statement :

Units: thousands of New Taiwan dollars

Items in the consolidated income statement	2019	2018	Plus (Minus)	Plus (Minus)%
Operating Income	388,079	150,695	237,384	158%
Operating profit(loss)	(27,692)	(188,265)	160,573	85%
Operating Expense	(251,524)	(433,948)	182,424	42%
Non-operating income (expenses)	(188,555)	(487,597)	299,042	61%
Net loss after tax	(467,771)	(1,107,505)	639,734	58%

- (1)Operating income: In 2019, the company actively adjusted its operating strategy and policy. It has gained connection with new customers in Europe, America, Japan, South Korea and other regions and explored a new niche market for global energy storage and replacement of lead-acid vehicle lithium iron batteries. Since 2019, the outcomes of the transformation have gradually become clear, ensuring steady revenue growth gradually. However, in 2020, the impact of the Covid 19 pandemic on the global economy has caused the combined operating income in 2020 to decrease by about 245 million yuan compared with the same period last year, showing a decrease of about 63%.
- (2)Gross operating loss: The significant decrease in operating income mainly resulted form the impact of Covid 19 pandemic, and the combined operating gross loss for 2020 increased by approximately NT\$121 million compared with the same period last year, showing an increase of approximately 439%.
- (3)Operating expenses: The decrease in related sales expenses mainly resulted from the decline in operating income, abd the combined operating expenses in 2020 decreased by approximately NT\$ 23 million compared with the same period last year, showing a decrease of approximately 9%.
- (4)Non-operating net expenses: The increase in asset impairment mainly resulted from the increase in listed convertible corporate bonds, which issued by Wulong Electric Vehicle Company, and the combined non-operating net expenses in 2020 increased by approximately NT\$ 113 million compared with the same period last year, showing an increase of about 60%.
- (5)Net loss after tax for the current period: To sum up, because of the increase in operating gross loss due to the sharp decline in operating income in 2020, and the increase in loss of non-operating assets, the combined net loss after tax in 2020 showed an increase of about NT\$211 million compared with the same period last year, showing a loss of about 45%.

2.Report of sound business operation:

(1)Business development plan

The business which manily relied on new energy vehicle market in mainland China has been growing, and it has accumulated an remarkable sales outcome for more than ten years so far. In addition to maintaining the sales in the new energy vehicle market, the company continually

optimizes its product and customer portfolio, and actively expands the new niche market of lithium battery cathode material. Hopefully, we can develop long-term cooperation with well-known customers at home and abroad in order to lay a good foundation for the company's future development and enhance momentum for the company's stable growth.

A. Expansion of the energy storage lithium iron battery market

To keep up with the trend of energy saving and carbon reduction, many countries around the world have launched supporting policies to promote the energy storage, and demand for electricity storage products have been growing. The global renewable energy device capacity continues to increase, and the solar and wind energy markets have grown substantially because of the instability of renewable energy power generation. Energy storage equipment can enhance stable power supply, which brought about energy storage business opportunities for homes, industries, and electric vehicles; and with the surge in demand for 5G, big data, and cloud computing. The data center market continues to grow also contributes to the increase in energy storage demand. According to the analysis and prediction of the research organization Wood Mackenzie, the capacity of energy storage systems deployed globally may reach 741GWh by 2030, with a compound annual growth rate of 31%.

Batteries still play a critical role in terms of the cost of energy storage components. Thanks to the development of electric vehicles, the continuous expansion of lithium battery production capacity has made battery prices more competitive in the market, which also promoted the rise of the energy storage market. Since the energy storage system adopts batteries for generating green energy, the most demanded products have shifted from lead-acid batteries to lithium-iron batteries. However, safety concerns arise due to several ternary lithium-iron battery explosion cases, lithium-iron batteries have become the first choice in the energy storage market.

The company has signed contracts with well-known large Japanese companies and explored into the household energy storage market; we have also been trading with new customers in Europe, the United States, Asia and other regions while supplying products to the industrial energy storage market.

B. Expansion of the lithium iron battery market that replaces lead-acid batteries for vehicles

In the past, lead-acid batteries were widely used in the start-up batteries of automobiles and motorcycles due to the advantage of their low cost. However, as most countries have been demanding energy conservation and carbon reduction, the governments are actively promoting the electrification of automobiles by paying equal attention to encouragement and penalty policies. The trend has driven global both old and new automakersto actively develop new vehicles using ecological energy. While pure electric vehicles still need to overcome the infrastructure problems of the accessibility of charging facilities, traditional gasoline vehicles have begun to set off a trend of adopting hybrid power. An observation on the development of various countries shows that the main driving force of the hybrid vehicle market comes from the emission regulations which get stricter year by year. TrendForce believes that hybrid vehicles will become the main vehicle types in the European, American, and Japanese markets, and the growth rate will exceed that of pure electric vehicles.

In order to actualize lightweight design, most car manufacturers make it a priority to adopt lithium-iron batteries for voltage systems above 12V. The continuous growth of hybrid vehicles above 12V is expected to brationoost the market demand for lithium-iron battery consumption in the future.

(2)Product research and development plan

A. Improve and optimize existing products.

The company adopts advanced powder design and powder post-processing technology to increase production yield and reduce production costs, which helps to enhance competitiveness of products in the global market and continue to expand the market share of products.

The company has been actively introducing a new generation of process technology and equipment to ensure higher purity, lower impurities and better processing performance of the lithium battery cathode materials produced so as to meet the needs of customers with high-end product applications.

B. Continuous development of high-voltage lithium battery cathode materials

To keep up with the continuous increase in energy density of lithium-ion batteries, the company has invested in the development of high-voltage cathode materials such as lithium iron manganese phosphate, lithium vanadium fluorophosphate, and lithium nickel fluorophosphate, targeting for increased working voltage as well as high rate performance and high safety. Lithium manganese iron phosphate can be adopted along with ternary materials, lithium vanadium fluorophosphate can be combined with special electrolyte systems, and lithium nickel fluorophosphate can be combined with solid electrolytes for use in electric vehicles so as to produce unique batteries with high energy density and high safety requirements of the market. Some products are developed by collaborating with major overseas battery manufacturers in early stages, and the properties of materials were adjusted according to customers' test results. The clear market application goals and joint development with customers can accelerate product development and launch of products, which can provide better choices for electric vehicles and energy storage market or a unique market with high safety requirements.

C. Active investment in the development of high nickel ternary cathode materials

The ternary cathode material market is gradually shifting towards the adoption of high nickel materials. Based on the rich experience in material development in the past, the company has invested in the development of cathode materials such as lithium nickel cobalt manganese with higher energy density. Some products are being tested by overseas customers.

(3)Capacity expansion plan

Considering the business development process, the company plans to build automation equipment, monitoring systems and improve process technology in the future to expand the product line so as to build a solid foundation in response to business adjustments and launch new product to meet customer's capacity needs.

(4)Sound financial operation plan

In the future, we will continue to increase revenue and reduce expenditure, track and manage the collection of accounts receivable, strive to control inventory and reduce production costs with an aim of effectively improving opeal performance and control operational risks.

4.Modified Guidelines for Operating in Good Faith Table



英屬蓋曼群島商立凱電能科技股份有限公司
Advanced Lithium Electrochemistry (Cayman) Co., Ltd.

Guidelines for Operating in Good Faith Document Modification revision table

Item	Before modification	After modification	Reasons for modification
Article 5.6	The Company shall adopt policies in good faith and establish sound systems of corporate governance and risk control based on the philosophy of honest, transparent and responsible business operations to create a sustainable development of business environment.	The company operates on the philosophy of integrity, transparency and responsibility, and it should formulate an integral policy <u>with approval of the board of directors</u> . It should also establish a sound corporate governance and risk control mechanism to establish a sustainable business environment.	Modified in accordance with the Financial Supervisory certificate No. 1080307434 Financial Supervisory Commission on May 16, 2019.
Article 5.7	The policies for corporate operating in good faith and the related procedures and guide to good practice for preventing dishonest activities (hereinafter referred to as “the Preventive Program”, established by this company in accordance with the related laws of the places where the affiliates and organization operation is located, including but not limited to the periodical employee education & training, employee job rules, and the signing of employment contract with an employee, convening of periodical meetings, and engaging in communications with the clients, with trade transactions, suppliers and other stakeholders, and establish a sunshine/appeal mailbox in the corporate website, to terminate the occurrence of dishonest activities.	The company <u>refers to general standards or guidelines for the domestic and foreign markets</u> , relevant laws and regulations of the region where the affiliated companies and organizations operate, the integrity management policy <u>established by the board of directors</u> , and the operation procedures and behavioral guidelines for dishonesty prevention program (hereinafter referred to as the "prevention program") and Education and training, including but not limited to regular employee <u>education and training</u> , employee working regulations, employment contracts, regular meetings with employees, and communication with customers, suppliers or other interested parties in <u>important</u> transactions. A designated mailbox has been displayed on the company’s official website with an aim to prevent dishonest behavior.	Modified in accordance with the Financial Supervisory certificate No. 1080307434 Financial Supervisory Commission on May 16, 2019.
Article 5.7.1	The preventive programs formulated by the Company shall at least include the following preventive measures :	The company has established the following dishonest risk mechanisms with a scope to cover at least the following risk-prevention measures:	Discretionary text revision.

Item	Before modification	After modification	Reasons for modification
Article 5.17	To achieve the sound corporate operating in good faith, the Company shall establish a dedicated unit that is subordinate to the board of directors and responsible for formulating and supervising the implementation of the policies for corporate operating in good faith and preventive programs. The dedicated unit shall be in charge of the following matters, and shall report to the board of directors on a regular basis. Its duties mainly include:	In order to improve the integrity management, the company shall set up a dedicated unit under the board of directors and <u>allocate sufficient resources and qualified personnel</u> to such unit. The unit should be responsible for the formulation and supervision of the integrity management policy and steps for preventing dishonest deeds. It is mainly in charge of the following matters and should regularly (<u>at least once a year</u>) report to the board of directors.	Modified in accordance with the Financial Supervisory certificate No. 1080307434 Financial Supervisory Commission on May 16, 2019.
Article 5.17.2	Formulating programs to prevent dishonest activities and setting out in each program the standard operating procedures and conduct guidelines with respect to the operations and business.	The company should <u>rregularly analyze and evaluate the risks of dishonest behavior in its operation</u> , and it should fromulate plans to prevent dishonest behaviors accordingly. It should establish standard operating procedures and business-related behavioral guidelines for each plan.	Modified in accordance with the Financial Supervisory certificate No. 1080307434 Financial Supervisory Commission on May 16, 2019.
Article 5.25	The chairman, general manager, or senior management of the Company and its affiliates shall communicate the importance of corporate ethics to directors, employees, and mandataries on a regular basis. The Company shall periodically organize education, training and awareness programs for the directors, managers, employees, mandataries, and the persons with de facto control of the Company and its affiliates and invite the Company’s commercial transaction counterparties to participate in the program, so that they may fully understand the Company’s decision to implement the corporate operating in good faith, the related policies, preventive programs and the consequences of committing dishonest activities.	The chairman, general manager or senior management of the company and its affiliated companies shall regularly communicate to the directors, employees, and appointed persons the importance of and abide by the integrity policy.	1.Discretionary text revisio. 2.Second paragraph adjustment article number.

Item	Before modification	After modification	Reasons for modification
Article 5.25.1	New Added	The Company shall periodically organize education, training and awareness programs for the directors, managers, employees, mandataries, and the persons with de facto control of the Company and its affiliates and invite the Company's commercial transaction counterparties to participate in the program, so that they may fully understand the Company's decision to implement the corporate operating in good faith, the related policies, preventive programs and the consequences of committing dishonest activities.	Adjusted from 5.25 to 5.25.1.
Article 5.27.4	Confidentiality of the identity of reporters and the content of reported cases.	Identity of the reporter and the content of the report should be kept confidential; anonymous reports are allowed.	Modified in accordance with the Financial Supervisory certificate No. 1080307434 Financial Supervisory Commission on May 16, 2019.

**ADVANCED LITHIUM
ELECTROCHEMISTRY (CAYMAN) CO.,
LTD. AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS AND
REPORT OF INDEPENDENT ACCOUNTANTS
DECEMBER 31, 2020 AND 2019**

For the convenience of readers and for information purpose only, the auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. In the event of any discrepancy between the English version and the original Chinese version or any differences in the interpretation of the two versions, the Chinese-language auditors' report and financial statements shall prevail.



INDEPENDENT AUDITORS' REPORT TRANSLATED FROM CHINESE

PWCR20000244

To the Board of Directors and Shareholders of Advanced Lithium Electrochemistry (Cayman) Co., Ltd.

Opinion

We have audited the accompanying consolidated balance sheets of Advanced Lithium Electrochemistry (Cayman) Co., Ltd. and subsidiaries (the “Group”) as at December 31, 2020 and 2019, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission.

Basis for opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and generally accepted auditing standards in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the audit of the consolidated financial statements section of our report. We are independent of 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 judgement, were of most significance in our audit of the Group's 2020 consolidated financial statements. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

Key audit matters for the Group's 2020 consolidated financial statements are stated as follows:

Impairment assessment of long-term receivables

Description

Refer to Notes 4(11) and 7(3) C for uncertainty of accounting estimates and assumptions in relation to long-term receivables (shown as part of other non-current assets) and details of allowance for bad debts. The Group assesses whether there is any indication that long-term receivables might have been impaired, taking into account the customers' financial conditions and payment terms. Since the process of assessing bad debts involves management's subjective judgement and the balance of long-term receivables is significant to the financial statements, we considered the impairment assessment of long-term receivables a key audit matter. As of December 31, 2020, the Group's long-term receivables and allowance for bad debts amounted to NT\$ 1,126,688 thousand and NT\$ 841,971 thousand, respectively.

How our audit addressed the matter

We performed the following audit procedures on the above key audit matter:

- A. Assessed the reasonableness of the accounting policy on impairment assessment of long-term receivables;
- B. Discussed the possibility of overdue receivables recovery with management, tested the recovery of receivables after the balance sheet date and verified the adequacy of allowance for bad debts provided for significant overdue accounts receivable; and
- C. Obtained and reviewed supporting documents relating to impairment assessment of long-term receivables provided by management.

Impairment valuation of property, plant, equipment and intangible assets

Description

Refer to Note 4(19) for accounting policy on impairment of property, plant and equipment as well as intangible assets, and Notes 6(7) and (9) for details of accounts. The recoverable amounts of property, plant and equipment and intangible assets of the Group are measured based on fair value less costs of disposal, which is used to determine whether there is any impairment. The estimation of the aforementioned measurement of fair value is subject to the professional judgment of management and involves numerous assumptions and material unobservable inputs. Any changes in judgments and estimates may affect the ultimate result of accounting estimates and may have a material impact on the financial statements. Thus, we have included the key assumptions in estimating the recoverable amounts used in the impairment valuation of property, plant and equipment and intangible assets as a key audit matter.

How our audit addressed the matter

We performed the following audit procedures on the above key audit matter:

- A. Obtained the appraisal report from the external valuation expert who was commissioned by the management to determine whether the measurement method the management used is commonly adopted in the industry and considered appropriate; and
- B. Examined whether the significant unobservable input had reflected the assumption that would be used for similar assets, and assessed the reasonableness of the assumption used.

Responsibilities of management and those charged with governance for the consolidated financial statements

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

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

Those charged with governance, including audit committee, 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 generally accepted auditing standards 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 generally accepted auditing standards in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or

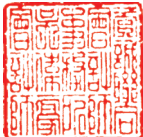

conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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


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

Wu, Wei-Hao 吳偉豪  Lin, Yu-Kuan 林玉寬 

For and on behalf of PricewaterhouseCoopers, Taiwan
March 4, 2021

The accompanying consolidated financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying consolidated financial statements and report of independent auditors are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

As the financial statements are the responsibility of the management, PricewaterhouseCoopers cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.


ADVANCED LITHIUM ELECTROCHEMISTRY (CAYMAN) CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2020 AND 2019
 (Expressed in thousands of New Taiwan dollars)

Assets	Notes	2020	2019
Current assets			
1100	Cash and cash equivalents	\$ 317,798	\$ 318,502
1136	Current financial assets at amortised cost, net	17,301	39,925
1150	Notes receivable, net	-	76,737
1170	Accounts receivable, net	7,094	24,913
1180	Accounts receivable - related parties	-	-
1200	Other receivables	1,856	3,175
1210	Other receivables - related parties	-	-
1220	Current income tax assets	158	121
130X	Inventory	38,708	95,539
1410	Prepayments	48,415	46,245
1470	Other current assets	3,473	5,096
11XX	Total current assets	<u>434,803</u>	<u>610,253</u>
Non-current assets			
1510	Financial assets at fair value through profit or loss - non-current	-	584,913
1517	Non-current financial assets at fair value through other comprehensive income	87,739	90,127
1550	Investments accounted for under equity method	-	1,395
1600	Property, plant and equipment	479,952	488,354
1755	Right-of-use assets	6,107	3,359
1780	Intangible assets	58,214	83,618
1840	Deferred income tax assets	13,465	13,465
1900	Other non-current assets	335,786	7,320
15XX	Total non-current assets	<u>981,263</u>	<u>1,272,551</u>
1XXX	Total assets	<u>\$ 1,416,066</u>	<u>\$ 1,882,804</u>

(Continued)


ADVANCED LITHIUM ELECTROCHEMISTRY (CAYMAN) CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2020 AND 2019
 (Expressed in thousands of New Taiwan dollars)


Liabilities and Equity	Notes	2020	2019
Current liabilities			
2100	Short-term borrowings	\$ 15,557	\$ 73,964
2130	Current contract liabilities	2,017	358
2150	Notes payable	-	21,055
2170	Accounts payable	9,138	14,492
2200	Other payables	64,022	147,489
2220	Other payables - related parties	87,540	86,100
2250	Provisions for liabilities - current	34,818	34,818
2280	Current lease liabilities	3,460	3,359
2320	Long-term liabilities, current portion	14,312	29,930
2365	Current refund liabilities	3,282	5,783
2399	Other current liabilities	2,840	1,705
21XX	Total current liabilities	<u>236,986</u>	<u>419,053</u>
Non-current liabilities			
2540	Long-term borrowings	131,022	87,046
2580	Non-current lease liabilities	2,647	-
25XX	Total non-current liabilities	<u>133,669</u>	<u>87,046</u>
2XXX	Total liabilities	<u>370,655</u>	<u>506,099</u>
Equity attributable to owners of parent			
Share capital			
3110	Common stock	1,600,197	2,415,737
Capital surplus			
3200	Capital surplus	123,521	72,486
Accumulated deficit			
3350	Accumulated deficit	(679,200)	(1,115,540)
Other equity interest			
3400	Other equity interest	878	4,022
31XX	Equity attributable to owners of the parent	<u>1,045,396</u>	<u>1,376,705</u>
36XX	Non-controlling interest	15	-
3XXX	Total equity	<u>1,045,411</u>	<u>1,376,705</u>
Significant contingent liabilities and unrecognised contract commitments			
Significant events after the balance sheet date			
3X2X	Total liabilities and equity	<u>\$ 1,416,066</u>	<u>\$ 1,882,804</u>

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


ADVANCED LITHIUM ELECTROCHEMISTRY (CAYMAN) CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2020 AND 2019
 (Expressed in thousands of New Taiwan dollars, except loss per share)

Items	Notes	2020	2019
4000 Sales revenue	6(19) and 7	\$ 142,707	\$ 388,079
5000 Operating costs	6(5)(24)(25)	(291,898)	(415,771)
5950 Net operating margin		(149,191)	(27,692)
Operating expenses	6(24)(25) and 7		
6100 Selling expenses		(58,778)	(97,849)
6200 General and administrative expenses		(110,311)	(91,741)
6300 Research and development expenses		(44,037)	(50,132)
6450 Expected credit impairment loss	7 and 12(2)	(14,966)	(11,802)
6000 Total operating expenses		(228,092)	(251,524)
6900 Operating loss		(377,283)	(279,216)
Non-operating income and expenses			
7100 Interest income	6(20)	817	894
7010 Other income	6(21) and 7	22,250	17,039
7020 Other gains and losses	6(22)	(39,397)	(197,636)
7050 Finance costs	6(23)	(5,509)	(7,285)
7055 Expected credit impairment loss	7 and 12(2)	(279,907)	-
7060 Share of profit/(loss) of associates and joint ventures accounted for under equity method	6(6)	(171)	(1,567)
7000 Total non-operating income and expenses		(301,917)	(188,555)
7900 Loss before income tax		(679,200)	(467,771)
7950 Income tax expense	6(26)	-	-
8200 Loss for the year		(\$ 679,200)	(\$ 467,771)

(Continued)


ADVANCED LITHIUM ELECTROCHEMISTRY (GAYMAN) CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2020 AND 2019
 (Expressed in thousands of New Taiwan dollars, except loss per share)


Items	Notes	2020	2019
Other comprehensive income	6(18)		
Components of other comprehensive income that will not be reclassified to profit or loss			
8316 Unrealised gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	6(3)	(\$ 2,388)	(\$ 13,615)
Components of other comprehensive income that will be reclassified to profit or loss			
8361 Financial statements translation differences of foreign operations		(756)	7,596
8370 Share of other comprehensive income of associates and joint ventures accounted for under equity method	6(6)	-	(1,684)
8300 Total other comprehensive loss for the year		<u>(\$ 3,144)</u>	<u>(\$ 7,703)</u>
8500 Total comprehensive loss for the year		<u>(\$ 682,344)</u>	<u>(\$ 475,474)</u>
Loss attributable to:			
8610 Owners of the parent		(\$ 679,200)	(\$ 467,771)
8620 Non-controlling interest		-	-
Total		<u>(\$ 679,200)</u>	<u>(\$ 467,771)</u>
Comprehensive loss attributable to:			
8710 Owners of the parent		(\$ 682,344)	(\$ 475,474)
8720 Non-controlling interest		-	-
Total		<u>(\$ 682,344)</u>	<u>(\$ 475,474)</u>
Loss per share	6(27)		
9750 Basic loss per share		<u>(\$ 4.73)</u>	<u>(\$ 2.09)</u>

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

ADVANCED LITHIUM ELECTROCHEMICAL (AMMAN) CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
YEARS ENDED DECEMBER 31, 2020 AND 2019
(Expressed in thousands of New Taka, unless otherwise indicated)

	Equity attributable to owners of the parent										Non-controlling interest	Total equity
	Capital Reserves					Other Equity Interest						
	Notes	Share capital - common stock	Total capital surplus, additional paid-in capital	Treasury stock transactions	Employee stock warrants	Others	Accumulated deficit	Financial statements translation differences of foreign operations	Unrealised gains (losses) from financial assets measured at fair value through other comprehensive income	Total		
2019												
Balance at January 1, 2019		\$ 2,105,737	\$ 1,501,021	\$ 2,006	\$ 19,325	\$ 4,410	(\$ 2,148,790)	\$ 17,696	(\$ 5,971)	\$ 1,495,434	\$ 4	\$ 1,495,438
Loss for the year		-	-	-	-	-	(467,771)	-	-	(467,771)	-	(467,771)
Other comprehensive (loss) income	6(18)	-	-	-	-	-	-	5,912	(13,615)	(7,703)	-	(7,703)
Total comprehensive (loss) income		-	-	-	-	-	(467,771)	5,912	(13,615)	(475,474)	-	(475,474)
Issuance of shares	6(15)	310,000	62,000	-	-	-	-	-	-	372,000	-	372,000
Capital reduction to offset against accumulated deficit		-	(1,501,021)	-	-	-	1,501,021	-	-	-	-	-
Share-based payments	6(14)	-	3,736	-	(19,325)	334	-	-	-	(15,255)	-	(15,255)
Adjustments arising from changes in percentage of ownership in subsidiaries		-	-	-	-	-	-	-	-	-	(4)	(4)
Balance at December 31, 2019		\$ 2,415,737	\$ 65,736	\$ 2,006	\$ -	\$ 4,744	(\$ 1,115,540)	\$ 23,608	(\$ 19,586)	\$ 1,376,705	\$ -	\$ 1,376,705
2020												
Balance at January 1, 2020		\$ 2,415,737	\$ 65,736	\$ 2,006	\$ -	\$ 4,744	(\$ 1,115,540)	\$ 23,608	(\$ 19,586)	\$ 1,376,705	\$ -	\$ 1,376,705
Loss for the year		-	-	-	-	-	(679,200)	-	-	(679,200)	-	(679,200)
Other comprehensive (loss) income	6(18)	-	-	-	-	-	-	(756)	(2,388)	(3,144)	-	(3,144)
Total comprehensive (loss) income		-	-	-	-	-	(679,200)	(756)	(2,388)	(682,344)	-	(682,344)
Issuance of shares	6(15)	300,000	48,000	-	-	-	-	-	-	348,000	-	348,000
Capital reduction to offset against accumulated deficit		(1,115,540)	-	-	-	-	1,115,540	-	-	-	-	-
Share-based payments	6(14)	-	2,849	-	-	186	-	-	-	3,035	-	3,035
Change in non-controlling interests		-	-	-	-	-	-	-	-	-	15	15
Balance at December 31, 2020		\$ 1,600,197	\$ 116,585	\$ 2,006	\$ -	\$ 4,930	(\$ 679,200)	\$ 22,852	(\$ 21,974)	\$ 1,045,396	\$ 15	\$ 1,045,411

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


ADVANCED LITHIUM ELECTROCHEMISTRY (CAYMAN) CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2020 AND 2019
 (Expressed in thousands of New Taiwan dollars)

	Notes	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		(\$ 679,200)	(\$ 467,771)
Adjustments			
Adjustments to reconcile profit (loss)			
Expected credit impairment loss	12(2)	294,873	11,802
Depreciation (including right-of-use assets)	6(24)	68,516	66,891
Amortisation	6(24)	25,834	25,777
Net loss on financial assets at fair value through profit or loss	6(22)	20,418	164,812
Interest expense	6(23)	5,509	7,285
Interest income	6(20)	(817)	(894)
Share of loss of associates and joint ventures accounted for under equity method	6(6)	171	1,567
Loss on disposal of property, plant and equipment	6(22)	1,929	13,297
Loss on disposal of intangible assets	6(22)	-	169
Share-based payments	6(14)	3,035	(15,255)
Changes in operating assets and liabilities			
Changes in operating assets			
Financial assets at fair value through profit or loss		(129)	-
Notes receivable		76,737	(47,590)
Accounts receivable		2,712	(13,307)
Accounts receivable-related parties		4,572	7,363
Other receivables		1,319	(3,644)
Other receivables-related parties		-	(8,854)
Inventories		56,831	2,854
Prepayments		(2,170)	14,409
Other current assets		1,623	(3,653)
Changes in operating liabilities			
Contract liabilities		1,654	(3,400)
Notes payable		(21,055)	21,055
Accounts payable		(5,354)	7,903
Other payables		(68,373)	7,907
Provisions		-	(128)
Refund liabilities		(2,501)	4,651
Other current liabilities		1,135	(6,507)
Cash outflow generated from operations		(212,731)	(213,261)
Interest received		817	894
Interest paid		(5,612)	(7,448)
Net cash flows used in operating activities		(217,526)	(219,815)

(Continued)


ADVANCED LITHIUM ELECTROCHEMISTRY (CAYMAN) CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2020 AND 2019
 (Expressed in thousands of New Taiwan dollars)

	Notes	2020	2019
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Proceeds from disposal of financial assets at amortised cost		\$ 43,770	\$ -
Acquisition of financial assets at amortised cost		(21,146)	(20,398)
Proceeds from disposal of non-current financial assets at fair value through other comprehensive income		-	92,904
Net cash flow from acquisition of subsidiaries (net of cash acquired)		558	-
Proceeds from capital reduction of investments accounted for under equity method	6(6)	-	24,000
Acquisition of property, plant and equipment	6(29)	(73,349)	(148,943)
Proceeds from disposal of property, plant and equipment		-	249
Acquisition of intangible assets	6(9)	(430)	(650)
Increase in refundable deposits		(50,000)	-
Decrease in refundable deposits		6,251	-
Net cash flows used in investing activities		<u>(94,346)</u>	<u>(52,838)</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Increase in short-term borrowings		579,236	647,894
Decrease in short-term borrowings		(637,643)	(820,392)
Increase in long-term borrowings		157,860	68,070
Decrease in long-term borrowings		(129,502)	(25,699)
Payment of lease liabilities		(3,685)	(5,012)
Proceeds from issuance of shares	6(15)	348,000	372,000
Changes in non-controlling interests		15	(4)
Net cash flows from financing activities		<u>314,281</u>	<u>236,857</u>
Effect of changes in foreign currency exchange		(3,113)	4,370
Net decrease in cash and cash equivalents		(704)	(31,426)
Cash and cash equivalents at beginning of year		<u>318,502</u>	<u>349,928</u>
Cash and cash equivalents at end of year		<u>\$ 317,798</u>	<u>\$ 318,502</u>

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

6. Statements of deficit compensated 2020

Advanced Lithium Electrochemistry (Cayman) Co., Ltd.

Statements of deficit compensated (2020)



Units: New Taiwan Dollars

Item	Amount
Opening balance of accumulated deficits not yet compensated	(\$1,115,539,905)
Reduce capital to make up for accumulated losses	1,115,539,900
2019 net loss after tax	(679,199,747)
Accumulated deficits not yet compensated	(679,199,752)
Ending balance of accumulated deficits not yet compensated	(\$679,199,752)

Chairman:
Sheng-Shi Chang



General manager:
Sheng-Shi Chang



Accounting manager:
Mei-Fang Huang



7.Modified Regulations of Acquisition or Disposal of Assets Table



英屬蓋曼群島商立凱電能科技股份有限公司
Advanced Lithium Electrochemistry (Cayman) Co., Ltd.

Regulations of Acquisition or Disposal of Assets Document Modification revision table

Item	Before modification	After modification	Reasons for modification
Article 2	Company acquisition or disposal of the following 4.1 assets shall be handled in accordance with the provisions of the regulations.	The acquisition or disposal of the company's assets listed in 4.1 as below, unless otherwise provided by relevant financial laws and regulations, shall be handled according to the provisions.	The amendment is in accordance with the "Regulations Governing the Acquisition and Disposal of Assets by Public Companies" is release by the Financial Supervisory Commission.
Article 4.1	The applicable scope of the "assets" in the regulations is as follows: (1) Investments in stocks, government bonds, corporate bonds, financial bonds, securities representing interest in a fund, depositary receipts, call (put) warrants, beneficial interest securities, and asset-backed securities.	The applicable scope of the "assets" in the regulations is as follows: (1) Investments in stocks, public bonds, corporate bonds, financial bonds, commending fund securities, depositary receipts, subscription (sale) warrants, beneficiary securities, asset-based securities, etc.	The amendment is in accordance with the "Regulations Governing the Acquisition and Disposal of Assets by Public Companies" is release by the Financial Supervisory Commission.
Article 4.3	The "Assets acquired or disposed through mergers, demergers, acquisitions, or transfer of shares in accordance with law" refers to assets acquired or disposed through mergers, demergers, or acquisitions conducted under relevant laws and regulations, or to transfer of shares from another company through issuance of new shares of its own as the consideration therefor (hereinafter "transfer of shares").	The term "assets acquired or disposed of according to legal mergers, divisions, acquisitions, or share transfers" referred to in these measures refers to assets acquired or disposed of in accordance with relevant laws and regulations for mergers, divisions, or acquisitions, or the other companies' new shares traded with the new shares of the company in accordance with the Article 156 paragraph 3 of Company Law (hereinafter referred to as share transfers).	The amendment is in accordance with the "Regulations Governing the Acquisition and Disposal of Assets by Public Companies" is release by the Financial Supervisory Commission.

Item	Before modification	After modification	Reasons for modification
Article 4.8	The term “Mainland China area investment” as used in the regulations refers to investments in mainland China in accordance with relevant laws and regulations.	The term "investment in mainland China" as mentioned in this handbook refers to investment in technology cooperation licensing conducted in mainland China according to the provisions of the Investment Review Committee of the Ministry of Economic Affairs.	The amendment is in accordance with the “Regulations Governing the Acquisition and Disposal of Assets by Public Companies” is release by the Financial Supervisory Commission.
Article 5.2	Note : (1) 、(2) No modification:Omitted (3) Where an audit committee has been established in accordance with the provisions of the Act, when the procedures for the acquisition and disposal of assets are adopted or amended they shall be approved by more than half of all audit committee members and submitted to the board of directors for a resolution. If approval of more than half of all audit committee members is not obtained, the procedures may be implemented if approved by more than two-thirds of all directors, and the resolution of the audit committee shall be recorded in the minutes of the board of directors meeting. The terms "all audit committee members" and "all directors" in the preceding paragraph shall be counted as the actual number of persons currently holding those positions.	Note: (1) 、(2) No modification:Omitted (3) The company has set up an audit committee in accordance with the provisions. Transactions of major asset or derivative commodity should be approved by more than half of the members of the audit committee and resolved by the board of directors. In the case that no more than half of the members of the audit committee have agreed this is the case, the transaction should be agreed by more than two-thirds of all directors, and the resolution of the audit committee shall be reiterated in the minutes of the board of directors. All the incumbent members of the audit committee and all the directors shall be calculated.	The amendment is in accordance with the “Regulations Governing the Acquisition and Disposal of Assets by Public Companies” is release by the Financial Supervisory Commission.
Article 5.6.3	Acquisition or disposal of real property or right-of-use assets thereof from or to a related party, or when it intends to acquire or dispose of assets other than real property or right-of-use assets thereof from or to a related party and the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the	Acquisition or disposal of real property or right-of-use assets thereof from or to a related party, or when it intends to acquire or dispose of assets other than real property or right-of-use assets thereof from or to a related party and the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the	Transactions with stakeholders should be handled in accordance with the "Guidelines for the Handling of Assets Obtained or Disposed by

Item	Before modification	After modification	Reasons for modification
	<p>company's total assets, or NT\$300 million or more, except in trading of domestic government bonds or bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises, the company may not proceed to enter into a transaction contract or make a payment until the following matters have been approved by the board of directors.</p> <p>(1) The purpose, necessity and anticipated benefit of the acquisition or disposal of real property or right-of-use assets thereof.</p> <p>(2) The reason for choosing the related party as a trading counterparty.</p> <p>(3) With respect to the acquisition of real property or right-of-use assets thereof from a related party, information regarding appraisal of the reasonableness of the preliminary transaction terms.</p> <p>(4) The date and price at which the related party originally acquired the real property, the original trading counterparty, and that trading counterparty's relationship to the company and the related party.</p> <p>(5) Monthly cash flow forecasts for the year commencing from the anticipated month of signing of the contract, and evaluation of the necessity of the transaction, and reasonableness of the funds utilization.</p> <p>(6) An appraisal report from a professional appraiser or a CPA's opinion obtained in compliance with article 5.6.1, or an accountant's opinion. If the valuation result differs from the transaction amount by more than 20% of the transaction amount, the accountant should be consulted to express specific opinions on the reason for the difference and the transaction price, and more than two-thirds of the directors of the board of directors should attend to the board. The</p>	<p>company's total assets, or NT\$300 million or more, except in trading of domestic government bonds or bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises, the company may not proceed to enter into a transaction contract or make a payment until the following matters have been approved by the board of directors.</p> <p>(1) The purpose, necessity and anticipated benefit of the acquisition or disposal of real property or right-of-use assets thereof.</p> <p>(2) The reason for choosing the related party as a trading counterparty.</p> <p>(3) With respect to the acquisition of real property or right-of-use assets thereof from a related party, information regarding appraisal of the reasonableness of the preliminary transaction terms.</p> <p>(4) The date and price at which the related party originally acquired the real property, the original trading counterparty, and that trading counterparty's relationship to the company and the related party.</p> <p>(5) Monthly cash flow forecasts for the year commencing from the anticipated month of signing of the contract, and evaluation of the necessity of the transaction, and reasonableness of the funds utilization.</p> <p>(6) An appraisal report from a professional appraiser or a CPA's opinion obtained in compliance with article 5.6.1, or an accountant's opinion. If the valuation result differs from the transaction amount by more than 20% of the transaction amount, the accountant should be consulted to express specific opinions on the reason for the difference and the transaction price, and more than two-thirds of the directors of the board of directors should attend to the board. The</p>	<p>Public Issuance Companies". The rule in this paragraph has not been specified in the Guidelines, so this paragraph is deleted according to law.</p>

Item	Before modification	After modification	Reasons for modification
	<p>valuation result has to be agreed by over 50% of the directors who attended the agreement.</p> <p>(7) Restrictive covenants and other important stipulations associated with the transaction.</p> <p>(8) To request the accountant to express opinions on whether the transaction of the related party is in line with normal commercial conditions and whether it does not harm the interests of the company and its minority shareholders.</p> <p>The calculation of the transaction amounts referred to in the preceding paragraph shall be made in accordance with Article 5.11.1, paragraph 2 herein, and "within the preceding year" as used herein refers to the year preceding the date of occurrence of the current transaction. Items that have been approved by the board of directors and recognized by the supervisors need not be counted toward the transaction amount.</p>	<p>valuation result has to be agreed by over 50% of the directors who attended the agreement.</p> <p>(7) Restrictive covenants and other important stipulations associated with the transaction.</p> <p>The calculation of the transaction amounts referred to in the preceding paragraph shall be made in accordance with Article 5.11.1, paragraph 2 herein, and "within the preceding year" as used herein refers to the year preceding the date of occurrence of the current transaction. Items that have been approved by the board of directors and recognized by the supervisors need not be counted toward the transaction amount.</p>	
Article 5.6.11	<p>The Company has the following circumstance with the related parties. After the approval of the Board of Directors, it shall still be approved by the shareholders' meeting and the relevant person or Persons in charge are not allowed to vote:</p> <p>The difference between the transaction amount and the valuation amount is more than 20%.</p> <p>The transaction amount and conditions have a significant impact on the company's operations.</p> <p>Significant influence on shareholders' equity.</p> <p>Other board members believe that the resolution of the shareholders' meeting should be mentioned.</p>	Delete	Transactions with stakeholders are handled in accordance with the "Guidelines for the Handling of Assets Obtained or Disposed by Public Offering Companies". This rule has not been specified in the standards, so this paragraph is deleted according to law.
Article 5.9.5	A public company engaging in derivatives trading shall establish a log book in which details of the types and amounts of derivatives trading engaged in, board of directors	A public company engaging in derivatives trading shall establish a log book in which details of the types and amounts of derivatives trading engaged in, board of directors	Discretionary text revision.

Item	Before modification	After modification	Reasons for modification
Article 5.11.1	<p>approval dates, and the matters required to be carefully evaluated under 5.9.1(4), 5.9.4(1)(1.2) And 5.9.4(2)(2.1) shall be recorded in detail in the log book.</p> <p>Under any of the following circumstances, if the company acquire or dispose of assets, it shall publicly announce and report the relevant information on the FSC's designated website in the appropriate format as prescribed by regulations within 2 days counting inclusively from the date of occurrence of the event :</p> <p>(1)~(6) No modification:Omitted</p> <p>The amount of transactions above shall be calculated as follows. "Within the preceding year" refers to the year preceding the date of occurrence of the current transaction. Items duly announced in accordance with these Regulations need not be counted toward the transaction amount:</p> <p>(1)~(4) No modification:Omitted</p>	<p>approval dates, and the matters required to be carefully evaluated under 5.9.6(1), 5.9.4(1)(1.2) And 5.9.4(2)(2.1) shall be recorded in detail in the log book.</p> <p>If the following conditions occur when the company acquires or disposes of assets, it shall adopt the prescribed format according to the nature of the case, and report relevant information on the website designated by the competent authority within two days from the day when the fact occurs:</p> <p>(Subparagraphs (1)~(6) are not amended so omitted here.)</p> <p>The aforesaid transaction amount is calculated in the following way. The one-year period mentioned above means the period calculated retrospectively starting from the date when the transaction happens. The period after announcement is exempted according to the regulations of this operation shall not be calculated:</p> <p>(Subparagraphs (1) ~ (4) are not amended so omitted here.)</p>	<p>The amendment is in accordance with the “Regulations Governing the Acquisition and Disposal of Assets by Public Companies” is release by the Financial Supervisory Commission.</p>
Article 5.14.1	<p>The company may not give up on Advanced Lithium Electrochemistry Co., Ltd., Taiwan, Advanced Lithium Electrochemistry Co., Ltd., Hong Kong, Aleees Eco Ark (Cayman) Co., Ltd. and Emerald Battery Technologies Co., Ltd. The company's capital increase in the coming years; Advanced Lithium Electrochemistry Co., Ltd., Hong Kong shall not abandon the capital increase of the opposite year of the Aleees Eco Ark (Shanghai) Co., Ltd.; Aleees Eco Ark (Cayman) Co., Ltd. shall not give up on Aleees Eco Ark Co., Ltd., Taiwan will increase its capital in future years.</p>	<p>The company may not give up on Advanced Lithium Electrochemistry Co., Ltd., Taiwan, Advanced Lithium Electrochemistry Co., Ltd., Hong Kong. The company's capital increase in the coming years; Advanced Lithium Electrochemistry Co., Ltd., Hong Kong shall not abandon the capital increase of the opposite year of the Aleees Eco Ark (Shanghai) Co., Ltd.</p>	<p>Termination on the commitment to Aleees Eco Ark (Cayman) Co., Ltd, Aleees Eco Ark Co., Ltd. and Emerald Battery Technologies Co., Ltd. has been reported to the authorities, so this paragraph is deleted.</p>

VIII.Appendix

1.Articles of Incorporation

THE COMPANIES LAW (AS AMENDED)
COMPANY LIMITED BY SHARES
AMENDED AND RESTATED MEMORANDUM AND ARTICLES
OF
ASSOCIATION
OF
Advanced Lithium Electrochemistry (Cayman) Co., Ltd.

(Adopted by a Special Resolution dated April 10, 2020)

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THE COMPANIES LAW (AS AMENDED)

COMPANY LIMITED BY SHARES

AMENDED AND RESTATED

MEMORANDUM OF ASSOCIATION

OF

Advanced Lithium Electrochemistry (Cayman) Co., Ltd.

(Adopted by a Special Resolution dated [April 10], 2020)

1. The name of the Company is Advanced Lithium Electrochemistry (Cayman) Co., Ltd..
2. The Registered Office shall be at the offices of Portcullis (Cayman) Ltd., The Grand Pavilion Commercial Centre, Oleander Way, 802 West Bay Road, P.O. Box 32052, Grand Cayman KY1-1208, Cayman Islands or at such other location as the Directors may from time to time determine.
3. Subject to the following provisions of this Memorandum, the object for which the Company is established are unrestricted and the Company has full power and authority to carry out any object not prohibited by any law of the Cayman Islands. When conducting its business, the Company shall also comply with the laws and regulations of ROC as well as business ethics and may take actions which will promote public interests in order to fulfill its social responsibilities.
4. Subject to the following provisions of this Memorandum, the Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided by Section 27(2) of The Companies Law (as amended).
5. Nothing in this Memorandum shall permit the Company to carry on a business for which a licence is required under the laws of the Cayman Islands unless duly licensed.
6. The Company shall not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands; provided that nothing in this clause shall be construed as to prevent the Company from effecting and concluding contracts in the Cayman Islands, and exercising in the Cayman Islands all of its powers necessary for the carrying on of its business outside the Cayman Islands.
7. The liability of each member is limited to the amount from time to time unpaid on such member's shares.
8. The share capital of the Company is New Taiwan Dollars 3,000,000,000 divided into

300,000,000 shares of a nominal or par value of New Taiwan Dollars 10.00 each provided always that subject to the provisions of the Companies Law (as amended) and the Articles of Association the Company shall have power to redeem or purchase 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 or special privilege 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.

9. If the Company is registered as exempted, its operations will be carried on subject to the provisions of Section 174 of the Companies Law (as amended) and, subject to the provisions of the Companies Law (as amended) and the Articles of Association, it shall have the power to register by way of continuation as a body corporate limited by shares under the laws of any jurisdiction outside the Cayman Islands and to be deregistered in the Cayman Islands.

THE COMPANIES LAW (AS AMENDED)

COMPANY LIMITED BY SHARES

AMENDED AND RESTATED

ARTICLES OF ASSOCIATION

OF

Advanced Lithium Electrochemistry (Cayman) Co., Ltd.

(Adopted by a Special Resolution passed dated [April 10], 2020)

TABLE A

The Regulations contained or incorporated in Table A in the First Schedule of the Companies Law (as amended) shall not apply to this Company.

INTERPRETATION

1. In these Articles:

"Applicable Public Company Rules" means the ROC laws, rules and regulations (including, without limitation, the Company Law, the Securities and Exchange Law, the rules and regulations promulgated by the FSC and the rules and regulations promulgated by the GTSM, as amended from time to time) affecting public companies or companies listed on any ROC stock exchange that from time to time are required by the relevant regulator as applicable to the Company;

"Articles" means these Articles of Association as from time to time amended by Special Resolution;

"Audit Committee" means the audit committee under the Board of Directors, which shall comprise solely of Independent Directors of the Company;

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

"Company" means Advanced Lithium Electrochemistry (Cayman) Co., Ltd.;

"Compensation Committee" means a committee of the Board of Directors, which shall comprise of professional individuals and have the functions prescribed by the Applicable Public Company Rules;

"Directors" and **"Board of Directors"** means the Directors of the Company for the time being, or as the case may be, the Directors assembled as a Board or as a committee thereof, and shall include any and all Independent Director(s);

"Electronic Record" shall have the meaning given to it in the Electronic Transactions Law;

"Electronic Transactions Law" means the Electronic Transactions Law (as amended) of the Cayman Islands;

"FSC" means the Financial Supervisory Commission of the Republic of China;

"GTSM" means the GreTai Securities Market;

"Independent Directors" means the Directors who are elected as "Independent Directors" for the purpose of Applicable Public Company Rules;

"Market Observation Post System" means the public company reporting system maintained by the Taiwan Stock Exchange Corporation;

"Member" or **"Shareholder"** means a person whose name is entered in the Register of Members and includes each subscriber to the Memorandum of Association pending the issue to him of the subscriber share or shares;

"Memorandum of Association" means the Memorandum of Association of the Company, as amended and re-stated from time to time;

"Merger" means a transaction whereby:

- (a) (i) all of the companies participating in such transaction are dissolved, and a new company is incorporated to generally assume all rights and obligations of the dissolved companies; or (ii) all but one company participating in such transaction are dissolved, and the surviving company generally assumes all rights and obligations of the dissolved companies, and in each case the consideration for the transaction being the shares of the surviving or newly incorporated company or any other company, cash or other assets; or
- (b) other forms of mergers and acquisitions which fall within the definition of "merger and/or consolidation" under Applicable Public Company Rules;

"**Officer**" means any person appointed by the Board of Directors to hold an office in the Company;

"**Ordinary Resolution**" means a resolution passed by a simple majority of such Members as, being entitled to do so, vote in person or, where proxies are allowed, by proxy at a general meeting of the Company;

"**paid up**" means paid up as to the par value and any premium payable in respect of the issue of any shares and includes credited as paid up;

"**Person**" means any natural person, firm, company, joint venture, partnership, corporation, association or other entity (whether or not having a separate legal personality) or any of them as the context so requires;

"**Preferred Shares**" has the meaning given thereto in Article 16;

"**Registered Office**" means the registered office of the Company as provided in Section 50 of the Companies Law;

"**Register of Members**" means the register of members maintained in accordance with the Companies Law and if the Company is listed on the GTSM, the Applicable Public Company Rules;

"**Private Placement**" means, after the Shares are listed on the GTSM, obtaining subscription for, or the sale of, shares, options, warrants, rights of holders of debt or equity securities which enable those holders to subscribe further securities (including Shares), or other securities of the Company, either by the Company itself or a person authorized by the Company, primarily from or to specific investors in the ROC, as prescribed under the Applicable Public Company Rules and permitted by the competent securities authority in the ROC, but excluding any employee incentive programme or subscription agreement, warrant, option or issuance of shares under Articles 10, 13 and 15 hereof;

"**ROC**" means Taiwan, the Republic of China;

"**Secretary**" means any Person appointed by the Directors to perform any of the duties of the secretary of the Company;

"**Share**" and "**Shares**" means any share in the capital of the Company;

"**Shareholders' Service Agent**" means the agent licensed by ROC authorities to provide certain shareholders services in accordance with the Applicable Public Company Rules;

"**signed**" includes a signature or representation of a signature affixed by mechanical means;

"**Special Resolution**" subject to the Companies Law, means a resolution passed in accordance with Section 60 of the Companies Law, being a resolution passed by a majority of at least two-thirds of the votes cast by such Members as, being entitled to do so, vote 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;

"**Subsidiary**" means, with respect to any company, (1) the entity, more than one half of whose total number of the outstanding 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 executive shareholders or board directors are concurrently acting as the executive shareholders or board directors of such company; and (4) the entity, one half or more of whose total number of outstanding voting shares or the total amount of the capital stock are held by the same shareholder(s) of such company;

"**Supermajority Resolution**" means a resolution adopted by a majority vote of the Members at a general meeting attended by Members who represent two-thirds or more of the total outstanding Shares or, if the total number of shares represented by the Members present at the general meeting is less than two-thirds of the total outstanding Shares, but more than one half of the total outstanding Shares, means instead, a resolution adopted at such general meeting by the Members who represent two-thirds or more of the total number of shares entitled to vote on such resolution at such general meeting;

"**Treasury Shares**" has the meaning given thereto in Article 28.

2. In these Articles, save where the context requires otherwise:
 - (a) words importing the singular number shall include the plural number and vice versa;
 - (b) words importing the masculine gender only shall include the feminine gender;
 - (c) words importing persons only shall include companies or associations or bodies of persons, whether corporate or not;

- (d) **"may"** shall be construed as permissive and **"shall"** shall be construed as imperative;
 - (e) reference to "written" and "in writing" shall include all modes of representing or reproducing words in visible form, including the form of an Electronic Record;
 - (f) references to a statutory enactment shall include reference to any amendment or re-enactment thereof for the time being in force; and
 - (g) Section 8 of the Electronic Transactions Law shall not apply.
3. Subject to the last two preceding Articles, any words defined in the Companies Law shall, if not inconsistent with the subject or context, bear the same meaning in these Articles.
- 3-1. In the case of any conflict between these Articles and the Applicable Public Company Rules, these Articles shall prevail.

PRELIMINARY

4. The business of the Company may be commenced as soon after incorporation as the Directors see fit.
5. The Registered Office shall be at such address in the Cayman Islands as the Directors shall from time to time determine. The Company may in addition establish and maintain such other offices and places of business and agencies in such places as the Directors may from time to time determine.

SHARES

Power to Issue Shares

6. Subject to these Articles and to any resolution of the Members to the contrary, and without prejudice to any special rights previously conferred on the holders of any existing shares or class of shares, the Board of Directors, subject to Article 17, shall have the power to issue any unissued Shares on such terms and conditions as it may determine and any shares or class of shares (including the issue or grant of options, warrants and other rights, renounceable or otherwise in respect of shares) may be issued with such preferred, deferred or other special rights or such restrictions, whether in regard to dividend, voting, return of capital, or otherwise as the Company may by resolution of the Members prescribe, provided that no share shall be issued at a discount except in accordance with the Companies Law.

7. Unless otherwise provided in these Articles, the issue of new Shares shall be approved by the Board of Directors. The issue of new shares shall at all times be subject to the sufficiency of the authorized capital of the Company.
8. Where the Company increases its issued share capital by issuing new shares for cash consideration in the ROC, the Company shall allocate 10% of the total amount of the new shares to be issued, for public offering in the ROC, unless it is deemed as either unnecessary or inappropriate by the FSC or GTSM for the Company to conduct the aforementioned public offering. However, if a percentage higher than the aforementioned 10% is resolved by a general meeting for public offering in the ROC, then such higher percentage determined by resolution shall prevail. The Company may also reserve 10% to 15% of the total amount of such newly issued shares for subscription by the employees of the Company and its Subsidiaries. The Company may prohibit such employees from transferring the shares so subscribed within a certain period; provided, however, that such a period cannot be more than two years.
9. For so long as the Shares are listed on the GTSM, unless otherwise resolved by the Shareholders at a general meeting by Ordinary Resolution, where the Company increases its issued share capital by issuing new shares for cash consideration under Article 8 above, the Company shall make a public announcement and 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 in Article 8) issued in the capital increase for cash consideration. Where the Member delays payment for shares as provided in the preceding article, the Company shall fix a period of not less than one month and call upon each subscriber to pay up. The Company shall state in such announcement and notices to the Members that if any Member fails to subscribe his/her/its pro rata portion of such remaining newly-issued shares within the prescribed period, such Member shall be deemed to forfeit his/her/its pre-emptive right to such newly-issued shares. In the event that percentage of shares held by a Member is insufficient for such Member to exercise the pre-emptive right to subscribe one newly-issued share, shares held by several Members may be calculated together for joint subscription of newly-issued shares or for purchase of newly-issued shares in the name of a single Member pursuant to the Applicable Public Company Rules. If the total number of the new shares to be issued has not been fully subscribed by the Members within the prescribed period, the Company may consolidate such shares into the public offering tranche or offer any un-subscribed new shares to a specific person or persons according to the Applicable Public Company Rules.

10. Subject to the provisions of the Companies Law, the Company may issue new shares with restricted rights (the "**Restricted Shares**") to the employees of the Company and its Subsidiaries with the sanction of a Supermajority Resolution provided that Article 8 hereof shall not apply. For so long as the Shares are listed on the GTSM, the terms of issue of the Restricted Shares, including but not limited to, the number of Restricted Shares so issued, issue price of Restricted Shares and other related matters shall be in accordance with the Applicable Public Company Rules.
11. The pre-emptive right of Members under Article 9 shall not apply in the event that new shares are issued due to the following reasons or for the following purposes:
 - (a) in connection with a Merger with another company, or pursuant to any reorganization of the Company;
 - (b) in connection with meeting the Company's obligations under employee warrants and/or options, including those rendered in Articles 13 and 15 hereof;
 - (c) in connection with the issue of Restricted Shares in accordance with Article 10 hereof;
 - (d) in connection with meeting the Company's obligations under convertible bonds or corporate bonds vested with rights to acquire shares;
 - (e) in connection with meeting the Company's obligations under Preferred Shares vested with rights to acquire shares; or
 - (f) in connection with a Private Placement.
12. Unless otherwise provided herein, the Company shall not issue any unpaid shares or partly paid-up shares.
13. Notwithstanding Article 10 hereof, the Company may, upon approval by the Board of Directors, adopt one or more incentive programmes and may issue options, employee warrants or other similar instruments or distribute cash, to employees of the Company and its Subsidiaries, and in accordance with the **Applicable Public Company Rules**. Options, employee warrants, or other similar instruments issued in accordance with this Article are not transferable save by inheritance.
14. Directors of the Company and its Subsidiaries shall not be eligible for the Restricted Shares under Article 10 hereof or the incentive programmes under Article 13 above, provided that directors who are also employees of

the Company or its Subsidiaries may subscribe for the Restricted Shares or participate in an incentive programme in their capacity as an employee and not as a director of the Company or its Subsidiaries.

15. The Company may enter into agreements with employees of the Company and/or the employees of its Subsidiaries in relation to the incentive programme approved pursuant to Article 13 above, whereby employees may subscribe, within a specific period, a specific number of shares or securities. The terms and conditions of such agreements shall be no favourable to relevant employee than the terms specified in the applicable incentive programme.

PREFERRED SHARES

16. Notwithstanding any provisions of these Articles, the Company may by Special Resolution designate one or more classes of Shares with each class having such 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 to be set forth in these Articles. The rights and obligations of Preferred Shares may include (but are not limited to) the following terms and shall be consistent with the Applicable Public Company Rules:
 - (a) order, fixed amount or fixed ratio of allocation of dividends and bonus on Preferred Shares;
 - (b) order, fixed amount or fixed ratio of allocation of surplus assets of the Company;
 - (c) order of or restriction on the voting right(s) (including declaring no voting rights whatsoever) of preferred Shareholders;
 - (d) 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
 - (e) other matters concerning rights and obligations incidental to Preferred Shares.

Variation of Rights Attaching to Shares

17. If at any time the share capital is divided into different classes of shares, the rights attaching to any class (unless otherwise provided by the terms of issue of the shares of that class) may be varied or abrogated with the sanction of a Special Resolution passes at a general meeting of the holders of the shares of that class. Notwithstanding the foregoing, if any

modification or alteration in these Articles is prejudicial to the preferential rights of any class of shares, such modification or alteration shall be adopted by a Special Resolution and shall also be adopted by a Special Resolution passed at a separate meeting of Members of that class of shares.

18. 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 or abrogated by the creation or issue of further shares ranking *pari passu* therewith or the redemption or purchase of shares of any class by the Company.

Share Certificates

19. Subject to the provisions of the Companies Law, the Company may issue shares without printing share certificates for the Shares issued, and the details regarding such issue of shares shall be entered in the Register of Members of the Company and recorded by Taiwan Depository & Clearing Corporation in accordance with the Applicable Public Company Rules. Every person whose name is entered as a member in the Register of Members may be entitled to a certificate in the form determined by the Board of Directors if the Board of Directors resolves that a share certificate shall be issued. Such certificate may be issued with the authorised signature(s) affixed by mechanical process. All certificates shall specify the share or shares held by that person and the amount paid up thereon, provided that in respect of a share or shares held jointly by several persons the Company shall not be bound to issue more than one certificate, and delivery of a certificate for a share to one of several joint holders shall be sufficient delivery to all.
 - 19-1 The Company shall not issue Shares to bearer.
 - 19-2 The Company choosing to issue no par value Shares shall not convert its shares into par value Shares.
20. If a share certificate is defaced, lost or destroyed it may be renewed on such terms, if any, as to evidence and indemnity as the Directors think fit.
21. In the event the Board of Directors resolves that share certificates shall be issued pursuant to Article 19 hereof, the Company shall deliver the share certificates to the subscribers within thirty days from the date such share certificates may be issued pursuant to the Companies Law, the Memorandum of Association, the Articles, and the Applicable Public Company Rules, and shall make a public announcement prior to the delivery of such share certificates pursuant to the Applicable Public Company Rules.

Private Placement

- 21-1 Subject to the Companies Law, the Company may, by Special Resolution, issue securities by way of Private Placement within the territory of the ROC in accordance with Applicable Public Company Rules.
- 21-2 Notwithstanding Article 21-1 hereof, the ordinary corporate bonds to be issued through Private Placement by the Company in accordance with the Articles and the Applicable Public Company Rules may be offered in different tranches within one year of the date of the meeting of the Directors approving such Private Placement.

Fractional Shares

- 22. Subject to these Articles, the Board of Directors may issue fractions of a share of any class of shares, and, if so issued, a fraction of a share (calculated to three decimal points) shall be subject to and carry the corresponding fraction of liabilities (whether with respect to any unpaid amount thereon, contribution, calls or otherwise), limitations, preferences, privileges, qualifications, restrictions, rights (including, without limitation, voting and participation rights) and other attributes of a whole share of the same class of shares.

Alteration of Share Capital

- 23. Subject to the Companies Law, the Company may from time to time by Ordinary Resolution increase its authorized share capital by such amount as it thinks expedient or by Special Resolution reduce its share capital and any capital redemption reserve in any manner authorised by law.

Purchase of Own Shares

- 24. Subject to the provisions of the Companies Law, the Company may issue Shares that are to be redeemed or are liable to be redeemed at the option of the Member or the Company. The redemption of such Shares shall be effected in such manner as the Company may, by Special Resolution, determine before the issue of the Shares.
- 25. Subject to the provisions of the Companies Law, the Articles and the Applicable Public Company Rules, the Company may, upon approval by a majority of the Board of Directors at a meeting attended by two-thirds or more of the total number of the Directors, purchase its own Shares (including any redeemable Shares and the Shares listed on the GTSM) provided that, for so long as the Shares are listed on the GTSM, any such repurchase shall be in accordance with the Applicable Public Company

Rules and shall be subject to the rules and restrictions set forth in Article 26 hereof.

- 25-1 In the event that the Company proposes to purchase any Share listed on the GTSM pursuant to the preceding Article, the approval of the Board of Directors and the implementation thereof shall be reported to the Members at the next general meeting in accordance with the Applicable Public Company Rules. Such reporting obligation shall apply even if the Company does not implement the purchase of the Shares listed on the GTSM for any reason.
26. For so long as the Shares are listed on the GTSM, the Company is authorised to purchase any Share listed on the GTSM in accordance with the following manner of purchase:
- (a) the total price of the Shares purchased by the Company shall not exceed the sum of retained earnings less any distribution or dividends which have been declared by the Company plus the following realized capital reserve:
 - (i) any premium received from the disposal of assets that has not been booked as retained earnings;
 - (ii) the premium received on the issuance of any share and income from endowments received by the Company;
 - (b) the maximum number of Shares purchased by the Company shall not exceed ten percent of the total number of issued and outstanding Shares; and
 - (c) the purchase shall be at such time, at such price and on such other terms as determined and agreed by the Board in its sole discretion provided however that:
 - (i) such purchase transactions shall be in accordance with the Applicable Public Company Rules; and
 - (ii) such purchase transactions shall be in accordance with the Companies Law.
- 26-1 Subject to the Companies Law and Applicable Public Company Rules, the Company may by Special Resolution redeem or purchase its own Shares by reducing and making payment out of its share capital or any capital redemption reserve. Any such redemption or purchase and the payment out of share capital or capital redemption reserve must be made to all Members pro rata based on the percentage of shareholdings of the

Members, unless otherwise provided for in the Companies Law or the Applicable Public Company Rules.

27. The Company may make a payment in respect of the redemption or purchase of its own Shares in any manner permitted by the Companies Law, including out of capital.
28. Unless otherwise provided herein, Shares that the Company purchases, redeems or acquires (by way of surrender or otherwise) shall be cancelled immediately or held as treasury shares ("**Treasury Shares**") at the discretion of the Directors.
29. No dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the Company's assets (including any distribution of assets to Members on a winding up) may be made to the Company in respect of a Treasury Share.
30. The Company shall be entered in the Register of Members as the holder of the Treasury Shares provided that:
 - (a) the Company shall not be treated as a Member for any purpose and shall not exercise any right in respect of the Treasury Shares, and any purported exercise of such a right shall be void;
 - (b) a Treasury Share shall not be voted, directly or indirectly, at any meeting of the Company and shall not be counted in determining the total number of issued shares at any given time, whether for the purposes of these Articles or the Companies Law.
31. Subject to the provisions of the Companies Law, the Articles and the Applicable Public Company Rules, Treasury Shares may be disposed of by the Company on such terms and conditions as determined by the Directors provided that, for so long as the Shares are listed on the GTSM, any Treasury Shares not disposed of or otherwise transferred by the Company within three years from the date of the repurchase shall be cancelled immediately when the 3-year period has elapsed.
32. Notwithstanding Article 31 above, after the Company purchases the Shares listed on the GTSM, any proposal to transfer Treasury Shares to the employee of the Company or its Subsidiaries by the Company at a price below the average repurchase price paid by the Company shall be subject to the approval of two-thirds or more of the shareholders attending the general meeting who represent a majority of the total number of the Company's outstanding shares at the most recent general meeting. The handbook of the general meeting shall list and explain the following matters, which may not be made by ad hoc motion:

- (a) the basis and reasonableness of the determined transfer price, discount ratio and calculation;
- (b) the number, purpose and reasonableness of the proposed share transfer;
- (c) conditions for and volume of shares purchased by the employee; and
- (d) any effect on the shareholders' rights:
 - (i) the expensed amount and any dilution of the Company's shares; and
 - (ii) any financial burden on the Company caused by transfer of shares to employees at a price lower than the average repurchase price paid by the Company.

The aggregate number of Treasury Shares transferred to employees upon resolution by one or more general meetings shall not exceed five percent of the Company's total outstanding shares at the time of any such transfer, and the aggregate number of Treasury Shares purchased by each employee shall not exceed 0.5 percent of the Company's total outstanding shares at the time of any such purchase.

For those Treasury Shares transferred by the Company to the employees, the Company may impose restrictions on the transfer of such Shares by the employees for a period of no more than two years.

REGISTRATION OF SHARES

Register of Members

- 33. For so long as the Company is listed on the GTSM, the Directors shall keep, or cause to be kept, the Register of Members at such place as the Directors may from time to time determine and, which shall be maintained in accordance with the Companies Law and the Applicable Public Company Rules.
- 34. In the event that the Company has Shares that are not traded on the GTSM, the Company shall also cause to be kept a register of such Shares in accordance with Section 40 of the Companies Law.
- 35. Title to Shares traded on the GTSM may be evidenced and transferred in a manner consistent with the Applicable Public Company Rules.

Transfer of Registered Shares

36. The instrument of transfer of any share shall be in any usual or common form or such other form as the Board of Directors may, in their absolute discretion, approve and be executed by or on behalf of the transferor and if so required by the Board of Directors, shall also be executed on behalf of the transferee and shall be accompanied by the certificate (if any) of the shares to which it relates and such other evidence as the Board of Directors may reasonably require to show the right of the transferor to make the transfer. The transferor shall be deemed to remain a shareholder until the name of the transferee is entered in the Register of Members in respect thereof.
37. The registration of transfers may be suspended when the Register of Members is closed in accordance with Article 42 hereof.
38. All instruments of transfer which are registered shall be retained by the Company, but any instrument of transfer which the Board of Directors declines to register shall (except in any case of fraud) be returned to the person depositing the same.
39. Notwithstanding the preceding 3 Articles, Shares traded on the GTSM shall be transferred in a manner consistent with the Applicable Public Company Rules.

Transmission of Shares

40. The successor or the legal personal representative of a deceased sole holder of a share shall be the only person recognised by the Company as having any title to the share. In the case of a share registered in the name of two or more holders, the survivors or survivor shall be the only person recognised by the Company as having any title to the share.
41. Any person becoming entitled to a share in consequence of the death or bankruptcy or liquidation or dissolution of a Member shall upon such evidence being produced as may from time to time be required by the Directors, have the right either to be registered as a Member in respect of the share or, instead of being registered himself, to make such transfer of the share as the deceased or bankrupt or liquidated or dissolved person could have made; but the Directors shall, in either case, have the same right to decline or suspend registration as they would have had in the case of a transfer of the share by the deceased or bankrupt or liquidated or dissolved person before the death or bankruptcy or liquidation or dissolution. In such case, the person becoming entitled shall execute in favor of such transferee an instrument of transfer in writing in the form as the Board of Directors may accept.

Closing Register of Members or Designating a Record Date

42. For the purpose of determining those Members that are entitled to receive notice of, attend or vote at any meeting of Members or any adjournment thereof, or those Members that are entitled to receive payment of any dividend, or in order to make a determination as to who is a Member for any other purpose, the Board of Directors may provide that the Register of Members shall be closed for transfers for a stated period. For so long as the shares are listed on the GTSM, the Register of Members shall be closed for a period not less than the minimum period of time as prescribed by the Applicable Public Company Rules.
43. Other than the closing of the Register of Members for registration of transfer of shares, the Board of Directors may designate a record date in advance to determine the Members who are entitled to receive notice of, attend or vote at any meeting of Members or those Members that are entitled to receive payment of any dividend. The Directors shall make a public announcement of the designation of such record date on the Market Observation Post System or the website designated by the FSC or GTSM pursuant to the Applicable Public Company Rules, if required.

MEETINGS OF MEMBERS

General Meetings

44. All general meetings other than annual general meetings shall be called extraordinary general meetings.
45. The Directors may, whenever they think fit, convene a general meeting of the Company; provided that the Company shall in each year hold a general meeting as its annual general meeting within six months following the end of each fiscal year and shall specify the meeting as such in the notices calling it.
46. Before the Shares are listed on the GTSM, the Board of Directors may convene a general meeting at any location at their sole discretion. For so long as the Shares are listed on the GTSM, unless otherwise provided by the Companies Law, all general meetings shall be held in the ROC. For so long as the Shares are listed on the GTSM, if the Board of Directors resolves to hold a general meeting outside the ROC, the Company shall apply for the approval of the GTSM therefor within two days after the Board of Directors adopts such resolution. Where such general meeting is to be held outside the ROC, the Company shall engage a professional Shareholders' Service Agent in the ROC to handle the administration matters of such general meeting (including but not limited to the handling of the voting of proxies submitted by any Members).

47. For so long as the Shares are listed on the GTSM, general meetings shall also be convened on the written requisition of any Member or Members holding at least 3 per cent of the paid up voting share capital of the Company for a period of one year or a longer time and such written requisition shall be deposited at the Registered Office or the Shareholders' Service Agent specifying the objects of the meeting and the reason therefor signed by the requisitionists, and if the Board of Directors does not within fifteen days from the date of the deposit of the requisition dispatch the notice of such general meeting, and for so long as the Shares are listed on the GTSM, the requisitionists themselves may convene the general meeting in the same manner, as nearly as possible, as that in which general meetings may be convened by the Directors.
- 47-1 For so long as the Shares are listed on the GTSM, Members continuously holding fifty percent or more of the paid up voting share capital of the Company for a period of three months or a longer time may convene extraordinary general meeting. The calculation of the holding period and holding number of share capital shall be based on the holding at the time of closing register of members date.

Notice of General Meetings

48. Before the Shares are listed on the GTSM, at least seven days notice counting from the date service is deemed to take place as provided in these Articles specifying the place, the day and the hour of the meeting and the general nature of that business, shall be given in the manner hereinafter provided to such persons as are, under these Articles, entitled to receive such notices from the Company. For so long as the Shares are listed on the GTSM, save as otherwise provided by the Applicable Public Company Rules, at least thirty days' notice of an annual general meeting, and at least fifteen days' notice of an extraordinary general meeting shall be given to each Member entitled to attend and vote thereat 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.
49. The accidental omission to give notice of a meeting to or the non-receipt of a notice of a meeting by any Member shall not invalidate the proceedings at that meeting.
50. For so long as the Shares are listed on the GTSM, the Board of Directors shall at least thirty days prior to an annual general meeting or fifteen days prior to an extraordinary general meeting, make a public announcement publishing the notice of the general meeting, the proxy instrument, agendas and materials relating to matters for approval, matters for discussion, and election or discharge of Directors to be discussed in the

general meeting, via the Market Observation Post System. If the voting power of a Member at a general meeting shall be exercised by way of a written ballot, the Company shall also send the written document used for the exercise of voting power together with the above mentioned materials. The Board of Directors shall prepare a meeting handbook of the relevant general meeting and supplemental materials as the Board of Directors may think fit, which will be sent to or made available to all Members, save as otherwise provided by the Applicable Public Company Rules, twenty-one days prior to an annual general meeting and fifteen days prior to an extraordinary general meeting and shall be transmitted to the Market Observation Post System in accordance with the Applicable Public Company Rules.

51. The following matters shall be stated in to notice of general meetings, with a summary of the material content to be discussed, and shall not be brought up as an ad hoc motion:
- (a) election or discharge of Directors;
 - (b) amendments to these Articles;
 - (c) reduction of share capital;
 - (d) application for the approval of ceasing its public offering in the ROC;
 - (e) dissolution, Merger, Share exchange or spin-off of the Company;
 - (f) entry into, amendment to, or termination of any contract for lease of its business in whole, or the delegation of management of the Company's business to others or regular joint operation of the Company with others;
 - (g) the transfer of the whole or any material part of its business or assets;
 - (h) taking over another's whole business or assets, which will have a material effect on the business operation of the Company;
 - (i) ratification of an action by Director(s) who engage(s) in business for him/herself or on behalf of another person that is within the scope of the Company's business;
 - (j) effect any capitalization of distributable dividends and/or bonuses and/or any other amount prescribed under Article 124 hereof;

- (k) making distributions out of the statutory reserve, the premium received on the issuance of any Shares and income from endowments received by the Company to its Members in cash;
- (l) the Private Placement of any equity-type securities issued by the Company; and
- (m) the transfer of Treasury Shares to the employees under Article 32 hereof.

The aforementioned "Summary of the material content" in the preceding paragraph may be posted on the website designated by the competent securities authority in the ROC or the Company, and such website shall be indicated in the above notice of general meeting.

Quorum and Proceedings at General Meetings

- 52. No business shall be transacted at any general meeting unless a quorum of Members is present at the time when the meeting proceeds to business. Save as otherwise provided by these Articles, the holders of shares being more than an aggregate of one-half of all shares in issue present in person or by proxy and entitled to vote shall constitute a quorum for any general meeting.
- 53. If and to the extent permitted under the Companies Law, nothing in the Articles shall prevent any Member from issuing proceedings in a court of competent jurisdiction for an appropriate remedy in connection with the improper convening of any general meeting or the improper passage of any resolution within 30 days after the passage of such resolution. The Taipei District Court, ROC, may be the court for adjudicating any disputes arising out of the foregoing.
- 54. Member(s) holding 1% or more of the total number of outstanding shares immediately prior to the relevant book close period, during which the Company closes its Register of Members, may propose to the Company in writing or by way of electronic transmission a proposal for discussion at an annual general meeting. Proposals shall not be included in the agenda of the annual general meeting where (a) the proposing Member(s) hold(s) less than 1% of the total number of outstanding shares, (b) where the matter of such proposal may not be resolved at an annual general meeting, (c) the proposal is submitted on any day beyond the deadline fixed and announced by the Company for accepting shareholders' proposals, or (d) the proposal contains more than 300 words or the proposing Member has proposed more than one proposal. If any of the proposals submitted by such Member(s) is to urge the Company to promote public interests or

fulfill its social responsibilities, the Board may accept such proposal to be discussed at an annual meeting.

55. Unless otherwise expressly required by the Companies Law, the Memorandum of Association or these Articles, any matter which has been presented for resolution, approval, confirmation or adoption by the Members at any general meeting may be passed by an Ordinary Resolution.
56. If a general meeting is called by the Board of Directors, the chairman of the Board of Directors shall preside as the chair of such general meeting. In the event that the chairman is on leave of absence, or is unable to exercise his powers and authorities, the vice chairman of the Board of Directors shall act in lieu of the chairman. If there is no vice chairman of the Board of Directors, or if the vice chairman of the Board of Directors is also on leave of absence, or cannot exercise his powers and authorities, the chairman shall designate a Director to chair such general meeting. If the chairman does not designate a proxy or if such chairman's proxy cannot exercise his powers and authorities, the Directors who are present at the general meeting shall elect one from among themselves to act as the chair at such general meeting in lieu of the chairman. If a general meeting is called by any person(s) other than the Board of Directors, the person(s) who has called the meeting shall preside as the chair of such general meeting; and if there is more than one person who has called a general meeting, such persons shall elect one from among themselves to act as the chair of such general meeting.
57. At any general meeting a resolution put to the vote of the meeting shall be decided on a poll. The number or proportion of the votes in favour of, or against, that resolution shall be recorded in the minutes of the meeting. Notwithstanding the above, the resolution shall be deemed to be passed with the same effect as the affirmative vote if the Members presenting at the meeting do not object to such resolution after inquired by the chairman of the meeting.
58. In the case of an equality of votes, the chairman of the meeting shall not be entitled to a casting vote.
59. The Company may by Ordinary Resolution adopt rules governing the proceedings and procedures of the general meetings which comply with the Memorandum of Association, the Articles and the Applicable Public Company Rules.

Votes of Members

60. Subject to any rights and restrictions for the time being attached to any shares, every Member who is present in person or by proxy shall have one

vote for each share of which he/she/it is the holder. For so long as the Shares are listed on the GTSM, a Member who holds shares for benefit of others, need not use all his votes or cast all the votes he holds in the same way as he uses his votes in respect of shares he holds for himself; the qualifications, scope, methods of exercise, operating procedures and other matters for compliance with respect to exercising voting power separately shall comply with the Applicable Public Company Rules.

61. Votes may be cast either personally or by proxy. A Member may appoint only one proxy under one instrument to attend and vote at a meeting.
62. The Board of Directors may determine that the voting power of a Member at a general meeting may be exercised by way of a written ballot or by way of electronic transmission; provided, however, that the Company shall provide the Members with a method for exercising their voting power by means of a written ballot or electronic transmission if a general meeting is to be held outside the ROC or otherwise required under the Applicable Public Company Rules. The method for exercising such voting power shall be described in the general meeting notice to be given to the Members if the voting power may be exercised by way of a written ballot or by way of electronic transmission. Any Member who intends to exercise his voting power by way of a written ballot or by way of electronic transmission shall serve the Company with his/her/its voting decision by way of a declaration of intention at least two days prior to the date of such general meeting. If a Member serves the Company with more than one declaration of intention to exercise his/her/its voting power by way of a written ballot or electronic transmission, the first declaration shall prevail, unless an explicit written statement is made thereafter by such Member to revoke the previous declaration of intention in the same manner as previously used in exercising his/her/its voting power. A Member who exercises his/her/its voting power at a general meeting by way of a written ballot or by electronic transmission shall be deemed to have appointed the chairman of the general meeting as his proxy to vote his shares at the general meeting only in the manner directed by his written instrument or electric document. The chairman of the general meeting as proxy shall not have the power to exercise the voting rights of such Members with respect to any matters not referred to or indicated in the written or electric document and/or any amendment to resolution(s) proposed at the said general meeting. For the purposes of clarification, such Member voting in such manner shall be deemed to have waived notice of, and the right to vote in regard to, any ad hoc motion or amendment to the original agenda items to be resolved at the said general meeting. Should the chairman not observe the instructions of a Member in exercising such Member's voting right in respect of any resolution, the Shares held by such Member shall not be included in the calculation of

votes in respect of such resolution but shall nevertheless be included in the calculation of quorum for the meeting.

63. In the event any Member who has served the Company with his/her/its declaration of intention to exercise his/her/its voting power by means of a written ballot or by means of electronic transmission pursuant to Article 62 hereof later intends to attend general meetings in person, he/she/it shall, at least two days prior to the date of the meeting, serve the Company with a separate declaration of intention to revoke his/her/its previous declaration of intention in the same manner previously used in exercising his/her/its voting power. Votes by means of written ballot or electronic transmission shall be valid if the relevant Member fails to revoke the declaration of intention before the prescribed time.
- 63-1 If, subsequent to submitting a written ballot or electronic transmission pursuant to Article 62, a Member submits a proxy appointing a person of the general meeting as his proxy to attend the relevant general meeting on his behalf, then the subsequent appointment of that person as his proxy shall be deemed to be revocation of such Member's deemed appointment of the chairman of the general meeting as his proxy pursuant to Article 62.
64. Shares as set out below shall not be voted at any general meeting and shall not be counted in determining the total number of outstanding shares at any given time:
 - (a) Shares that are beneficially owned by the Company;
 - (b) Shares that are beneficially owned by any of the Company's Subsidiaries, more than one-half of whose total number of outstanding voting shares or paid-in capital are directly or indirectly owned by the Company; and
 - (c) shares held by another company in which the Company, together with (i) the holding company of the Company and/or (ii) any Subsidiary of (x) the holding company of the Company or (y) the Company owns, legally or beneficially, directly or indirectly, more than 50% of its issued and voting share capital or equity capital.
- 64-1 For so long as the Shares are listed on the GTSM, if the number of Shares pledged by a Director at any time amounts to more than 50% of the total Shares held by such Director at the time of his latest appointment, such pledged Shares exceeding 50% of the total Shares held by such Director at the time of his latest appointment, shall not carry any voting rights and such above-threshold Shares shall not be counted in determining the number of votes of the Members present at a general meeting but shall be counted towards the quorum of the general meeting.

65. A Member who has a personal interest in any motion discussed at a general meeting, which interest may be in conflict with and impair those of the Company, shall abstain from voting such Member's shares in regard to such motion and such shares shall not be counted in determining the number of votes of the Members present at the said meeting. However, such shares may be counted in determining the number of shares of the Members present at such general meeting for the purposes of determining the quorum. The aforementioned Member shall also not vote on behalf of any other Member.
66. In the case of joint holders, the joint holders shall select among them a representative for the exercise of their shareholder's rights and the vote of their representative who tenders a vote whether in person or by proxy shall be accepted to the exclusion of the votes of the other joint holders.
67. 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, or other person in the nature of a committee appointed by that court, and any such committee or other person may vote by proxy.

Special and Supermajority Resolutions of Members

68. Subject to the Companies Law, the Company may from time to time by Special Resolution:
 - (a) change its name;
 - (b) alter or add to these Articles;
 - (c) alter or add to the Memorandum of Association with respect to any objects, powers or other matters specified therein; or
 - (d) reduce its share capital and any capital redemption reserve in any manner authorised by law.
69. Subject to the Companies Law, the Company may from time to time by Supermajority Resolution:
 - (a) effect any capitalization of distributable dividends and/or bonuses and/or any other amount prescribed under Article 120 or Article 124 hereof;
 - (b) issue Restricted Shares in accordance with Article 10 hereof;
 - (c) discharge or remove any Director;

- (d) approve any action by one or more Director(s) who is engaging in business conduct for him/herself or on behalf of another person that is within the scope of the Company's business;
 - (e) effect any Merger or spin-off of the Company, provided that any Merger which falls within the definition of "merger and/or consolidation" under the Companies Law shall require the approval of the Company by Special Resolution only;
 - (f) enter into, amend, or terminate any agreement for lease of the Company's whole business, or for entrusted business, or for frequent joint operation with others;
 - (g) transfer its business or assets, in whole or in any essential part; or
 - (h) acquire or assume the whole business or assets of another person, which has a material effect on the Company's operation.
 - (i) approve any Share exchange involving the exchange of some or all of the Shares of the company for some or all of the shares of another company.
70. Subject to the Companies Law, with regard to the dissolution procedure of the Company, the Company shall pass:
- (a) an Ordinary Resolution, in the event that the Company resolves that it be wound up voluntarily because the Company is unable to pay its debts as they fall due; or
 - (b) a Special Resolution, in the event that the Company resolves that it be wound up voluntarily for reasons other than set out in Article 70 (a) above.

Proxies

71. The instrument appointing a proxy shall be in writing, be executed either under seal or under the hand of the appointer or of his attorney duly authorised in writing or, if the appointer is a corporation, either under seal or under the hand of an officer or attorney duly authorised for that purpose. A proxy need not be a Member.
72. Subject to the Applicable Public Company Rules, except for the chairman being deemed appointed of a general meeting as proxy under Article 62 or trust enterprises organized under the laws of the ROC or a Shareholders' Service Agent, in the event a person acts as the proxy for two or more Members, the sum of shares entitled to be voted as represented by such

proxy shall be no more than 3% of the total outstanding voting shares immediately prior to the relevant closed period, during which the Company closes its Register of Members; any vote in respect of the portion in excess of such 3% threshold shall not be counted.

73. In the event that a Member exercises his/her/its voting power by means of a written ballot or by means of electronic transmission and has also authorized a proxy to attend a general meeting, then the voting power exercised by the proxy at the general meeting shall prevail. In the event that any Member who has authorised a proxy to attend a general meeting later intends to attend the general meeting in person or to exercise his voting power by way of a written ballot or electronic transmission, he shall, at least two days prior to such general meeting, serve the Company with a separate notice revoking his previous appointment of the proxy. Votes by way of proxy shall remain valid if the relevant Member fails to revoke his appointment of such proxy before the prescribed time.
74. The instrument of proxy shall be deposited at the office of the Company's Shareholders' Service Agent in the ROC or at such other place as is specified for that purpose in the notice convening the meeting, or in any instrument of 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 vote 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.
75. The instrument of proxy shall be in the form approved by the Company and be expressed to be for a particular meeting only. The form of proxy shall include at least the following information: (a) instructions on how to complete such proxy, (b) the matters to be voted upon pursuant to such proxy, and (c) basic identification information relating to the relevant Member, proxy and the solicitor (if any). The form of proxy shall be provided to the Members together with the relevant notice for the relevant general meeting, and such notice and proxy materials shall be distributed to all Members on the same day.
76. For so long as the Shares are listed on the GTSM, the use and solicitation of proxies shall be in compliance with the Applicable Public Company Rules, including but not limited to "Regulations Governing the Use of Proxies for Attendance at Shareholder Meetings of Public Companies".

Representation of Corporate Member

77. A corporation which is a Member may, by written instrument, authorise such person or persons as it thinks fit to act as its representative at any meeting of the Members and any person so authorised shall be entitled to exercise the same powers on behalf of the corporation which such person represents as that corporation could exercise if it were an individual Member, and that Member shall be deemed to be present in person at any such meeting attended by its authorised representative or representatives.
78. Notwithstanding the foregoing, the chairman of the meeting may accept such assurances as he/she thinks fit as to the right of any person to attend and vote at general meetings on behalf of a corporation which is a Member.

Dissenting Member's Appraisal Right

79. In the event any of the following resolutions is adopted at general meetings, any Member who has notified the Company in writing of his objection to such a resolution prior to the meeting and has raised again his/her/its objection at the meeting, may request the Company to purchase all of his/her/its shares at the then prevailing fair price:
- (a) The Company enters into, amends, or terminates any agreement for lease of the Company's business in whole, or the delegation of management of the Company's business to other person or the regular joint operation of the Company with others;
 - (b) The Company transfers the whole or a material part of its business or assets, provided that, the foregoing does not apply where such transfer is pursuant to the dissolution of the Company; or
 - (c) The Company accepts the transfer of the whole business or assets of another person, which has a material effect on the Company's business operations.
80. In the event any part of the Company's business is spun off or involved in any Merger or Acquisition or Share exchange, the Member, who has forfeited his/her/its right to vote on such matter and expressed his dissent therefor, in writing or verbally (with a record) before or during the general meeting, may request the Company to purchase all of his/her/its shares at the then prevailing fair price.
- 80-1. A Member's request in the Article 79 and 80 shall be made in writing within 20 days from the date of the resolution of the meeting of Members, stating the purchase price. If an agreement is reached between the Member and the Company on the purchase price, the Company shall pay

the price within ninety days from the date of the resolution of the meeting of Members. If the agreement is not reached, the Company shall pay the price to the Member who have not reached the agreement at a fair price as deemed by the company within 90 days from the date of the resolution. If the company fails to pay the price above, it would be deem the company has agree the purchase price requested by said shareholders

If a Member requests the Company to purchase all its Shares in accordance with the reasons set out in the Article 80, and the Member and the Company fail to reach an agreement on the purchase price within 60 days from the resolution of the meeting of Member, the Company shall All the shareholders who did not reach an agreement are counterparties, claiming the court to determine the price, and the Taipei District Court of Taiwan is the court of first instance.

Adjournment and Postponement of General Meeting

81. Unless clearly stated otherwise by this charter, the chairman must postpone the meeting if less than half of the shareholders (calculated based on issued shares, not individuals) are present when the shareholders meeting is due to begin. The meeting may be postponed for a maximum of two times, with the combined amount of extension time not exceeding one hour. If the shareholders meeting has been postponed twice and the shareholders present still do not represent over half of the issued shares, the chairman shall declare the shareholders meeting to be invalid. If convening of the shareholders meeting is still required, it shall be reconvened according to the charter's regulations.
82. If the meeting has been postponed twice according to the aforementioned Article 81, and the number of shareholders presents does not constitute the quorum prescribed in the preceding article, but those present represent one-third or more of the total number of issued shares, a tentative resolution may be passed by a majority of those present according to regulations for public companies. If the number of shareholders present represent over half of issued shares prior to the end of the meeting, the chairman shall announce the official convening of the meeting. The passed tentative resolution shall be resubmitted for ratification at the shareholders meeting.
83. Apart from Article 82, the Board of Directors may postpone any general meeting called in accordance with the provisions of these Articles provided that notice of postponement is given to each Member before the time for such meeting. Fresh notice of the date, time and place for the postponed meeting shall be given to each Member in accordance with the provisions of these Articles.

DIRECTORS AND OFFICERS

Number and Term of Office of Directors

84. There shall be a Board of Directors consisting of no less than 7 and no more than 11 Directors, each of whom shall be appointed to a term of office of not exceeding three years provided that in the event the expiration of the term of office of such Directors would otherwise leave the Company with no Directors, the term of office of such Directors shall be extended automatically to the date of the general meeting next following the expiration of such term, at which new Directors will be elected to assume office. Directors may be eligible for re-election.
85. Unless otherwise approved by the GTSM, not more than half of the total number of Directors elected can have a spousal relationship or familial relationship within the second degree of kinship with any other Directors.
86. In the event where the Company convenes a general meeting for the election of Directors and any of the Directors elected does not meet the requirements provided in Article 85 hereof, the non-qualifying Director(s) who was elected with the fewer number of votes shall be deemed not to have been elected, to the extent necessary to meet the requirements provided for in Article 85 hereof. Any person who has already served as a Director but is in violation of the aforementioned requirements shall vacate his/her/its position of Director automatically.
87. Unless otherwise permitted under the Applicable Public Company Rules, there shall be at least three Independent Directors. To the extent required by the Applicable Public Company Rules, at least one of the Independent Directors shall be domiciled in the ROC.
88. Independent Directors shall have professional knowledge and shall maintain independence within the scope of their directorial duties, and shall not have any direct or indirect interests in the Company. The professional qualifications, powers, restrictions on shareholdings and concurrent positions, and assessment of independence with respect to Independent Directors shall be governed by the Applicable Public Company Rules. The office of Independent Director shall be vacated if the Independent Director becomes ineligible for such position under the Applicable Public Company Rules.

Election of Directors

89. The Company may at a general meeting elect any person to be a Director, which vote shall be calculated in accordance with Article 90 below. If a Member is a legal entity, the authorised representative of such Member may be elected as Director. If such Member has more than one authorised

representatives, each of them may be nominated for election at a general meeting.

90. Directors shall be elected pursuant to a cumulative voting mechanism, where the number of votes exercisable by any Member shall be the same as 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 be consolidated for election of one Director candidate or may be split for election amongst multiple Director candidates, as specified by the Member pursuant to the poll vote ballot. The top candidates in the number equal to the number of the Directors to be elected, to whom the votes cast represent a prevailing number of votes relative to the other candidates, shall be deemed Directors elected. The Directors shall adopt a candidate nomination mechanism which is in compliance with Applicable Public Company Rules. The rules and procedures for such candidate nomination shall be in accordance with policies established by the Directors and approved by an Ordinary Resolution from time to time, which policies shall be in accordance with the Companies Law, the Memorandum of Association, these Articles and the Applicable Public Company Rules. For so long as the Shares are listed on the GTSM, subject to the requirement of the competent securities authority in the ROC, such candidate nomination mechanism in compliance with Applicable Public Company Rules shall also be used for an election of Independent Directors.
91. If the number of Independent Directors elected pursuant to Article 87 is less than three persons due to the resignation or removal of any of the Independent Directors or any other reason, the Company shall hold an election of Independent Directors at the next following general meeting. If all of the Independent Directors are resigned or removed or vacated, the Board of Directors shall hold, within sixty days from the date of resignation or removal of last Independent Directors, an extraordinary general meeting to elect succeeding Independent Directors to fill the vacancies. If the Independent Directors domiciled in the ROC has resigned or has been removed or vacated which results in not at least one Independent Directors domiciled in the ROC, the Board of Directors shall hold, within sixty days from the date of resignation or removal of last retiring Independent Director domiciled in the ROC, an extraordinary general meeting to elect succeeding Independent Directors to fill the vacancies.
92. If the number of vacancies on the Board of Directors of the Company is less than one third of the total number of Directors elected due to any reason, the Company shall hold an election of Director(s) at the next following general meeting. When the number of vacancies on the Board

of Directors of the Company equals to or is greater than one third of the total number of Directors elected, the Board of Directors shall hold, within sixty days, an extraordinary general meeting to elect succeeding Directors to fill in the vacancies.

Removal of Directors

93. The Company may from time to time by Supermajority Resolution remove any Director from office, whether or not appointing another in his stead. Where re-election of all Directors is adopted at a general meeting prior to the expiration of the term of office of existing Directors, the term of office of all current Directors is deemed to have expired on the date of the re-election or any other date as otherwise resolved by the Members at the general meeting if the Members do not resolve that all current Directors will only retire at the expiration of their present term of office. 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 to re-elect all Directors.
94. Where a Director has, in the course of performing his/her duties, committed any act resulting in material damages to the Company or in serious violation of applicable laws, regulations and/or these Articles, but not removed by a Supermajority Resolution of a general meeting, the Member(s) holding 3% or more of the total number of outstanding Shares may, within 30 days after that general meeting, institute a lawsuit in the court for a judgment to remove such Director. The Taipei District Court, ROC, may be court for this matter.
- 94-1 To the extent permitted under the laws of the Cayman Islands, Members continuously holding 1% or more of the total number of outstanding Shares for half year or longer may file a petition with the Taipei District Court, ROC for and on behalf of the Company against any of the Directors, Taipei District Court, ROC, may be court for this matter.

Directors' Remuneration and Indemnity

95. The remuneration of the Directors may only be paid in cash. The amount of such remuneration is authorized to be decided by the Board of Directors by reference to the extent and value of the services provided for the management of the Company, the performance of the Company and the standard generally adopted by other enterprises in the same industry within the ROC and overseas, and shall be paid regardless whether the Company has profits or suffers losses. The Directors may also be paid all travel, hotel and other expenses properly incurred by them in attending and returning from the meetings of the Board of Directors, any committee appointed by the Board of Directors, general meetings of the Company, or

in connection with the business of the Company or their duties as Directors generally. A Director is also entitled to other remuneration as may be appropriate in accordance with the Companies Law, the Applicable Public Company Rules, the service agreement or other similar contract that he/she has entered into with the Company.

96. The Company may procure and/or renew insurance for the benefit of any Director or Officer against any liability incurred by him in his capacity as a Director or Officer or indemnifying the Company in respect of any loss caused by any negligence, default, breach of duty or breach of trust of the Director or Officer which would subject such Director or Officer to be held liable to the Company under applicable law.

Proxy of Director

97. Any Director may appoint another Director to be the proxy of that Director to attend and vote on his behalf, in accordance with instructions given by that Director at a meeting or meetings of the Directors which that Director is unable to attend personally. The instrument appointing the proxy shall be in writing under the hand of the appointing Director and shall be in any usual or common form or such other form as the Directors may approve, and must be lodged with the chairman of the meeting of the Directors at which such proxy is to be used, or first used, prior to the commencement of the meeting.

Powers and Duties of Directors

98. Subject to the provisions of the Companies Law, these Articles, Applicable Public Company Rules and any resolutions made in a general meeting, the business of the Company shall be managed by the Board of Directors, who may pay all expenses incurred in setting up and registering the Company and may exercise all powers of the Company. All acts done by any meeting of the Board of Directors or of a committee of Directors shall, notwithstanding that it be afterwards discovered that there was some defect in the election of any Director, or that they or any of them were disqualified, be as valid as if every such person had been duly elected and qualified to be a Director as the case may be.
99. Subject to Article 98 hereof, the Board of Directors may:
- (a) from time to time appoint any person, whether or not a Director to hold such office in the Company as the Board of Directors may think necessary for the administration of the Company, including but not limited to the office of president, one or more vice-presidents, treasurer, manager or controller, and for such term and at such remuneration (whether by way of salary or participation in

profits or partly in one way and partly in another), and with such powers and duties as the Board of Directors may think fit. Any person so appointed by the Board of Directors may be removed by the Board of Directors. The Board of Directors may also appoint one or more of their number to the office of managing director, upon like terms, but any such appointment shall ipso facto determine if any managing director ceases from any cause to be a Director, or if the Company by Special Resolution resolves that his tenure of office be terminated;

- (b) appoint a Secretary (and if need be an assistant secretary or assistant secretaries) who shall hold office for such term, at such remuneration and upon such conditions and with such powers as they think fit. Any Secretary or assistant secretary so appointed by the Board of Directors may be removed by the Board of Directors; and
- (c) delegate any of their powers to committees consisting of such member or members of their body and/or any other person as they think fit; any committee so formed shall in the exercise of the powers so delegated and throughout any proceedings thereof conform to any directions that may be imposed on it by the Board of Directors.

Borrowing Powers of Directors

100. Subject to these Articles, the Directors may exercise all the powers of the Company to borrow money and to mortgage or charge its undertaking, and property, to issue debentures, debenture stock and other securities whenever money is borrowed or as security for any debt, liability or obligation of the Company or of any third party.

Disqualification of Directors

101. The office of Director shall be vacated, if the Director:
- (a) becomes bankrupt, makes any arrangement or composition with his creditors, or is adjudicated insolvent or becomes the subject of insolvency proceedings commenced in any court of ROC, and having not been reinstated to his rights and privileges;
 - (b) having no or only limited disposing capacity;
 - (c) resigns his office by notice in writing to the Company;
 - (d) is removed from office by Supermajority Resolution;

- (e) is the subject of an order made by any competent court or official on the grounds that he is or will be suffering from mental disorder or is otherwise incapable of managing his affairs, his/her legal capacity is restricted according to the applicable laws or is declared to be under assistance of assistantship by any court of ROC and such assistantship having not been revoked yet;
- (f) having committed an offence as specified in the ROC statute of prevention of organizational crimes and subsequently adjudicated guilty by a final judgment, and has not started serving the sentence, has not completed serving the sentence, or five years have not elapsed since completion of serving the sentence, expiration of the probation, or pardon;
- (g) having committed the offence in terms of fraud, breach of trust or misappropriation and subsequently convicted with imprisonment for a term of more than one year, and has not started serving the sentence, has not completed serving the sentence, or two years have not elapsed since completion of serving the sentence, expiration of the probation, or pardon;
- (h) having committed the offense forbidden in the Anti-corruption Act of ROC and subsequently convicted of a crime, and has not started serving the sentence, has not completed serving the sentence, or two years have not elapsed since completion of serving the sentence, expiration of the probation, or pardon;
- (i) having been adjudicated guilty by a final judgment for misappropriating public funds during the time of his public service, and the time elapsed after he has served the full term of such sentence is less than two years; or
- (j) having been dishonored for use of credit instruments, and the term of such sanction has not expired yet.
- (k) in case a director of a company whose shares are issued to the public that has transferred, during the term of office as a director, more than one half of the company's shares being held by him/her at the time he/she is elected, he/she shall, ipso facto, be discharged from the office of director.

In the event that any of the foregoing events described in clauses (a), (e), (f), (g), (h), (i) and (j) has occurred to a Director elect, such Director elect shall be disqualified from being elected as a Director.

If any director of a company whose shares are issued to the public, after having been elected and before his/her inauguration of the office of director, has transferred more than one half of the total number of shares of the company he/she holds at the time of his/her election as such; or had transferred more than one half of the total number of shares he/she held within the share transfer prohibition period fixed prior to the convention of a shareholders' meeting, then his/her election as a director shall become invalid.

Clause (k) of paragraph 1 of this Article and the preceding paragraph shall not apply to Independent Directors.

PROCEEDINGS OF DIRECTORS

MEETINGS OF THE BOARD OF DIRECTORS

102. The Board of Directors may meet for the transaction of business, adjourn and otherwise regulate its meetings as it sees fit. A resolution put to the vote at a meeting of the Board of Directors shall be carried by the affirmative votes of a majority of the votes cast. Before the Shares are listed on the GTSM, at least five days' prior notice shall be given for any meeting of Board of Directors provided that in the case of urgent circumstances, a meeting of the Board of Directors may be convened on short notice, or be held any time after notice has been given to every Director or be convened without prior notice if all Directors agree. For so long as the Shares are listed on the GTSM, at least seven days' prior notice shall be given for any meeting of the Board of Directors provided that in the case of urgent circumstances, a meeting of the Board of Directors may be convened on short notice, or be held any time after notice have been given to every Director or be convened without prior notice if all Directors agree.
103. A Director may, or the Secretary or any Officer on the requisition of a Director shall, summon a meeting of the Board of Directors in accordance with Article 102. Notice of a meeting of the Board of Directors shall be deemed to be duly given to a Director if it is sent to such Director in writing, by post, cable, telex, telecopier, facsimile, electronic mail or other mode of representing words in a legible form at such Director's last known address or any other address given by such Director to the Company for this purpose.
104. Directors may participate in any meeting of the Board of Directors by video conference or other communication facilities by means of which all persons

participating in the meeting can see and communicate with each other at the same time, and participation in such a meeting shall constitute presence in person at such meeting.

Quorum at Meetings of the Board of Directors

105. The quorum necessary for the transaction of the business of the Directors shall be more than one-half of the Board of Directors. A Director represented by proxy at any meeting shall be deemed to be present for the purposes of determining whether or not a quorum is present.
106. The continuing Directors may act notwithstanding any vacancy in their body but if and so long as their number is reduced below the number fixed by or pursuant to these Articles as the necessary quorum of Directors, the continuing Directors may act for summoning a general meeting of the Company, but for no other purpose.

Conflict of Interest

107. A Director who has a personal interest, whether directly or indirectly, in the matter under discussion at a meeting of the Board of the Directors shall declare the nature and the essential contents of his interest at the relevant meeting of the Directors. When a company conducts an Merger, the company's directors should explain to the board of directors and the shareholders' meeting the important content of its interest in the Merger transaction itself and the reasons for or against the resolution. Where the spouse, a blood relative within the second degree of kinship of a director, or any company which has a controlling or subordinate relation with a director has interests in the matters under discussion in the meeting of the above, such director shall be deemed to have a personal interest in the matter. A Director who has a personal interest in the matter under discussion at a meeting of the Directors, which may conflict with and impair the interest of the Company, shall not vote nor exercise voting rights on behalf of another Director; the voting right of such Director who cannot vote or exercise any voting right as prescribed above shall not be counted in the number of votes of Directors present at the board meeting.
108. A Director who does anything for himself or on behalf of another person that is within the scope of the Company's business shall declare the essential contents of such behaviour to the general meeting and be approved by Supermajority Resolution. Failure in obtaining such approval shall cause the Director being so interested be liable to account to the Company for any profit realised by any such behaviour if the general meeting so resolves by an Ordinary Resolution within one year from such behaviour.

109. Notwithstanding the preceding Articles, a Director may hold any other office or place of profit under the Company (other than the office of auditor) in conjunction with his office of Director for such period and on such terms (as to remuneration and otherwise) as the Directors may determine and no Director shall be disqualified by his office from contracting with the Company either with regard to his tenure of any such other office or place of profit or as vendor, purchaser or otherwise. A Director, notwithstanding his interest, may be counted in the quorum present at any meeting of the Directors whereat he or any other Director is appointed to hold any such office or place of profit under the Company or whereat the terms of any such appointment are arranged and he may vote on any such appointment or arrangement.
110. Subject to these Articles, any Director may act by himself or his firm in a professional capacity for the Company, and he or his firm shall be entitled to remuneration for professional services as if he were not a Director; provided that nothing herein contained shall authorise a Director or his firm to act as auditor to the Company.
- 110-1 Without prejudice and subject to the general directors' duties that a Director owe to the Company and its shareholders under common law principals and the laws of the Cayman Islands, a Director shall perform his fiduciary duties of loyalty and due care of a good administrator in the course of conducting the Company's business, and shall indemnify the Company, to the maximum extent legally permissible, from any loss incurred or suffered by the Company arising from breach of his fiduciary duties. If a Director has made any profit for the benefit of himself or any third party as a result of any breach of his fiduciary duties, the Company shall, if so resolved by the Members by way of an Ordinary Resolution, take all such actions and steps as may be appropriate and to the maximum extent legally permissible to seek to recover such profit from such relevant Director. If a Director has, in the course of conducting the Company's business, violated any laws or regulations that causes the Company to become liable for any compensation or damages to any person, such Director shall become jointly and severally liable for such compensation or damages with the Company and if any reason such Director is not made jointly and severally liable with the Company, such Director shall indemnify the Company for any loss incurred or suffered by the Company caused by a breach of duties by such Director. The Officers, in the course of performing their duties to the Company, shall assume such duties and obligations to indemnify the Company in the same manner as if they are Directors.

Chairman to Preside

111. The Directors shall, by a resolution, establish rules governing the procedure of meeting(s) of the Directors and report such rules to a general meeting, and such rules shall be in accordance with these Articles and the Applicable Public Company Rules.
112. A committee appointed by the Board of Directors may elect a chairman of its meetings. If no such chairman is elected, or if at any meeting the chairman is not present within five minutes after the time appointed for holding the meeting, the members present may choose one of their number to be chairman of the meeting.
113. A committee appointed by the Board of Directors may meet and adjourn as it thinks proper. Questions arising at any meeting shall be determined by a majority vote provided that a quorum of a majority of such members is present and in case of equal votes, the chairman of the meeting shall have no casting vote.

CORPORATE RECORD

Minutes

114. The Directors shall cause minutes to be made in books or loose-leaf folders provided for the purpose of recording:
 - (a) all appointments of officers made by the Board of Directors;
 - (b) the names of the Directors present at each meeting of the Board of Directors; and
 - (c) all resolutions and proceedings at all general meetings, meetings of the Board of Directors, and meetings of committees formed under Article 99 hereof.

DIVIDENDS, BONUS AND RESERVE

115. If the company shows a profit for a given year, one to 10 percent of the profit shall be appropriated as employee remuneration. No more than one percent of the profit shall be appropriated as directors' remuneration. However, if the company has accumulated losses, profits shall not be appropriated until the loss has been made up. Employee remuneration shall be in the form of stock or cash. The subject for receiving the remuneration is set out by the Board of Directors or its authorized person(s). The allocation of employee and director remuneration shall be determined by a Board of Director resolution, where two-thirds or more of the directors are present, and at least half of those present agree to the

resolution. Such Board resolution shall be reported at the shareholders meeting.

Unless the resolution needs to be ratified again at the shareholders meeting according to Article 69 (a), the company can adjust the distribution according to the distribution ratio detailed below. The proposal for the ratio shall be drafted by the Board of Directors and proposed at the shareholders meeting. The proposal must be approved via general resolution to be valid:

- (1). Tax payments;
- (2). Making up for previous losses;
- (3). Deposit 10% as a legal reserve (however, this does not apply if the accumulated legal reserve has reached the company's total capital); and
- (4). Where necessary, setting aside or reversing special reserve.

The Board of Directors shall make proposals for the allocation of the remaining profit (based on the amount after items one to four above have been deducted, and with the initial non-allocated profit added) and distribute the profit based on a shareholders meeting resolution.

Any remaining profit can be allocated as a dividend. The company is in the initial stages of industry development, and the corporate life cycle is in a positive growth stage. To respond to future operational expansion plans, and taking into account the dividend balance and shareholders' rights, the dividend shall be allocated to shareholders in the form of cash or newly issued stocks. This reflects shareholders 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 them in the proportion aforesaid, in a combination of both cash and stock, or in the form of a bonus. The actual issuance ratio authorized by the Board of Directors is in accordance with the Company Act and other public company regulations. Finance, business, and management factors are considered before making the allocation. However, a dividend allocation shall not be less than 10% of the remaining profit, and the cash dividend shall not be less than 10% of the total available dividend amount.

116. The Directors may, before recommending distribution of any dividend or bonus, set aside out of the funds legally available for distribution such sums as they think proper as a reserve or reserves which shall, in the absolute discretion of the Directors be applicable for meeting

contingencies, or for meeting the deficiencies for implementing dividend distribution plans or for any other purpose to which those funds may be properly applied and pending such application may in the absolute discretion of the Directors, either be employed in the business of the Company or be invested in such investments as the Directors may from time to time think fit. The Directors may also, without placing the same to reserve, carry forward any profit which they decide not to distribute.

117. Any dividend, interest or other monies payable in cash in respect of the shares may be paid by wire transfer to the Members or by cheque sent through the post to the registered address of the Member in the Register of Members.
118. In the case of joint holders of shares, any dividend, interest or other monies payable in cash in respect of the shares may be paid to the holder first named in the Register of Members, or to such person and to such address as the joint holders may in writing direct. If two or more persons are registered as joint holders of any shares any one can give an effectual receipt for any dividend paid in respect of such shares.
119. Subject to any rights and restrictions for the time being attached to any class or classes of shares, all dividends shall be declared and paid according to the amounts paid on the shares.
120. The Board may, subject to approval by the Members by way of Ordinary Resolution or, in the case of Article 69 (a), Supermajority Resolution and subject to these Articles and any direction of the Company in general meeting, declare a dividend to be paid to the Members in proportion to the number of shares held by them, and such dividend may be paid in cash, shares or, subject to Article 120-1, wholly or partly in specie. No unpaid distribution shall bear interest as against the Company.
- 120-1 Subject to the provisions of Article 120, the Directors may determine that a dividend shall be paid wholly or partly by the distribution of specific assets (which may consist of the shares or securities of any other company) and may settle all questions concerning such distribution, subject, however to obtaining the prior consent of any Member to whom it is proposed to make a distribution in specie and a valuation of the assets for distribution from the an ROC certified public accountant, prior to the Directors fixing the value of the assets for distribution. The Directors may make cash payments to some Members on the footing of the value so fixed in order to adjust the rights of Members. Without limiting the foregoing generality, the Directors may vest any such specific assets in trustees on such terms as the Directors think fit and may issue fractional shares.

ACCOUNTS AND AUDIT

121. The Board of Directors shall cause proper books of account (including, business reports, financial statements and proposals for distribution of profits or losses) to be kept with respect to all sums of money received and expended by the Company and the matters in respect of which the receipt or expenditure takes place, all sales and purchases of goods by the Company and the assets and liabilities of the Company. Proper books of account shall not be deemed to be kept 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. Such books of account shall be kept for at least five years from the date they are prepared.
122. The Board of Directors shall submit business reports, financial statements and proposals for distribution of profits or losses prepare by it for the purpose of annual general meeting of the Company for ratification by the Member as required by the Applicable Public Company Rules. After ratification by the annual general meeting, the Board of Directors shall distribute copies or make a public announcement of the ratified financial statements and the Company's resolutions on the allocation and distribution of profits or loss, to each Member.
123. For so long as the Shares are listed on the GTSM, the Board of Directors shall keep copies of the yearly business report and financial statements at the office of its Shareholders' Service Agent before ten (10) days of the annual general meeting and any of its Members is entitled to inspect such documents during normal business hours of such Agent.

CAPITALISATION

124. Subject to Article 69 (a), the Board of Directors may capitalize any sum outstanding to the credit of any of the Company's reserve accounts (including share premium account and capital redemption reserve) or any sum standing to the credit of profit and loss account or otherwise available for distribution and to appropriate such sum to Members in proportion to their shareholding by way of dividend in the form of new shares 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 them in the proportion aforesaid. In such event, the Board of Directors shall do all acts and matters required to give effect to such capitalisation, with full power to the Directors to make such provisions as they think fit such that Shares shall not become distributable in fractions (including provisions whereby the benefit of fractional entitlements accrue to the Company rather than to the Members concerned). The Directors may authorise any person to enter on behalf of all of the

interested Members into an agreement with the Company providing for such capitalisation and matters incidental thereto and any agreement made under such authority shall be effective and binding on all concerned.

SHARE PREMIUM ACCOUNT

125. The Board of Directors shall in accordance with Section 34 of the Companies Law establish a share premium account and shall carry to the credit of such account from time to time a sum equal to the amount or value of the premium paid on the issue of any share.
126. There shall be debited to any share premium account on the redemption or purchase of a share the difference between the nominal value of such share and the redemption or purchase price provided always that at the discretion of the Board of Directors such sum may be paid out of the profits of the Company or, if permitted by Section 37 of the Companies Law, out of capital.

AUDIT COMMITTEE

127. The Company shall establish an Audit Committee. The Audit Committee shall comprise solely of Independent Directors and the number of committee members shall not be less than three. One of the Audit Committee members shall be appointed as the convener to convene meetings of the Audit Committee from time to time and at least one 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.
128. Any of the following matters of the Company shall require the consent of one-half or more of all Audit Committee members and be submitted to the Board of Directors for resolution:
 - (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 material asset or derivatives transaction;

- (f) a material monetary loan, endorsement, or provision of guarantee;
- (g) the offering, issuance, or Private Placement of any equity-type 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 auditing 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 with the consent of 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 of Directors, and the resolution of the Audit Committee shall be recorded in the minutes of the Directors meeting.

- 128-1. Subject to the condition that the Board of Directors does not or is unable to convene a meeting of shareholders, any one Independent Director of the Audit Committee may, for the benefit of the Company, call a general meeting when it is deemed necessary.
- 128-2 Before the Company convenes a board of directors to decide on a Merger or Acquisition, the audit committee shall review the fairness and reasonableness of the merger and acquisition plan and transaction, and report the results of the review to the board of directors and meeting of Members. During the deliberations of the audit committee, the independent expert shall be invited to provide opinions on the reasonableness of the share conversion ratio or the allotment of Members' cash or other property. The audit committee's deliberations and independent expert opinions shall be provided to Members at the same time as the notice of the meeting of Members is sent. The documents referred to in the preceding paragraph may be placed on the website designated by the securities authority or company, and may be made available to Members at the meeting of Members.

COMPENSATION COMMITTEE

- 129. The Board of Directors shall, in accordance with the Applicable Public Company Rules, establish a Compensation Committee comprised of at least three members, one of which shall be the Independent Director. The

professional qualifications of the members of the Compensation Committee, the responsibilities, powers and other related matters of the Compensation Committee shall comply with the Applicable Public Company Rules. Upon the establishment of the Compensation Committee, the Board of Directors shall, by a resolution, adopt a charter for the Compensation Committee in accordance with these Articles and the Applicable Public Company Rules.

- 129-1 The compensation to be proposed by the Compensation Committee referred in the preceding Article shall include the compensation, stock options and other incentive payments payable to Directors and Officers of the Company.

TENDER OFFER

130. Within seven days after the receipt of the copy of a tender offer application form and relevant documents by the Company or its litigation or non-litigation agent appointed pursuant to the Applicable Public Company Rules, the Board of Directors shall resolve to recommend to the Members whether to accept or object to the tender offer and make a public announcement of the following:
- (a) The types and number of the shares held by the Directors and the Members holding more than 10% of the outstanding shares in their own names or in the names of other persons;
 - (b) Recommendations to the Members on the tender offer, which shall set forth the names of the Directors who abstain or object to the tender offer and the reason(s) therefor;
 - (c) Whether there is any material change in the financial condition of the Company after the submission of the latest financial report and an explanation of the change, if any; and
 - (d) The types, numbers and amount of the shares of the tender offeror or its affiliates held by the Directors and the Members holding more than 10% of the outstanding shares held in their own names or in the name of other persons.

NOTICES

131. Except as otherwise provided in these Articles, any notice or document may be served by the Company or by the person entitled to give notice to any Member either personally, by facsimile or by sending it through the post in a prepaid letter or via a recognised courier service, fees prepaid, addressed to the Member at his address as appearing in the Register of

Members, or to the extent permitted by all applicable laws and regulations, by electronic means by transmitting it to any electronic mail number or address such Members may have positively confirmed in writing for the purpose of such service of notices. In the case of joint holders of a share, all notices shall be given to that one of the joint holders whose name stands as their representative in the Register of Members in respect of the joint holding, and notice so given shall be sufficient notice to all the joint holders.

132. Any notice or other document, if served by (a) post, shall be deemed to have been served at the time when the letter containing the same is posted, or, (b) facsimile, shall be deemed to have been served upon production by the transmitting facsimile machine of a report confirming transmission of the facsimile in full to the facsimile number of the recipient, (c) courier service, shall be deemed to have been served at the time when the letter containing the same is delivered to the courier service or (d) electronic mail, shall be deemed to have been served immediately upon the time of the transmission by electronic mail. In proving service by post or courier service it shall be sufficient to prove that the letter containing the notice or documents was properly addressed and duly posted or delivered to the courier service.

INFORMATION

133. The Board of Directors shall keep at the office of its Shareholders' Service Agent in the ROC copies of the Memorandum of Association, the Articles, the minutes of every meeting of the Members, the financial statements, the Register of Members and the counterfoil of corporate bonds issued by the Company. Any Shareholder of the Company may request at any time, by submitting evidentiary document(s) to show his/her interests involved and indicating the scope of interested matters, an access to inspect, transcribe and to make copies of the Memorandum of Association, the Articles and accounting books and records. The Company shall procure that the Shareholders' Service Agent in the ROC provides such Shareholder with the requested access.
- 133-1 The Board of Directors or other authorized conveners of general meetings may require the Company or its Shareholders' Service Agent in the ROC to provide it or them with a copy of the Register of Members.

FINANCIAL YEAR

134. The financial year end of the Company shall be 31st December in each year but, subject to any direction of the Company in general meeting, the Board of Directors may from time to time prescribe some other period to be the financial year, provided that the Board of Directors may not without

the sanction of an Ordinary Resolution prescribe or allow any financial year longer than twelve months.

WINDING UP

135. 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 share capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the Member in proportion to the number of the shares held by them. If in a winding up the assets available for distribution amongst the Members shall be more than sufficient to repay the whole of the share capital at the commencement of the winding up, the surplus shall be distributed amongst the Members in proportion to the number of the Shares held by them at the commencement of the winding up. This Article is without prejudice to the rights of the holders of shares issued upon special terms and conditions.
136. If the Company shall be wound up the liquidator may, subject to Article 70, divide amongst the Members in specie or in 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 it deems fair upon any property to be divided as aforesaid and may determine how such division shall be carried out as between the Members or different classes of Members. The liquidator may, subject to Article 70, vest the whole or any part of such assets in the trustees upon such trusts for the benefit of the contributories as the liquidator shall think fit, but so that no Member shall be compelled to accept any shares or other securities or assets whereon there is any liability.

AMENDMENT OF ARTICLES OF ASSOCIATION

137. Subject to the Companies Law and these Articles, the Company may at any time and from time to time by Special Resolution alter or amend these Articles and/or Memorandum of Association with respect to any objects, powers or other matters contained therein, in whole or in part.

REGISTRATION BY WAY OF CONTINUATION

138. The Company may by Special Resolution resolve to be registered by way of continuation in a jurisdiction outside the Cayman Islands or such other jurisdiction in which it is for the time being incorporated, registered or existing. In furtherance of a resolution adopted pursuant to this Article, the Directors may cause an application to be made to the Registrar of Companies to deregister the Company in the Cayman Islands or such other jurisdiction in which it is for the time being incorporated, registered or

existing and may cause all such further steps as they consider appropriate to be taken to effect the transfer by way of continuation of the Company.

139. So long as the Shares are listed on the GTSM, the Company shall appoint a litigious and non-litigious agent pursuant to the Applicable Public Company Rules to act as the Company's responsible person in the ROC under the Securities and Exchange Law of the ROC. The Company's litigious and non-litigious agent shall be a natural person and have a residence or domicile in the ROC.



Regulations Governing Shareholders' Meeting

Revise History

Version	Owner	Review	Release Date	Release Explain
A	Tsai Hsing-fang	Chang Sheng-shih	120619	First Release
B	Tsai Hsing-fang	Chang Sheng-shih	130416	In order to comply with the FSC No.1020002909 notice.
C	Lee Yu-Mei	Huang An-pang	150612	In order to comply with the FSC No.1030051379 notice.
D	Huang An-pang	Chang Sheng-shih	160627	In order to comply with the current Regulations
E	Lee Yi-Ching	Chang Sheng-shih	200410	In order to comply with the Taipei Exchange No. 10900500261 notice.

1. Objectives:

These Regulations are duly enacted to assure a sound governance system for the Company's shareholders' meeting, wholesome superintendence functions and intensify managerial performance.

2. Scope:

These Regulations are applicable to the event where the Company convenes a shareholders' meeting.

3. Powers and responsibilities:

The shareholders' meeting shall be duly convened by the Financial & Accounting Department which shall take overall charge of affairs to convene shareholders' meeting.

4. Definitions:

Nil.

5. Contents of operation:

- 5.1 These Regulations are duly enacted in accordance with the Company's Articles of Incorporation and laws and ordinances concerned to assure a sound governance system for the Company's shareholders' meeting, wholesome superintendence functions and intensify managerial performance.
- 5.2 The Company shall duly convene meetings according to these Regulations unless otherwise prescribed in laws and ordinances concerned or the Articles of Incorporation.
- 5.3 The shareholders' meeting of the Company shall be duly convened by the Board of Directors unless otherwise prescribed in laws and ordinances concerned or the Articles of Incorporation.
- 5.4 The Company shall have the notices to shareholders' meetings, blank paper for proxies, issues to be acknowledged, to be discussed, issues for election or discharge of directors and other instruction papers produced into electronic files and promulgated through the Market Observation Post System (MOPS) thirty days in advance of a regular meeting of shareholders or fifteen days in advance of a temporary (extraordinary) meeting of shareholders. The Company shall further have the shareholders' meeting agenda books, supplementary data of the meeting produced into electronic files and submitted to the website(s) promulgated by the competent authorities of the government got readily available to shareholders and displayed at the Company and the Company's agent for stock affairs twenty-one days in advance of a regular meeting of shareholders or fifteen days in advance of a temporary (extraordinary) meeting of shareholders. Besides, the Company shall further make the shareholders' meeting agenda books, supplementary data of the meeting readily accessible to shareholders, displayed in the Company and its shareholder services agent as well as fifteen days in advance of the shareholders' meeting, and to be handed out on-the-spot of the shareholders' meeting.
- 5.5 Subject to consent by the counterparts, the notices and promulgation of the Company shall bear the subjects of the meeting and may be served by electronic means.
- 5.6 The major issues regarding election or discharge of directors, amendment of Articles of Incorporation, capital reduction, termination of public offering, lifting the prohibition of competition on directors, earnings transferred to common stock, capital surplus transferred to common

stock, dissolution, merger, division or any matter under Article 185, paragraph 1 of the Company Act or Articles 26-1 and 43-6 of the Securities and Exchange Act of the Company or other major issues which could not be suggested by means of occasional (extemporaneous) motions as regulated in the Articles of Incorporation shall be expressly enumerated in the subject issues of the meeting, with the main reasons stated; it shall not be suggested in the occasional (extemporaneous) motions process. The content could be displayed on websites designated by regulatory authorities of stock market of the company, and the website should be manifested in an notification.

It has been stated that the purpose of the shareholders' meeting was to re-elect directors and specify the date of inauguration. As the re-election is completed on the shareholders' meeting, such resolution of inauguration date should not be changed in the same meeting shall not in the occasional (extemporaneous) motions process.

5.7 A shareholder who holds over 1% of the total issued shares of the Company may pose a suggestion in writing but only for one issue. An issue more than one covered in such suggestion shall not be covered into the agenda. When the shareholder's proposal is to promote the company's devotion in public welfare or its social responsibility, such limitation is lifted.

In the event that an issue suggested by a shareholder which should not be entered as an issue as promulgated in the Articles of Incorporation, the Board of Directors shall not enter it as an issue for the meeting.

5.8 The Company shall promulgate the channels to accept printed or electronic document of suggestions as well as the location and period to accept suggestions from shareholders before the date to suspend stock transfer prior to convening of a regular meeting of shareholders. The period to accept suggestions shall not be less than ten days in minimum.

5.9 An issue suggested by a shareholder shall not exceed the maximum of three hundred Chinese characters. An issue suggested by a shareholder exceeding three hundred Chinese characters shall not be entered as an issue. A shareholder who submits a suggestion shall attend the shareholders' meeting and participate in discussion of that issue either in person or through a proxy.

5.10 The Company shall keep the suggesting shareholders informed of the results to accept or reject their suggestions prior to the date to serve notice for the meeting and shall have the accepted suggestions expressly entered into the notices to the meeting. On suggestions offered by shareholders which are not entered into the issues, the Board of Directors shall explain during the shareholders' meeting the reasons why they are not accepted.

5.11 The accidental omission to give notice of a meeting to or the non-receipt of a notice of a meeting by any shareholder shall not invalidate the proceedings at that meeting.

5.12 A shareholder may, for each shareholders' meeting, issue the proxy (power of attorney) in the form printed and provided by the Company, expressly bearing the scope of the authorized powers to authorize a proxy to attend a shareholders' meeting on his or her behalf.

5.13 A shareholder may issue only one proxy (power of attorney) and may authorize only one proxy. The proxy (power of attorney) shall be submitted to the Company five days in advance of the meeting. In case of a duplication case of proxy, the proxy shall be accepted on the first come first served basis unless the preceding proxy received is declared withdrawn.

- 5.14 In the event that a shareholder intends to attend a shareholders' meeting in person after submitting his or her proxy (power of attorney) to the Company, he or she shall serve a notice to the Company in writing to withdraw the proxy two days preceding the date scheduled for the meeting. In the event that the withdrawal is overdue behind schedule, only the voting power balloted by the proxy shall be accepted.
- 5.15 The arena to convene a shareholders' meeting shall be, pursuant to the Company's Articles of Incorporation and subject to approval by the GreTai Securities Market (GTSM), in a location inside the territories of the Republic of China convenient to shareholders to attend the meeting. A shareholders' meeting shall start at a time not earlier than 9:00 a.m. or beyond 3:00 p.m.. The opinions of the independent directors shall be taken into adequate consideration regarding the time and location of the shareholders' meeting.
- 5.16 The Company shall specify in its shareholders meeting notices the time during which shareholder attendance registrations will be accepted, the place to register for attendance, and other matters for attention.
- The time during which shareholder attendance registrations will be accepted, as stated in the preceding paragraph, shall be at least 30 minutes prior to the time the meeting commences. The place at which attendance registrations are accepted shall be clearly marked and a sufficient number of suitable personnel assigned to handle the registrations.
- The Company shall provide a sign-in book wherewith the present shareholders or the proxies (powers of attorney) (hereinafter collectively referred to as shareholders) may sign in for presence. Or the shareholders present in person may submit sign-in cards instead of signing on the book.
- 5.17 The Company shall hand over to present shareholders the agenda book of the shareholders' meeting, annual report, participation certificates, statements of speech, voting ballots and other documents of the meeting, along with election ballots in the event that directors are to be elected in the shareholders' meeting.
- 5.18 Present shareholders shall attend a shareholders' meeting based on their participation certificates, participation sign-in cards or other presence certificate(s). The Company shall not ask shareholders to show any other certificates. A shareholder who solicits a proxy (power of attorney) shall also get ready identity certificate ready for verification.
- 5.19 In case a government or judicial (corporate) person is a shareholder, the representative(s) thereof shall not be limited to one person. When a juristic (corporate) person is authorized to be a proxy to attend a shareholders' meeting, it may appoint only one representative to attend the meeting.
- In the event that a shareholders' meeting is convened by the Board of Directors, such shareholders' meeting shall be chaired by the Chairman. In the Chairman's absence or unavailability to exercise his responsibilities and powers, the Vice Chairman shall act in place. If the Company has no Vice Chairman or if the Vice Chairman is unavailable to perform the duties as well, the Chairman shall, in advance, appoint a director to act in his place. In absence of such appointment by the Chairman, one director shall be elected from among themselves to act in the place.
- When a director serves as chair, as referred to in the preceding paragraph, the director shall be one who has held that position for six months or more and who understands the financial and business

conditions of the company. The same shall be true for a representative of a juristic person director that serves as chair.

- 5.20 A shareholders' meeting convened by the Board of Directors, Chairman shall be chaired, and it is advisable that attended by a majority of the total director seats of the Board of Directors and at least one seat of the Audit Committee being attended and any other function committee member being attended. Such situation of attendant shall be recorded on the meeting minutes.
- 5.21 In the event that a shareholders' meeting is convened by the convener beyond the Board of Directors, the shareholders' meeting shall be chaired by that convener.
- 5.22 In case of two or more conveners, one among the conveners shall be elected from among themselves to chair the meeting.
- 5.23 The Company may appoint the retained Attorney(s)-at-Law, Certified Public Accountant(s) or other people concerned to attend the shareholders' meeting as an observer.
- 5.24 The Company, beginning from the time it accepts shareholder attendance registrations, shall make an uninterrupted audio and video recording of the registration procedure, the proceedings of the shareholders meeting, and the voting and vote counting procedures.
The recorded materials of the preceding paragraph shall be retained for at least 1 year. If, however, a shareholder files a lawsuit pursuant to the Articles of Incorporation or the Company Act, the recording shall be retained until the conclusion of the litigation.
- 5.25 The presence by shareholders in a shareholders' meeting shall be calculated on the grounds of the number of shares represented by the present shareholders. The number of shares represented by the present shareholders shall be calculated based on the sign-in book or the submitted presence cards added with the number of shares represented by the voting powers exercised in electronic means.
- 5.26 The chairperson shall call the meeting to order at the appointed meeting time. However, when the attending shareholders do not represent a majority of the total number of issued shares, the chairperson may announce a postponement, provided that no more than two such postponements, for a combined total of no more than 1 hour, may be made. If the quorum is not met after two postponements and the attending shareholders still represent less than half of the total number of issued shares, the chair shall declare the meeting adjourned. In the event that the shareholders' meeting is indispensable, the Company shall convene a shareholders' meeting in accordance with the Articles of Incorporation. If the quorum is not met after two postponements as referred to in the preceding paragraph, but the attending shareholders represent one third or more of the total number of issued shares, a tentative resolution may be adopted pursuant to the regulations; all shareholders shall be notified of the tentative resolution and prior to conclusion of the meeting, the attending shareholders represent a majority of the total number of issued shares, the chair may resubmit the tentative resolution for a vote by the shareholders meeting.
- 5.27 In the event that a shareholders' meeting is convened by the Board of Directors, relevant agendas (including the extempore motion or amendment of the existing agenda) should be resolved case by case. The agenda shall be fixed by the Board of Directors. The shareholders' meeting shall be duly held based on the scheduled agenda which shall not be changed unless resolved by the shareholders' meeting.

- 5.28 In the event that a shareholders' meeting is convened by a person beyond the Board of Director, the provision set forth in the preceding paragraph is applicable *mutatis mutandis* to the process.
- 5.29 The chairperson shall not promulgate adjournment of the meeting until the issues arranged in the agenda mentioned in the two preceding paragraphs (including occasional (extemporaneous) motions). In the event that the chairperson violates the regulations of the shareholders' meeting by promulgating adjournment of the meeting unlawfully, other members of the Board of Directors shall promptly help the present shareholders elect another person by a majority vote of the voting powers held by the present shareholders as the new chairperson to continue the meeting process.
- 5.30 Where a shareholder proposes an amendment or occasional (extemporaneous) motions, the chairperson shall grant him or her opportunities for adequate explanation and discussion. When the issue is deemed to be up to the extent for balloting, the chairperson may promulgate discontinuance of discussion to start balloting for decision. Attendees should be offered with adequate time to vote.
- 5.31 A present shareholder who intends to speak out shall fill out the floor note, expressly indicating highlights of the speech, shareholder account number (or participation certificate code) and name of the shareholder. The chairperson shall fix the order of speech floor.
- 5.32 A shareholder who fails to speak up after having given the floor note is deemed as having not spoken out. In case of a discrepancy between the contents of actual speech and the entry on the floor, the contents of actual speech shall be acknowledged.
- 5.33 Each shareholder shall not speak for a same issue twice, or over five minutes each time unless agreed upon by the chairperson. In the event that a shareholder speaks against requirements or goes beyond the scope of the subject issue, nevertheless, the chairperson may stop his or her speech.
- 5.34 While a present shareholder speaks up, other shareholders shall not speak to interfere with the speech unless agreed upon by the chairperson or the speaking shareholder. Otherwise the chairperson shall stop such interfering speech.
- 5.35 Where a juristic (corporate) person shareholder assigns two or more representatives to attend a shareholders' meeting, only one among them shall be appointed to speak up for a same issue.
- 5.36 After a present shareholder completes speech, the chairperson may reply in person or through a designee.
- 5.37 A decision in a shareholders' meeting shall be resolved based on the number of the represented shares.
- 5.38 In the resolving process in a shareholders' meeting, the number of shares held by shareholders who are not entitled to vote shall not be counted.
- 5.39 On an issue discussed in a shareholders' meeting, a shareholder who is likely to get involved in conflict of interests shall not participate in the voting process, nor shall he or she vote as a proxy for another shareholder.
- 5.40 The aforementioned number of shares not entitled to the voting power shall not be counted into the number of votes of present shareholders.
- 5.41 Except for the chairman being deemed appointed of a general meeting as proxy under Article 5.43 or prescribed in the Company's Articles of Incorporation, when a person is authorized by two or more shareholders simultaneously, his or her voting power shall not exceed 3% of the number of total

issued shares of the Company as the voting powers. The voting power in excess, if any, shall be discarded.

- 5.42 Each share hereof is entitled to one voting power unless otherwise prescribed in the Company's Articles of Incorporation.
- 5.43 While a shareholders' meeting is convened by the Company, voting powers may be exercised in writing or by electronic means. In the event that the voting power is exercised in writing or by electronic means, the method of voting power shall be expressly entered into the notices to the shareholders' meeting. A shareholder who exercises voting power in writing or by electronic shall be deemed to have appointed the chairman of the general meeting as his proxy to vote his shares at the general meeting only in the manner directed by his written instrument or electric document. On the occasional (extemporaneous) motions or amendment of the initial issue, nevertheless, such shareholder who exercises voting power in writing or by electronic means is deemed to have abstained.
- 5.44 A shareholder who exercises voting power in writing or by electronic means as mentioned in the preceding paragraph shall have his or her intent expressed in writing to the Company two days prior to the date scheduled for the meeting. In case of duplication in expression of the intent, it shall be managed on the first come first served basis unless the preceding expression is declared withdrawn.
- 5.45 In the event that a shareholder intends to participate in the shareholders' meeting in person after having exercised voting power in writing or by electronic means, he or she shall withdraw the expression of the intent in a means same as the exercise of voting power in writing or by electronic means at least on two days preceding the date scheduled for the shareholders' meeting. In case of an overdue withdrawal, the voting power in writing or by electronic means shall govern. In the event that a shareholder who exercises voting power in writing or by electronic means and, meanwhile, authorizes a proxy with proxy (power of attorney) to attend the meeting, the voting power exercised by the proxy shall be acknowledged.
- 5.46 Unless otherwise provided for in the Company Act and Company's Articles of Incorporation, decisions in the shareholders' meeting shall be resolved by a majority vote of the present shareholders in the meeting. During the voting process, the chairperson or his or her designee shall announce the total number of balloting powers represented by the present shareholders and voting by each case. After the meeting, key in the results of agree, disagree and waived on the MOPS.
- 5.47 An issue is deemed to have been duly resolved if no objection is heard in response to inquiry by the chairperson toward all present shareholders. The decision so solved is equally valid as a decision duly resolved through balloting process. A shareholder who objects such a decision shall duly vote through balloting in accordance with the preceding paragraph. Other than those issues already entered into the agenda, other issues or an amendment or a substitution posed by a shareholder shall be duly seconded before being discussed.
- 5.48 Where a same issue is accompanied by an amendment or a substitution, the chairperson shall consolidate that issue into the initial issue to fix the subsequence of balloting. When one of such issues is resolved, other issues are deemed to have been vetoed. No voting process is required.
- 5.49 The personnel to monitor and to tally ballots shall be designated by the chairperson. The monitor

- shall come out among shareholders.
- 5.50 Vote counting for shareholders meeting proposals or elections shall be conducted in public at the place of the shareholders meeting. Immediately after vote counting has been completed, the results of the voting, including the statistical tallies of the numbers of votes, shall be announced on-site at the meeting, and a record made of the vote.
- 5.51 In the event that director(s) is(are) elected in a shareholders' meeting, the election shall be duly handled in accordance with the election regulations enacted by the Company. The election outcome shall be announced on-the-spot, including the names of those elected as directors and the numbers of votes with which they were elected.
- 5.52 The election ballots for election mentioned in the preceding paragraph shall be duly signed and tightly sealed up by the monitor before being put into careful custody and shall be archived for a minimum of one year, but shall be archived till the litigation is concluded in the event that a shareholder lodges litigation to withdraw the decision in accordance with the Company's Articles of Incorporation.
- 5.53 Minutes of shareholders' meeting shall be duly worked out, duly signed and affixed seal by the chairperson and shall be served to all shareholders within twenty days after the meeting. The minutes may be worked out and handed out in electronic means.
- 5.54 Minutes of shareholders' meeting could be key in to Market Observation Post System (MOPS) for issuing.
- 5.55 Minutes of shareholders' meeting shall bear the month, date, year, place of the meeting, the chairperson's name, the method of resolution through voting (including the weighted voting). When an election of directors is held, the number of weighted votes each candidate wins shall be publicized. The progress and highlights of the meeting and shall be archived in the Company throughout the period while the Company exists.
- 5.56 Regarding the method of resolution mentioned in the preceding paragraph, in the event that a decision is resolved without an objection in response to inquiry by the chairperson toward all present shareholders, the minutes shall expressly remark "The issue is unanimously resolved by all shareholders present in the meeting without an objection in response to inquiry by the chairperson toward all present shareholders". If using the method of balloting, the minutes shall expressly remark the method of balloting, the number of voting powers and ratio of the voting power.
- 5.57 On the number of shares solicited by a shareholder and the number of shares represented by proxies, the Company shall, on the very day when the shareholders' meeting is convened, duly work out the statistical table based on the specified format and expressly disclose at the site of the shareholders' meeting.
- 5.58 In the event that the decisions resolved involve major messages promulgated by law, the Company shall have the contents of such decisions transferred to the website designated by the competent authorities of the government.
- 5.59 The staff in charge of shareholders' meeting shall bear identity certificates or an arm-band.
- 5.60 The chairperson may direct the discipline guards or security guards to help maintain a sound order of the shareholders' meeting. The discipline officers or security guards shall, while maintaining the

order of the meeting, wear identity certificates or arm-bands reading “discipline officers”.

- 5.61 In the event that loudspeaker equipment is provided for the shareholders’ meeting site, the chairperson shall stop anyone who speaks up not with the equipment provided by the Company.
- 5.62 In the event that a shareholder violates the regulations of the meeting and defies regulation by the chairperson, or obstructs the progress of the meeting and defies correcting order, the chairperson may order the discipline officers or security guards to dispel such shareholder out of the shareholders’ meeting site.
- 5.63 During progress of a shareholders’ meeting, the chairperson may fix a time as appropriate for a recess. Upon occurrence of *force majeure*, the chairperson may order temporary suspension of the meeting and announce the time to resume the meeting as the actual situations may justify.
- 5.64 In the event that the site for the shareholders’ meeting cannot be continually used until the scheduled issues (including occasional (extemporaneous) motions) are concluded, the meeting may be relocated elsewhere as appropriate to continue the process of the shareholders’ meeting as resolved in the shareholders’ meeting.
- 5.65 A shareholders’ meeting may be deferred or resumed within five days after adjournment of the meeting announced by the chairperson in accordance with the Company’s Articles of Incorporation.
- 5.66 These Regulations Governing Shareholders’ Meeting and amendment hereof shall be enforcement after approved by the shareholders’ meeting.

6. References:

Nil.

7. Forms concerned:

Nil.

8. Appendices:

Nil.

Operating vouchers

1. Sign-in book of shareholders.
2. Minutes of shareholders’ meeting.



Guidelines for Operating in Good Faith

Revise History				
Version	Owner	Review	Release Date	Release Explain
A	Lee Yu-Mei	Sheng-Shi Chang	120531	First Release
B	Lee Yu-Mei	Huang An-pang	150323	In order to comply with the FSC No.1030039898 notice.

1. Purpose:

These Guidelines for Operating in Good Faith (hereinafter referred to as the “Guidelines”) are established to avoid the Company from corruption, ensure that the Company implements its internal control systems for the prevention and discovery of corruption, and establish an enterprise culture of good faith for the purpose of achieving sound business operations.

2. Scope:

These Guidelines apply to the management of each and every business operation of the Company and its affiliates.

3. Authority:

The financial and accounting department shall be responsible for adopting and amending these Guidelines according to the “Guidelines for the Adoption of Codes of Ethical Conduct”.

4. Definition:

N/A

5. Contents:

- 5.1 These Guidelines are established to establish an enterprise culture of good faith and achieve sound development for the purpose of building a well-functioning business structure.
- 5.2 When engaging in commercial activities, directors, managers, employees, and mandataries of the Company and its affiliates or other persons with de facto control over the Company (hereinafter referred to as "the persons with de facto control") shall not directly or indirectly offer, promise to offer, request or accept any improper benefits, nor commit dishonest acts including breach of ethics, illegal acts, or breach of fiduciary duty (hereinafter referred to as "dishonest activities") for purposes of acquiring or maintaining benefits.
- 5.3 The Dishonest Activities referred to in the preceding paragraph include those conducted upon public servants, political candidates, political parties or the members thereof, and any public and private enterprises or entities and their directors, managers, employees, Persons with *De Facto Control* or other interested parties.
- 5.4 The interests referred to in these Guidelines mean any valuable things, including monies, gifts, commissions, positions, services, benefits and rebates of any form or name, provided that the gifts which meet the normal standard of social etiquette and are given only occasionally without affecting specific rights and obligations shall be excluded.
- 5.5 The Company shall comply with the Company Act, Securities and Exchange Act, Business Entity Accounting Act, Political Donations Act, Anti-Corruption Act, Government Procurement Act, Act on Recusal of Public Servants Due to Conflicts of Interest, the relevant regulations and guidelines for the companies listed on Taiwan Stock Exchange and Gre Tai Securities Market and other laws and regulations of the Republic of China relating to business conducts as the basis to realize the principle of operating in good faith.

- 5.6 The Company shall adopt policies in good faith and establish sound systems of corporate governance and risk control based on the philosophy of honest, transparent and responsible business operations to create a sustainable development of business environment.
- 5.7 The policies for corporate operating in good faith and the related procedures and guide to good practice for preventing dishonest activities (hereinafter referred to as “the Preventive Program”, established by this company in accordance with the related laws of the places where the affiliates and organization operation is located, including but not limited to the periodical employee education & training, employee job rules, and the signing of employment contract with an employee, convening of periodical meetings, and engaging in communications with the clients, with trade transactions, suppliers and other stakeholders, and establish a sunshine/appeal mailbox in the corporate website, to terminate the occurrence of dishonest activities.
- The preventive programs formulated by the Company shall at least include the following preventive measures:
- 5.7.1 Providing and receiving bribery;
- 5.7.2 Unlawful political donations;
- 5.7.3 Improper charitable donations or sponsorship;
- 5.7.4 Offering or accepting unreasonable gifts, treats or other improper benefits.
- 5.7.5 Infringement of trade secrets, trademark rights, patent rights, copyrights, and other intellectual property rights.
- 5.7.6 Engaging in unfair competitive practices.
- 5.7.7 Damage directly or indirectly caused to the rights or interests, health, or safety of consumers or other stakeholders in the course of research and development, procurement, manufacture, provision, or sale of products and services.
- 5.8 The Company and its affiliates shall engage in commercial activities in a fair and transparent manner based on the policies of operating in good faith. Prior to any commercial transactions, the Company and its affiliates shall take into consideration the legality of its agents, suppliers, clients, or other trading counterparties and whether any of them are involved in records of dishonest activities, and shall avoid any dealings with persons so involved. When entering into contracts with its agents, suppliers, clients, or other trading counterparties, the Company and its affiliates shall include in such contracts terms requiring compliance with the policies for corporate operating in good faith and providing that in the event the trading counterparties are involved in dishonest activities, the Company and its affiliates may at any time terminate or rescind the contracts.
- 5.9 When conducting business, the directors, managers, employees, mandataries, and the persons with de facto control of the Company and its affiliates, may not directly or indirectly offer, promise to offer, request, or accept any improper benefits including rebate, commission, facilitating payment, or in whatever form to or from clients, agents, contractors, suppliers, public servants, or other stakeholders.
- 5.10 When directly or indirectly offering a donation to political parties or organizations or individuals participating in political activities, the directors, managers, employees, mandataries, and the persons with de facto control of the Company and its affiliates shall comply with the Political Donations Act and relevant internal operational procedures of the Company, and shall not make such donations in

exchange for commercial gains or business advantages.

- 5.11 When making or offering donations and sponsorship, the directors, managers, employees, mandataries, and the persons with de facto control of the Company and its affiliates shall comply with relevant laws and regulations and internal operational procedures, and shall not surreptitiously engage in bribery.
- 5.12 The directors, managers, employees, mandataries, and the persons with de facto control of the Company and its affiliates shall not directly or indirectly offer or accept any unreasonable presents, hospitality or other improper benefits to establish business relationship or influence commercial transactions.
- 5.13 The directors, managers, employees, mandataries, and the persons with de facto control of the Company and its affiliates shall observe applicable laws and regulations, the Company's internal operational procedures, and contractual provisions concerning intellectual property, and may not use, disclose, dispose, or damage intellectual property or otherwise infringe intellectual property rights without the prior consent of the intellectual property rights holder.
- 5.14 The Company and its affiliates shall engage in business activities in accordance with applicable competition laws and regulations, and may not fix prices, make rigged bids, establish output restrictions or quotas, or share or divide markets by allocating customers, suppliers, territories, or kinds of commerce.
- 5.15 In the course of research and development, procurement, manufacture, provision, or sale of products and services, the directors, managers, employees, mandataries, and the persons with de facto control of the Company and its affiliates shall observe applicable laws and regulations and international standards to ensure the transparency of information about, and safety of, their products and services; and shall also formulate publish a policy on the protection of the rights and interests of consumers or other stakeholders, and carry out the policy in their operation activities, with a view to preventing their products and services from directly or indirectly damaging the rights and interests, health, and safety of consumers or other stakeholders. Where there are sufficient facts to determine that products or services are likely to cause any hazard to the safety and health of consumers or other stakeholders, the Company and its affiliates shall recall those products or suspend the services immediately.
- 5.16 The directors, managers, employees, mandataries, and the persons with de facto control of the Company and its affiliates shall exercise the due care of good administrators to urge the Company and its affiliates to prevent dishonest activities, review the results of its implementation from time to time and continually make improvements so as to ensure thorough implementation of its policies for corporate operating in good faith.
- 5.17 To achieve the sound corporate operating in good faith, the Company shall establish a dedicated unit that is subordinate to the board of directors and responsible for formulating and supervising the implementation of the policies for corporate operating in good faith and preventive programs. The dedicated unit shall be in charge of the following matters, and shall report to the board of directors on a regular basis. Its duties mainly include:
- 5.17.1 Assisting in incorporating ethics and moral values into the Company's operation strategy and formulating relevant preventive measures against corruption and malfeasance to ensure the operating

- in good faith in compliance with the requirements of laws and regulations.
- 5.17.2 Formulating programs to prevent dishonest activities and setting out in each program the standard operating procedures and conduct guidelines with respect to the operations and business.
- 5.17.3 Planning the internal organization, structure, and allocation of responsibilities and setting up check-and-balance mechanisms for mutual supervision of the business activities within the business scope which are possibly at a higher risk for dishonest activities.
- 5.17.4 Promoting and coordinating awareness and educational activities with respect to the policies in good faith.
- 5.17.5 Developing a whistle-blowing system and ensuring its operating effectiveness.
- 5.17.6 Assisting the board of directors and management in auditing and assessing whether the preventive measures taken for the purpose of implementing the operating in good faith are effectively operating, and preparing reports on the regular assessment of compliance with the operating in good faith in related procedures.
- 5.18 When conducting business, the directors, managers, employees, mandataries, and the persons with de facto control of the Company and its affiliates, shall observe regulations of laws and the preventive program.
- 5.19 The Company and its affiliates shall formulate policies for preventing conflicts of interest to identify, monitor, and manage risks possibly resulting from dishonest activities, and shall also provide appropriate channel for directors and managers, and other stakeholders attending or present at board meetings to voluntarily explain whether their interests would potentially conflict with those of the Company.
- 5.20 When a proposal at a board of directors meeting concerns the personal interest of, or the interest of the juristic person represented by, any of the directors, independent directors, managers, and other stakeholders attending or present at board meetings of the Company and its affiliates, the concerned person shall state the important aspects of the relationship of interest at the given board meeting. If his or her participation is likely to prejudice the interest of the Company, the concerned person may not participate in discussion of or voting on the proposal and shall recuse himself or herself from the discussion or the voting, and may not exercise voting rights as proxy for another director. The directors shall practice self-discipline and must not support one another improperly.
- 5.21 The directors, managers, employees, mandataries, and the persons with de facto control of the Company and its affiliates shall not take advantage of their positions or influence in the Company to obtain improper benefits for themselves, their spouses, parents, children or any other person.
- 5.22 The Company shall arrange educational trainings and propaganda for the directors, managers, employees and the Persons with *De Facto* Control of the Company and its affiliates periodically, and shall invite the counterparties with which the Company has business transactions to attend the educational trainings and propaganda in order to make them fully understand the resolution of the Company to implement the principle of operating in good faith, the policies and prevention plans adopted by the Company therefor, and the outcomes of the breach thereof.
- 5.23 The internal audit unit of the Company and its affiliates shall periodically examine the status of compliance with the foregoing systems and prepare audit reports and submit the same to the board of

directors. The internal audit unit may engage a certified public accountant to carry out the audit, and may engage professionals to assist if necessary.

- 5.24 Internal operational procedures and conduct guidelines established by the Company shall concretely provide matters to be noted by the directors, managers, employees, mandataries, and the persons with de facto control of the Company and its affiliates in conducting business. Contents of such matters shall at least include:
- 5.24.1 Standards for determining whether improper benefits have been offered or accepted.
 - 5.24.2 Procedures for offering legitimate political donations.
 - 5.24.3 Procedures and the standard rates for offering charitable donations or sponsorship.
 - 5.24.4 Rules for avoiding work-related conflicts of interests and how they should be reported and handled.
 - 5.24.5 Rules for keeping confidential trade secrets and sensitive business information obtained in the course of business.
 - 5.24.6 Regulations and procedures for dealing with suppliers, clients and business transaction counterparties suspected of dishonest activities.
 - 5.24.7 Handling procedures for violations of Guidelines for Operating in Good Faith.
 - 5.24.8 Disciplinary measures on offenders.
- 5.25 The chairman, general manager, or senior management of the Company and its affiliates shall communicate the importance of corporate ethics to directors, employees, and mandataries on a regular basis.
- The Company shall periodically organize education, training and awareness programs for the directors, managers, employees, mandataries, and the persons with de facto control of the Company and its affiliates and invite the Company's commercial transaction counterparties to participate in the program, so that they may fully understand the Company's decision to implement the corporate operating in good faith, the related policies, preventive programs and the consequences of committing dishonest activities.
- 5.26 The Company and its affiliates shall combine the policies of corporate operating in good faith with its employee performance appraisal system and human resource policies, to establish a clear and effective reward and discipline system.
- 5.27 The Company and its affiliates shall establish a concrete and feasible violation reporting system and scrupulously operate the system. Its contents shall at least include the following matters:
- 5.27.1 Establishing and publishing an internal independent misconduct reporting mailbox or hotline, or appointing other external independent institution to provide a misconduct reporting mailbox or hotline, for use of the Company's internal and external persons.
 - 5.27.2 Designating a dedicated personnel or unit to handle reports of misconduct. Any misconduct involving a director or senior manager shall be reported to the independent directors. Categories of reported misconduct and standard operating procedures for the investigation shall be formulated.
 - 5.27.3 Documentation and maintenance of case acceptance, investigation processes, investigation results, and relevant documents produced.
 - 5.27.4 Confidentiality of the identity of reporters and the content of reported cases.
 - 5.27.5 Measures for protecting reporters from inappropriate punishments due to their reports

5.27.6 Incentive measures for reporters.

When material misconduct or likelihood of material impairment to the Company comes to their awareness upon investigation, the dedicated personnel or unit handling the misconduct reporting system shall immediately prepare a report and notify the independent directors in written form.

5.28 The Company and its affiliates shall provide and publish a well-defined disciplinary and appeal system for handling violations of the rules for corporate operating in good faith, and shall make immediate disclosure on the Company's internal website of the information about the title and name of the violator, the date and details of the violation, and the actions taken in response thereto.

5.29 The Company and its affiliates shall establish and promote quantitative data relating to the operating in good faith and continuously analyze and assess the effectiveness of the promotion of policies for operating in good faith; shall disclose the measures taken for implementing the corporate operating in good faith, the status of implementation, the foregoing quantitative data, and the effect of promotion on the Company's website, annual reports, and prospectuses; and shall disclose contents of these Guidelines for Operating in Good Faith on the Market Observation Post System.

5.30 These Guidelines shall be implemented after being adopted by the board of directors, and shall be submitted at a shareholders' meeting. The same procedure shall apply for amendment thereto. When the Guidelines for Operating in Good Faith are submitted for discussion by the board of directors, the Company shall take into full consideration each independent director's opinions. If an independent director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the board of directors meeting. An independent director who cannot attend the board meeting in person to express objection or reservations shall provide a written opinion before the board meeting, unless there is some legitimate reason to do otherwise, and the opinion shall be specified in the minutes of the board of directors meeting.

6. References:

Code of Ethical Conduct for TWSE/GTSM Listed Companies

7. Relevant Forms:

N/A

8. Attachments:

N/A



Regulations of Acquisition or Disposal of Assets

Revise History				
Version	Owner	Review	Release Date	Release Explain
A	Shing-Fang Tsai	Sheng-Shih Chang	110627	First Release
B	Shing-Fang Tsai	Sheng-Shih Chang	120619	Cooperated with the competent authority to issue an amendment on February 13, 2012, "Regulations Governing the Acquisition and Disposal of Assets by Public Companies"
C	Yu-Wen Chen	Shing-Fang Tsai	140623	1. In accordance with the revised text of Securities and Futures Trading Center of the Republic of China, July 17th, 2013 Securities and Futures No. 1020100911. 2. Revised in accordance with the Financial Management Association, December 30th, 2013 Financial Management Order No. 1020053073.
D	Kun-Jung Wu	An-Bang Huang	170324	Revised in accordance with the competent authority "Securities and Futures Bureau, Financial Supervisory Commission" February 9th, 2017 Financial Management Order No. 1060001296.
E	Kun-Jung Wu	An-Bang Huang	180615	Meet practical needs
F	Hsiang-Chuan Tseng	Mei-Fang Huang	180928	Meet practical needs
G	Hsiang-Chuan Tseng	Mei-Fang Huang	190412	Revised in accordance with the competent authority "Securities and Futures Bureau, Financial Supervisory Commission" November 26th, 2018 Financial Management Order No. 1070341072.

1. Purpose:

In order to strengthen asset management, safeguard investment and implement information disclosure, this method has been formulated.

2. Scope:

Company acquisition or disposal of the following 4.1 assets shall be handled in accordance with the provisions of the regulations.

3. Authorities and responsibilities:

The regulations are formulated and revised by the accounting unit in accordance with the “Regulations Governing the Acquisition and Disposal of Assets by Public Companies”.

4. Definition:

4.1 The applicable scope of the “assets” in the regulations is as follows:

1. Investments in stocks, government bonds, corporate bonds, financial bonds, securities representing interest in a fund, depository receipts, call (put) warrants, beneficial interest securities, and asset-backed securities.
2. Real property (including land, houses and buildings, investment property, rights to use land, and construction enterprise inventory) and equipment.
3. Memberships.
4. Patents, copyrights, trademarks, franchise rights, and other intangible assets.
5. Right-of-use assets
6. Claims of financial institutions (including receivables, bills purchased and discounted, loans, and overdue receivables).
7. Derivatives.
8. Assets acquired or disposed of in connection with mergers, demergers, acquisitions, or transfer of shares in accordance with law.
9. Other major assets.

4.2 “Derivatives” as used in the regulations refers to forward contracts, options contracts, futures contracts, leverage contracts, or swap contracts, whose value is derived from a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable; or hybrid contracts combining the above contracts; or hybrid contracts or structured products containing embedded derivatives.

The term “forward contracts” does not include insurance contracts, performance contracts, after-sales service contracts, long-term leasing contracts, or long-term purchase (sales) contracts.

4.3 The “Assets acquired or disposed through mergers, demergers, acquisitions, or transfer of shares in accordance with law” refers to assets acquired or disposed through mergers, demergers, or acquisitions conducted under relevant laws and regulations, or to transfer of shares from another company through issuance of new shares of its own as the consideration therefor (hereinafter “transfer of shares”)

- 4.4 The term “related party” as defined in the Regulations Governing the Preparation of Financial Reports by Securities Issuers.
- 4.5 The term “subsidiary” as defined in the Regulations Governing the Preparation of Financial Reports by Securities Issuers.
- 4.6 The term “Professional appraisers” as used in the regulations Refers to a real property appraiser or other person duly authorized by law to engage in the value appraisal of real property or equipment.
- 4.7 The term “Date of occurrence” as used in the regulations refers to the date of contract signing, date of payment, date of consignment trade, date of transfer, dates of boards of directors resolutions, or other date that can confirm the counterpart and monetary amount of the transaction, whichever date is earlier; provided, for investment for which approval of the competent authority is required, earlier than the above date or the date of receipt of approval by the competent authority shall be applied.
- 4.8 The term “Mainland China area investment” as used in the regulations refers to investments in mainland China in accordance with relevant laws and regulations.
- 4.9 “Investment professional” as used in the regulations refers to financial holding companies, banks, insurance companies, bill finance companies, trust enterprises, securities firms operating proprietary trading or underwriting business, futures commission merchants operating proprietary trading business, securities investment trust enterprises, securities investment consulting enterprises, and fund management companies, that are lawfully incorporated and are regulated by the competent financial authorities of the jurisdiction where they are located.
- 4.10 “Securities exchange” as used in the regulations or “Domestic securities exchange” refers to the Taiwan Stock Exchange Corporation; “foreign securities exchange” refers to any organized securities exchange market that is regulated by the competent securities authorities of the jurisdiction where it is located.
- 4.11 Over-the-counter venue as used in the regulations or “Domestic OTC venue” refers to a venue for OTC trading provided by a securities firm in accordance with the Regulations Governing Securities Trading on the Taipei Exchange; “foreign OTC venue” refers to a venue at a financial institution that is regulated by the foreign competent authority and that is permitted to conduct securities business.

5. Operating procedures:

- 5.1 Professional appraisers and their officers, certified public accounts, attorneys, and securities underwriters that provide the company with appraisal reports, certified public accountant's opinions, attorney's opinions, or underwriter's opinions shall meet the following requirements:
- (1) May not have previously received a final and unappealable sentence to imprisonment for 1 year or longer for a violation of the Act, the Company Act, the Banking Act of The Republic of China, the Insurance Act, the Financial Holding Company Act, or the Business Entity Accounting Act, or for fraud, breach of trust, embezzlement, forgery of documents, or occupational crime. However, this provision does not apply if 3 years have already passed since completion of service of the sentence, since expiration of the period of a suspended sentence, or since a pardon was received.
 - (2) May not be a related party or de facto related party of any party to the transaction.

- (3) If the company is required to obtain appraisal reports from two or more professional appraisers, the different professional appraisers or appraisal officers may not be related parties or de facto related parties of each other.

When issuing an appraisal report or opinion, the personnel referred to in the preceding paragraph shall comply with the following:

- (1) Prior to accepting a case, they shall prudently assess their own professional capabilities, practical experience, and independence.
- (2) When examining a case, they shall appropriately plan and execute adequate working procedures, in order to produce a conclusion and use the conclusion as the basis for issuing the report or opinion. The related working procedures, data collected, and conclusion shall be fully and accurately specified in the case working papers.
- (3) They shall undertake an item-by-item evaluation of the comprehensiveness, accuracy, and reasonableness of the sources of data used, the parameters, and the information, as the basis for issuance of the appraisal report or the opinion.
- (4) They shall issue a statement attesting to the professional competence and independence of the personnel who prepared the report or opinion, and that they have evaluated and found that the information used is reasonable and accurate, and that they have complied with applicable laws and regulations.

5.2 Note:

- (1) Acquisition or disposal of assets is subject to the approval of the board of directors in accordance with the regulations or other relevant laws, if any director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the board of directors meeting.
- (2) Where the position of independent director has been created in accordance with the provisions of the Act, when the procedures for the acquisition and disposal of assets are submitted for discussion by the board of directors pursuant to the preceding paragraph, the board of directors shall take into full consideration each independent director's opinions. If an independent director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the board of directors meeting.
- (3) Where an audit committee has been established in accordance with the provisions of the Act, when the procedures for the acquisition and disposal of assets are adopted or amended they shall be approved by more than half of all audit committee members and submitted to the board of directors for a resolution. If approval of more than half of all audit committee members is not obtained, the procedures may be implemented if approved by more than two-thirds of all directors, and the resolution of the audit committee shall be recorded in the minutes of the board of directors meeting. The terms "all audit committee members" and "all directors" in the preceding paragraph shall be counted as the actual number of persons currently holding those positions.

5.3 Limit amounts of real property and right-of-use assets thereof or securities that the company purchases for non-business use:

- (1) The total amount of real property and right-of-use assets thereof that the company purchases for

non-business use shall not exceed 50% of the net value; the total amount of real property and right-of-use assets thereof purchased by the subsidiaries of the company for non-business use shall not be higher than 50% net value of the company or its subsidiaries.

- (2) Except with the consent of the shareholders' meeting, the total investment of securities of the company shall not exceed 70% of the net value, except that the invested company is a subsidiary of the company; the total investment in securities of each subsidiary of the company shall not exceed 70% net value of the company, and shall not exceed 70% net value of each subsidiary, except that the invested company is a subsidiary of each subsidiary.
- (3) Except with the consent of the shareholders' meeting, the amount of investment in individual securities of the company shall not exceed 70% net value, except that the invested company is a subsidiary of the company; the amount of investment by the subsidiaries of the company in individual securities shall not exceed 70% net value of the company and shall not exceed 70% net value of each subsidiary, except that the invested company is a subsidiary of each subsidiary.

5.4 The evaluation and operating procedures for the acquisition or disposal of securities:

5.4.1 (1) Price determination and supporting reference materials:

Acquiring or disposing of securities shall, prior to the date of occurrence of the event, obtain financial statements of the issuing company for the most recent period, certified or reviewed by a certified public accountant, for reference in appraising the transaction price, and determine the transaction price in the following manner:

- (1.1) Acquiring or disposing of securities that have been traded in the securities exchange market or over-the-counter markets, transaction price is based on the market price.
- (1.2) Acquiring or disposing of securities that are not traded in the securities exchange market or the over-the-counter markets, should consider its net worth per share, profitability, future development potential, market interest rate, bond coupon rate, debtor's debt and the price is negotiated in reference to the transaction price at the time.

- (2) Opinions from experts upon request: If the dollar amount of acquiring or disposing of securities is 20 percent of the company's paid-in capital or NT\$300 million or more, the company shall additionally engage a certified public accountant prior to the date of occurrence of the event to provide an opinion regarding the reasonableness of the transaction price.

If the CPA needs to use the report of an expert as evidence, the CPA shall do so in accordance with the provisions of Statement of Auditing Standards No. 20 published by the ARDF. This requirement does not apply, however, to publicly quoted prices of securities that have an active market, or where otherwise provided by regulations of the Financial Supervisory Commission (FSC); assets are acquired or disposed of through court auction procedures, the evidentiary documentation issued by the court may be substituted for the appraisal report or CPA opinion.

The calculation of the transaction amount of the preceding paragraph shall be handled in accordance with the second paragraph of 5.11.1.

5.4.2 Degree of authority delegated, and the levels to which authority is delegated:

Levels to which authority is delegated	Degree of authority delegated
The board chairman	Below (including) NT\$60million
The board of directors	Over NT\$60million

- 5.4.3 Units responsible for implementation: The units responsible for the acquisition and disposal of securities investment of the company is the financial department or related authorities.
- 5.4.4 Transaction Process: The transaction process for company acquisition and disposal of securities is handled in accordance with relevant operations of the “Investment Management Standards” of the company's internal control system.
- 5.5 The evaluation and operation procedures of the acquisition and disposal of real estate, right-of-use assets and equipment:
- 5.5.1 Price determination and supporting reference materials:
- (1) The acquisition or disposition of immovable property shall be signed by the original user or the relevant authority and responsible unit, and the asset management unit shall refer to the present value of the announcement, the assessed value, the actual transaction price of the adjacent real estate, the recent transaction price of similar assets, etc. The bargaining or bidding method is one.
 - (2) Opinions from experts upon request: In acquiring or disposing of real property, equipment or right-of-use assets thereof where the transaction amount reaches 20 percent of the company's paid-in capital or NT\$300 million or more, the company, unless transacting with a domestic government agency, engaging others to build on its own land, engaging others to build on rented land, or acquiring or disposing of equipment or right-of-use assets thereof for business use, shall obtain an appraisal report prior to the date of occurrence of the event from a professional appraiser and shall further comply with the following provisions:
 - (3.1) Where due to special circumstances it is necessary to give a limited price, specified price, or special price as a reference basis for the transaction price, the transaction shall be submitted for approval in advance by the board of directors; the same procedure shall also be followed whenever there is any subsequent change to the terms and conditions of the transaction.
 - (3.2) Where the transaction amount is NT\$1 billion or more, appraisals from two or more professional appraisers shall be obtained.
 - (3.3) Where any one of the following circumstances applies with respect to the professional appraiser's appraisal results, unless all the appraisal results for the assets to be acquired are higher than the transaction amount, or all the appraisal results for the assets to be disposed of are lower than the transaction amount, a certified public accountant shall be engaged to perform the appraisal in accordance with the provisions of Statement of Auditing Standards No. 20 published by the ROC Accounting Research and Development Foundation (ARDF) and render a specific opinion regarding the reason for the discrepancy and the appropriateness of the transaction price:
 - (2.3.1) The discrepancy between the appraisal result and the transaction amount is 20 percent or more of the transaction amount.
 - (2.3.2) The discrepancy between the appraisal results of two or more professional appraisers is 10 percent or more of the transaction amount.
 - (3.4) No more than 3 months may elapse between the date of the appraisal report issued by a

professional appraiser and the contract execution date; where the publicly announced current value for the same period is used and not more than 6 months have elapsed, an opinion may still be issued by the original professional appraiser. Where the company acquires or disposes of assets through court auction procedures, the evidentiary documentation issued by the court may be substituted for the appraisal report or CPA opinion.

The calculation of the transaction amount referred to in the preceding paragraph shall be made in accordance with the second paragraph of 5.11.1.

5.5.2 Degree of authority delegated, and the levels to which authority is delegated:

Levels to which authority is delegated	Degree of authority delegated
The board chairman	Below (including) NT\$60million
The board of directors	Over NT\$60million

5.5.3 Units responsible for implementation: The units responsible for the acquisition and disposal of the company's real estate, equipment or right-of-use assets thereof are the finance department or related authorities.

5.6 The evaluation and operating procedures for the acquisition or disposal of assets from related parties:

5.6.1. When the company engages in any acquisition or disposal of assets from or to a related party, in addition to ensuring that the necessary resolutions are adopted and the reasonableness of the transaction terms is appraised in accordance with 5.4.1(2), 5.5.1(2) and 5.7.2 of the regulations, if the transaction amount reaches 10 percent or more of the company's total assets, the company shall also obtain an appraisal report from a professional appraiser or a CPA's opinion in compliance with the provisions.

The calculation of the transaction amount referred to in the preceding paragraph shall be made in accordance with the second paragraph of 5.11.1.

5.6.2. When judging whether a trading counterparty is a related party, in addition to legal formalities, the substance of the relationship shall also be considered.

5.6.3. Acquisition or disposal of real property or right-of-use assets thereof from or to a related party, or when it intends to acquire or dispose of assets other than real property or right-of-use assets thereof from or to a related party and the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the company's total assets, or NT\$300 million or more, except in trading of domestic government bonds or bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises, the company may not proceed to enter into a transaction contract or make a payment until the following matters have been approved by the board of directors.

- (1) The purpose, necessity and anticipated benefit of the acquisition or disposal of real property or right-of-use assets thereof.
- (2) The reason for choosing the related party as a trading counterparty.
- (3) With respect to the acquisition of real property or right-of-use assets thereof from a related party, information regarding appraisal of the reasonableness of the preliminary transaction terms.
- (4) The date and price at which the related party originally acquired the real property, the original

trading counterparty, and that trading counterparty's relationship to the company and the related party.

- (5) Monthly cash flow forecasts for the year commencing from the anticipated month of signing of the contract, and evaluation of the necessity of the transaction, and reasonableness of the funds utilization.
- (6) An appraisal report from a professional appraiser or a CPA's opinion obtained in compliance with article 5.6.1, or an accountant's opinion. If the valuation result differs from the transaction amount by more than 20% of the transaction amount, the accountant should be consulted to express specific opinions on the reason for the difference and the transaction price, and more than two-thirds of the directors of the board of directors should attend to the board. The valuation result has to be agreed by over 50% of the directors who attended the agreement.
- (7) Restrictive covenants and other important stipulations associated with the transaction.
- (8) To request the accountant to express opinions on whether the transaction of the related party is in line with normal commercial conditions and whether it does not harm the interests of the company and its minority shareholders.

The calculation of the transaction amounts referred to in the preceding paragraph shall be made in accordance with Article 5.11.1, paragraph 2 herein, and "within the preceding year" as used herein refers to the year preceding the date of occurrence of the current transaction. Items that have been approved by the board of directors and recognized by the supervisors need not be counted toward the transaction amount.

- 5.6.4. Where the position of independent director has been created in accordance with the provisions of the Act, when a matter is submitted for discussion by the board of directors pursuant to article 5.6.3, the board of directors shall take into full consideration each independent director's opinions. If an independent director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the board of directors meeting. Where an audit committee has been established shall first be approved by more than half of all audit committee members and then submitted to the board of directors for a resolution. If approval of more than half of all audit committee members is not obtained, the procedures may be implemented if approved by more than two-thirds of all directors, and the resolution of the audit committee shall be recorded in the minutes of the board of directors meeting. The terms "all audit committee members" and "all directors" shall be counted as the actual number of persons currently holding those positions.

- 5.6.5. Acquisition of real property or right-of-use assets from a related party shall evaluate the reasonableness of the transaction costs by the following means:

- (1) Based upon the related party's transaction price plus necessary interest on funding and the costs to be duly borne by the buyer. "Necessary interest on funding" is imputed as the weighted average interest rate on borrowing in the year the company purchases the property; provided, it may not be higher than the maximum non-financial industry lending rate announced by the Ministry of Finance.
- (2) Total loan value appraisal from a financial institution where the related party has previously created a mortgage on the property as security for a loan; provided, the actual cumulative amount

loaned by the financial institution shall have been 70 percent or more of the financial institution's appraised loan value of the property and the period of the loan shall have been 1 year or more. However, this shall not apply where the financial institution is a related party of one of the trading counterparties.

- (3) Where land and structures thereupon are combined as a single property purchased or leased in one transaction, the transaction costs for the land and the structures may be separately appraised in accordance with either of the means listed in the preceding 2 paragraphs.
- (4) Acquisition of real property or right-of-use assets thereof from a related party and appraises the cost of the real property or right-of-use assets thereof in accordance with provisions of preceding paragraphs shall also engage a CPA to check the appraisal and render a specific opinion.
- (5) Acquisition of real property or right-of-use assets thereof from a related party and one of the following circumstances exists, the acquisition shall be conducted in accordance with the provisions of 5.6.3 and 5.6.4 and the provisions of 5.6.5(1)~(4) do not apply:
 - (5.1) The related party acquired the real property or right-of-use assets through inheritance or as a gift.
 - (5.2) More than 5 years will have elapsed from the time the related party signed the contract to obtain the real property or right-of-use assets to the signing date for the current transaction.
 - (5.3) The real property is acquired through signing of a joint development contract with the related party, or through engaging a related party to build real property, either on the company's own land or on rented land.
 - (5.4) The real property right-of-use assets for business use are acquired by the public company with its parent or subsidiaries, or by its subsidiaries in which it directly or indirectly holds 100 percent of the issued shares or authorized capital.

5.6.6. When the results of the company's appraisal conducted in accordance with 5.6.5(1)~(3) are uniformly lower than the transaction price, the matter shall be handled in compliance with 5.6.7. However, where the following circumstances exist, objective evidence has been submitted and specific opinions on reasonableness have been obtained from a professional real property appraiser and a CPA have been obtained, this restriction shall not apply:

- (1) Where the related party acquired undeveloped land or leased land for development, it may submit proof of compliance with one of the following conditions:
 - (1.1) Where undeveloped land is appraised in accordance with the means in the preceding Article, and structures according to the related party's construction cost plus reasonable construction profit are valued in excess of the actual transaction price. The "Reasonable construction profit" shall be deemed the average gross operating profit margin of the related party's construction division over the most recent 3 years or the gross profit margin for the construction industry for the most recent period as announced by the Ministry of Finance, whichever is lower.
 - (1.2) Transactions by unrelated parties within the preceding year involving other floors of the same property or neighboring or closely valued parcels of land, where the land area and transaction terms are similar after calculation of reasonable price discrepancies in floor or

area land prices in accordance with standard real property or leasing market practices.

- (2) Acquisition of real property or lease to obtain real property right-of-use assets from a related party provides evidence that the terms of the transaction are similar to the terms of transactions completed for the acquisition of neighboring or closely valued parcels of land of a similar size by unrelated parties within the preceding year.
- (3) Transactions for neighboring or closely valued parcels of land in the preceding paragraph in principle refers to parcels on the same or an adjacent block and within a distance of no more than 500 meters or parcels close in publicly announced current value; transaction for similarly sized parcels in principle refers to transactions completed by unrelated parties for parcels with a land area of no less than 50 percent of the property in the planned transaction; within the preceding year refers to the year preceding the date of occurrence of the acquisition of the real property or right-of-use assets thereof.

5.6.7. Acquisition of real property from a related party and the results of appraisals conducted in accordance with the provisions of 5.6.5 and 5.6.6 are uniformly lower than the transaction price, the following steps shall be taken:

- (1) A special reserve shall be set aside in accordance with relative regulations against the difference between the transaction price of real property or right-of-use assets thereof and the appraised cost, and may not be distributed or used for capital increase or issuance of bonus shares. Where the company uses the equity method to account for its investment in another company, then the special reserve shall be set aside in a proportion consistent with the share of the company's equity stake in the other company.
- (2) Actions taken pursuant to the preceding paragraph shall be reported to a shareholders meeting, and the details of the transaction shall be disclosed in the annual report and any investment prospectus.

5.6.8. If the company has set aside a special reserve under the provisions of 5.6.7 may not utilize the special reserve until it has recognized a loss on decline in market value of the assets it purchased or leased at a premium, or they have been disposed of, or the leasing contract has been terminated, or adequate compensation has been made, or the status quo ante has been restored, or there is other evidence confirming that there was nothing unreasonable about the transaction, and the relevant competent authority has given its consent.

5.6.9. When the company obtains real property or right-of-use assets thereof from a related party, it shall also comply with 5.6.7 and 5.6.8 if there is other evidence indicating that the acquisition was not an arms length transaction.

5.6.10. With respect to the types of transactions listed below, when to be conducted between the company, its subsidiary, or between its subsidiaries in which it directly or indirectly holds 100 percent of the issued shares or authorized capital, the company's board of directors may pursuant to Article 7, paragraph 1, subparagraph 3 delegate the board chairman to decide such matters when the transaction is within a certain amount and have the decisions subsequently submitted to and ratified by the next board of directors meeting.

- (1) Acquisition or disposal of equipment or right-of-use assets thereof held for business use.

(2) Acquisition or disposal of real property right-of-use assets held for business use.

5.6.11. The Company has the following circumstance with the related parties. After the approval of the Board of Directors, it shall still be approved by the shareholders' meeting and the relevant person or Persons in charge are not allowed to vote:

- (1) The difference between the transaction amount and the valuation amount is more than 20%.
- (2) The transaction amount and conditions have a significant impact on the company's operations.
- (3) Significant influence on shareholders' equity.
- (4) Other board members believe that the resolution of the shareholders' meeting should be mentioned.

5.7 The evaluation and operating procedures for the acquisition or disposal of memberships, intangible assets or right-of-use assets thereof and other important assets:

5.7.1 Price Determination Method and Reference Basis: To obtain or dispose of the membership card, the relevant price information should be collected in advance and selected by price or bargaining method; if the intangible assets or right-of-use assets thereof and other important assets are obtained or disposed of, the relevant price should also be collected in advance. Information is collected, then careful assessment of relevant laws and contractual content is done to determine the transaction price.

5.7.2 Opinions from experts upon request: Where a public company acquires or disposes of memberships or intangible assets or right-of-use assets thereof and the transaction amount reaches 20 percent or more of paid-in capital or NT\$300 million or more, except in transactions with a domestic government agency, the company shall engage a certified public accountant prior to the date of occurrence of the event to render an opinion on the reasonableness of the transaction price; the CPA shall comply with the provisions of Statement of Auditing Standards No. 20 published by the ARDF. The calculation of the transaction amounts referred to in the preceding three articles shall be done in accordance with Article 5.11.1, paragraph 2 herein, and "within the preceding year" as used herein refers to the year preceding the date of occurrence of the current transaction. Items for which an appraisal report from a professional appraiser or a CPA's opinion has been obtained need not be counted toward the transaction amount.

5.7.3 Degree of authority delegated, and the levels to which authority is delegated:

Levels to which authority is delegated	Degree of authority delegated
The board chairman	Below (including) NT\$60million
The board of directors	Over NT\$60million

5.7.4 Units responsible for implementation: The units responsible for the acquisition and disposal of the company's relevant memberships and intangible assets or right-of-use assets thereof are the finance department or related authorities.

5.7.5 Transaction Process: The transaction process for company acquisition and disposal of memberships and intangible assets or right-of-use assets is handled in accordance with relevant operations of the "Purchase and payment Standards" of the company's internal control system..

5.8 The evaluation and operating procedures for the acquisition or disposal of creditor's rights of the financial institution: the company does not engage in the acquisition or disposal of the claims of financial institutions. If it wants to engage in the acquisition or disposal of the claims of financial

institutions, it will be submitted to the board of directors for approval to establish its assessments and operating procedures.

5.9 The evaluation and operating procedures for the engagement in Derivatives Trading:

5.9.1 Trading principles and strategies:

(1) Types of derivatives that may be traded: If the company is mainly engaged in the exchange of forward foreign exchange, option, interest rate or exchange rate (SWAP), the outright purchases/sells of bonds and the selling of Repurchase agreements. Other commodities should be agreed by more than one-half of all members of the Audit Committee and approved by the Board of Directors.

(2) Operation or hedging strategy: When the Company engages in transaction of derivatives, it should aim at avoiding risks. The Company should choose trading commodities that would hedge the risks arising from the business operations of the company.

(3) Transaction limits and segregation of duties:

(3.1) Transaction limits:

(3.1.1) For the purpose of hedge: Degree of authority delegated, and the levels to which authority is delegated for hedge performances:

Levels to which authority is delegated	Daily transaction limits	Accumulated net transaction limits
The board chairman	Below (including) NT\$2million	Below (including) NT\$2million
The board of directors	Over NT\$2million	Over NT\$2million

(3.1.2) Transactions not for the purpose of hedging shall be submitted to the board of directors for approval.

(3.2) Financial unit: responsible for the operation strategy of the derivative goods, and conducts various transactions according to the authorized authority.

(3.3) Accounting unit: responsible for the accounting of the transactions of derivatives, the production of accounting statements, and the summary of periodic information.

(3.4) Auditing unit: Understand the appropriateness of internal control such as division of duties and operational procedures, and check the compliance of the trading unit with the processing procedure.

(4) Performance evaluation: In order to fully grasp and express the evaluation risk of the transaction, the company evaluates the profit and loss by means of the monthly evaluation method.

(5) Total contract amount: Total amount of derivatives contracts that the company engages in for the purpose of hedging shall not exceed the actual business demand. Total amount of derivatives contracts not for the purpose of hedging is limited to 10% of the company's net value.

(6) Maximum loss limit: After the trading position is established, stop loss points should be set to prevent excess losses. The establishment of a stop loss point is limited to no more than 10% of the total or individual transaction contract. If the loss exceeds the upper limit, it must be reported to the chairman immediately and reported to the board of directors to discuss the necessary countermeasures.

5.9.2 Risk management measures:

(1) The scope of Risk management:

- (1.1) Credit risk management – Principally, the transaction object should be a domestic and foreign financial institution with good credit, and can provide professional information. The financial supervisor shall be responsible for controlling the transaction amount of the financial institutions, and shall not be over-concentrated, and adjust the transaction amount of the financial institutions at any time according to changes in market conditions.
- (1.2) Market risk management - Select a market in which the quote information is fully disclosed.
- (1.3) Liquidity risk management - To ensure liquidity, trading financial institutions must have sufficient equipment, information and trading capabilities and be able to trade in any market.
- (1.4) Cash flow risk management - In order to ensure the stability of the company's working capital turnover, the company's source of funds for derivative commodity transactions is limited to its own funds.
- (1.5) Operational risk management - Must strictly comply with the authorization quota, operating procedures and other regulations set by the company to avoid operational risks.
- (1.6) Legal Risk Management - Any document signed with a financial institution must be legally reviewed before it can be formally signed to avoid legal risks.
- (2) Traders engaged in derivative commodities and operators such as confirmation and delivery shall not concurrently serve each other.
- (3) The risk measurement, supervision and control personnel shall be in different departments from the former personnel, and shall report to the board of directors or high-level supervisors who are not responsible for the decision-making of the transaction or part.
- (4) The parts held by the derivative commodity exchanges shall be assessed periodically, in accordance with the provisions of 5.9.6.

5.9.3 Internal auditing system: The internal auditing personnel of the Company shall regularly understand the admissibility of the internal control of derivative commodity transactions, and shall make an audit report on the compliance of the monthly auditing trading department with the procedures for dealing with derivative commodity transactions. In case of violations, the Audit Committee shall be notified in writing:

5.9.4 Supervision and management of the board of directors:

- (1) When the company engages in derivatives trading, its board of directors shall faithfully supervise and manage such trading in accordance with the following principles:
 - (1.1) Designate senior management personnel and pay continuous attention on monitoring and controlling derivatives trading risk.
 - (1.2) Evaluate periodically whether derivatives trading performance is consistent with established operational strategy and whether the risk undertaken is within the company's permitted scope of tolerance.
- (2) Senior management personnel authorized by the board of directors shall manage derivatives trading in accordance with the following principles:
 - (2.1) Periodically evaluate the risk management measures currently employed are appropriate and are faithfully conducted in accordance with these Regulations and the procedures for

engaging in derivatives trading formulated by the company.

(2.2) When irregular circumstances are found in the course of supervising trading and profit-loss circumstances, appropriate measures shall be adopted and a report immediately made to the board of directors; where a company has independent directors, an independent director shall be present at the meeting and express an opinion.

(3) The company shall report to the soonest meeting of the board of directors after it authorizes the relevant personnel to handle derivatives trading in accordance with its Procedures for Engaging in Derivatives Trading.

5.9.5 A public company engaging in derivatives trading shall establish a log book in which details of the types and amounts of derivatives trading engaged in, board of directors approval dates, and the matters required to be carefully evaluated under 5.9.1(4), 5.9.4(1)(1.2) And 5.9.4(2)(2.1) shall be recorded in detail in the log book.

5.9.6 Regular evaluation methods and the handling of irregular circumstances

(1) Derivatives trading positions held shall be evaluated at least once per week; however, positions for hedge trades required by business shall be evaluated at least twice per month. Evaluation reports shall be submitted to senior management personnel authorized by the board of directors.

(2) Senior management personnel authorized by the board of directors shall periodically evaluate the risk management measures currently employed are appropriate and are faithfully conducted in accordance with these Regulations and the procedures for engaging in derivatives trading formulated by the company, and periodically evaluate whether derivatives trading performance is consistent with established operational strategy and whether the risk undertaken is within the company's permitted scope of tolerance. When irregular circumstances are found in the course of supervising trading and profit-loss circumstances, appropriate measures shall be adopted and a report immediately made to the board of directors.

5.10 Assessment and operating procedures for mergers, splits, acquisitions, and assignment of shares:

5.10.1 When the company conducts a merger, demerger, acquisition, or transfer of shares, prior to convening the board of directors to resolve on the matter, it shall engage a CPA, attorney, or securities underwriter to give an opinion on the reasonableness of the share exchange ratio, acquisition price, or distribution of cash or other property to shareholders, and submit it to the board of directors for deliberation and passage. However, the requirement of obtaining an aforesaid opinion on reasonableness issued by an expert may be exempted in the case of a merger by a public company of a subsidiary in which it directly or indirectly holds 100 percent of the issued shares or authorized capital, and in the case of a merger between subsidiaries in which the public company directly or indirectly holds 100 percent of the respective subsidiaries' issued shares or authorized capital.

5.10.2 When the company becomes a public company, it shall prepare a public report to shareholders detailing important contractual content and matters relevant to the merger, demerger, or acquisition prior to the shareholders meeting and include it along with the expert opinion referred to in paragraph 1 of the preceding Article when sending shareholders notification of the shareholders meeting for reference in deciding whether to approve the merger, demerger, or acquisition. Provided,

where a provision of another act exempts a company from convening a shareholders meeting to approve the merger, demerger, or acquisition, this restriction shall not apply. If the company fails to convene or pass a resolution due to lack of a quorum, insufficient votes, or other legal restriction, or the proposal is rejected by the shareholders meeting, it shall immediately publicly explain the reason, the follow-up measures, and the preliminary date of the next shareholders meeting.

5.10.3 Unless otherwise stipulated by other laws or with special factors, the company shall convene the board of directors and the shareholders' meeting on the same day as the company participating in the merger, division or acquisition, in addition to the prior approval of the Financial Supervision and Administration Commission (hereinafter referred to as the Financial Management Association) for resolutions on mergers, splits or acquisitions. The company that participates in the transfer of shares shall convene the board of directors on the same day, unless otherwise stipulated by other laws or with special factors in advance to the consent of the FSC.

5.10.4 The Company shall prepare a full written record of the following information and retain it for 5 years for reference.

(1) Basic identification data for personnel: Including the occupational titles, names, and national ID numbers (or passport numbers in the case of foreign nationals) of all persons involved in the planning or implementation of any merger, demerger, acquisition, or transfer of another company's shares prior to disclosure of the information.

(2) Dates of material events: Including the signing of any letter of intent or memorandum of understanding, the hiring of a financial or legal advisor, the execution of a contract, and the convening of a board of directors meeting.

(3) Important documents and minutes: Including merger, demerger, acquisition, and share transfer plans, any letter of intent or memorandum of understanding, material contracts, and minutes of board of directors meetings.

5.10.5 In accordance with relative regulations, the company shall, within 2 days counting inclusively from the date of passage of a resolution by the board of directors, report (in the prescribed format and via the Internet-based information system) the information set out in 5.10.4(1)~(2) to the the relevant competent authority for recordation.

5.10.6 Every person participating in or privy to the plan for merger, demerger, acquisition, or transfer of shares shall issue a written undertaking of confidentiality and may not disclose the content of the plan prior to public disclosure of the information and may not trade, in their own name or under the name of another person, in any stock or other equity security of any company related to the plan for merger, demerger, acquisition, or transfer of shares.

5.10.7 The company may not arbitrarily alter the share exchange ratio or acquisition price unless under the below-listed circumstances, and shall stipulate the circumstances permitting alteration in the contract for the merger, demerger, acquisition, or transfer of shares:

(1) Cash capital increase, issuance of convertible corporate bonds, or the issuance of bonus shares, issuance of corporate bonds with warrants, preferred shares with warrants, stock warrants, or other equity based securities.

(2) An action, such as a disposal of major assets, which affects the company's financial operations.

- (3) An event, such as a major disaster or major change in technology, which affects shareholder equity or share price.
- (4) An adjustment where any of the companies participating in the merger, demerger, acquisition, or transfer of shares from another company, buys back treasury stock.
- (5) An increase or decrease in the number of entities or companies participating in the merger, demerger, acquisition, or transfer of shares.
- (6) Other terms/conditions that the contract stipulates may be altered and that have been publicly disclosed.

5.10.8 The contract for participation by the company in a merger, demerger, acquisition, or of shares shall record the rights and obligations of the companies participating in the merger, demerger, acquisition, or transfer of shares, and shall also record the following:

- (1) Handling the breach of contract.
- (2) Principles for handling equity-type securities previously issued or treasury stock previously bought back by any company that is extinguished in a merger or that is demerged.
- (3) The amount of treasury stock participating companies are permitted under law to buy back after the record date of calculation of the share exchange ratio, under the principles for handling thereof.
- (4) The method of handling changes in the number of participating entities or companies.
- (5) Preliminary progress schedule for plan execution, and anticipated completion date.
- (6) Scheduled date for convening the legally mandated shareholders meeting if the plan exceeds the deadline without completion, and relevant procedures.

5.10.9 After public disclosure of the information, if the company participates in the merger, demerger, acquisition, or share transfer and intends further to carry out a merger, demerger, acquisition, or share transfer with another company, it shall carry out anew the procedures or legal actions that had originally been completed toward the merger, demerger, acquisition, or share transfer; except that where the number of participating companies is decreased and a participating company's shareholders meeting has adopted a resolution authorizing the board of directors to alter the limits of authority, such participating company may be exempted from calling another shareholders meeting to resolve on the matter anew.

5.10.10 If any of the companies participating in a merger, demerger, acquisition, or transfer of shares is not a public company, the company shall sign an agreement with the non-public company whereby the latter is required to abide by the provisions of articles 5.10.3~5.10.6 and 5.10.9.

5.11 Public Disclosure of Information:

5.11.1 Under any of the following circumstances, if the company acquire or dispose of assets, it shall publicly announce and report the relevant information on the FSC's designated website in the appropriate format as prescribed by regulations within 2 days counting inclusively from the date of occurrence of the event:

- (1) Acquisition or disposal of real property or right-of-use assets thereof from or to a related party, or acquisition or disposal of assets other than real property or right-of-use assets thereof from or to a related party where the transaction amount reaches 20 percent or more of paid-in capital, 10

percent or more of the company's total assets, or NT\$300 million or more; provided, this shall not apply to trading of domestic government bonds or bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises.

- (2) Merger, demerger, acquisition, or transfer of shares.
- (3) Losses from derivatives trading reaching the limits on aggregate losses or losses on individual contracts set out in the procedures adopted by the company.
- (4) Where the type of asset acquired or disposed is equipment or right-of-use assets thereof for business use, the trading counterparty is not a related party, and the transaction amount meets any of the following criteria:
 - (4.1) When the company's paid-in capital is less than NT\$10 billion, the transaction amount reaches NT\$500 million or more.
 - (4.2) When the company's paid-in capital is NT\$10 billion or more, the transaction amount reaches NT\$1 billion or more.
- (5) Where land is acquired under an arrangement on engaging others to build on the company's own land, engaging others to build on rented land, joint construction and allocation of housing units, joint construction and allocation of ownership percentages, or joint construction and separate sale, and furthermore the transaction counterparty is not a related party, the amount the company expects to invest in the transaction reaches NT\$500 million.
- (6) Where an asset transaction other than any of those referred to in the preceding six subparagraphs, a disposal of receivables by a financial institution, or an investment in the mainland China area reaches 20 percent or more of paid-in capital or NT\$300 million. This shall not apply to the following circumstances:
 - (6.1) Trading of domestic government bonds.
 - (6.2) Securities trading by investment professionals on securities exchanges or OTC markets, or subscription of ordinary corporate bonds or general bank debentures without equity characteristics (excluding subordinated debt) that are offered and issued in the primary market, or subscription or redemption of securities investment trust funds or futures trust funds, or subscription by a securities firm of securities as necessitated by its undertaking business or as an advisory recommending securities firm for an emerging stock company, in accordance with the rules of the Taipei Exchange.
 - (6.3) The trading of bonds under repurchase/resale agreements, or the subscription or redemption of money market funds issued by the domestic securities investment trust enterprises.

The amount of transactions above shall be calculated as follows. "Within the preceding year" refers to the year preceding the date of occurrence of the current transaction. Items duly announced in accordance with these Regulations need not be counted toward the transaction amount:

- (1) The amount of any individual transaction.
- (2) The cumulative transaction amount of acquisitions and disposals of the same type of underlying asset with the same trading counterparty within the preceding year.
- (3) The cumulative transaction amount of real property or right-of-use assets acquisitions and

disposals (cumulative acquisitions and disposals, respectively) within the same development project within the preceding year.

(4) The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of the same security within the preceding year.

5.11.2 The company shall compile monthly reports on the status of derivatives trading engaged in up to the end of the preceding month by companies and any subsidiaries that are not domestic public companies and enter the information in the prescribed format into the information reporting website designated by the FSC by the 10th day of each month.

5.11.3 If the company at the time of public announcement makes an error or omission in an item required by regulations to be publicly announced and so is required to correct it, all the items shall be again publicly announced and reported in their entirety within two days counting inclusively from the date of notification.

5.11.4 If the company acquire or dispose of assets, it shall keep all relevant contracts, meeting minutes, log books, appraisal reports and CPA, attorney, and securities underwriter opinions at companies, where they shall be retained for 5 years except where another act provides otherwise.

5.11.5 Where any of the following circumstances occurs with respect to a transaction that the company has already publicly announced and reported in accordance with the preceding article, a public report of relevant information shall be made on the information reporting website designated by the FSC within 2 days counting inclusively from the date of occurrence of the event:

(1) Change, termination, or rescission of a contract signed in regard to the original transaction.

(2) The merger, demerger, acquisition, or transfer of shares is not completed by the scheduled date set forth in the contract.

(3) Change to the originally publicly announced and reported information.

5.11.6 Information is required to be publicly announced and reported in accordance with the provisions on acquisitions and disposals of assets by a subsidiary of the company that is not itself a public company in Taiwan shall be reported by the company. The paid-in capital or total assets of the company shall be the standard for determining whether or not a subsidiary referred to in the preceding paragraph is subject to the standards of requiring a public announcement and regulatory filing in the event the type of transaction specified therein reaches a threshold of the paid-in capital or total assets.

5.11.7 A subsidiary of the company is not a publicly-issued company. It obtains or disposes of real property from the related party. Regardless of the amount of the amount, the parent company is required to file an announcement on behalf of the subsidiary.

5.11.8 For the calculation of 10 percent of total assets under these Regulations, the total assets stated in the most recent parent company only financial report or individual financial report prepared under the Regulations Governing the Preparation of Financial Reports by Securities Issuers shall be used.

5.11.9 In the case of a company whose shares have no par value or a par value other than NT\$10, for the calculation of transaction amounts of 20 percent of paid-in capital under these Regulations, 10 percent of equity attributable to owners of the parent shall be substituted; for calculations under the

provisions of these Regulations regarding transaction amounts relative to paid-in capital of NT\$10 billion, NT\$20 billion of equity attributable to owners of the parent shall be substituted.

- 5.12 Control procedures for obtaining or disposing of assets by subsidiaries:
- (1) The company shall urge all subsidiaries to stipulate the procedures for obtaining or disposing of assets. After their board of directors approves, they shall submit their shareholders' meeting for approval, and the same shall apply.
 - (2) The acquisition or disposal of assets by each subsidiary shall be handled in accordance with the "Regulations for the Acquisition or Disposal of Assets" or other legal provisions. The financial department of the company shall assess the feasibility, necessity and rationality of the acquisition or disposal of the assets, and follow up the implementation status after the analysis and conduct an analysis and review.
 - (3) The internal auditors of the company shall regularly audit the compliance of each subsidiary with the "Regulations for obtaining or disposing of assets" and make an audit report; the findings and recommendations of the audit report shall be notified to each of the audited subsidiaries after the audit. Improve and regularly make follow-up reports to determine that they have taken appropriate improvement regulations in a timely manner.
- 5.13 Penalty: The relevant personnel of the company handle the acquisition or disposal of assets. In case of violation of the provisions of the regulations, they shall be punished according to the relevant rules and regulations of the company.
- 5.14 Supplementary to relevant laws and regulations: Matters not covered in the regulations are handled in accordance with the relevant laws and regulations.
- 5.14.1 The company may not give up on Advanced Lithium Electrochemistry Co., Ltd., Taiwan, Advanced Lithium Electrochemistry Co., Ltd., Hong Kong, Aleees Eco Ark (Cayman) Co., Ltd. and Emerald Battery Technologies Co., Ltd. The company's capital increase in the coming years; Advanced Lithium Electrochemistry Co., Ltd., Hong Kong shall not abandon the capital increase of the opposite year of the Aleees Eco Ark (Shanghai) Co., Ltd.; Aleees Eco Ark (Cayman) Co., Ltd. shall not give up on Aleees Eco Ark Co., Ltd., Taiwan will increase its capital in future years.
- 5.14.2 In the future, if the company is required to abandon the capital increase or dispose of the company's equity in the company, it must be approved by the company's board of directors due to the strategic alliance considerations or other consents of the "Republic of China Securities Counter Trading Center". . In the event of any amendments to this regulation, the major information of the public information observatory should be revealed and reported to the "Corporate Trading Centre of the Republic of China" for future reference.
- 5.15 Implementation and revision:
- 5.15.1 The company shall stipulate that the Regulations shall be implemented by the Board of Directors and submitted to the shareholders' meeting for approval, and shall be implemented from the date of the listing of the shares of the Company on the Taiwan Stock Exchange Co., Ltd. or the Securities and Futures Securities Trading Center of the Republic of China. If a director expresses dissent and has a record or written statement, the company shall report its objection to the shareholders' meeting for discussion. The same applies to the amendment.

- 5.15.2 When the company has set up independent directors, when submitting the regulations to the board of directors for discussion according to the provisions of 5.15.1, the opinions of each independent director shall be fully considered, and their objections or reservations shall be included in the records of the board of directors.
- 5.15.3 If the audit committee has been set up in accordance with the articles of association of the company, the amendment or amendment of the regulations shall be subject to the approval of more than one-half of the members of the audit committee and the resolution of the board of directors shall be submitted.
- 5.15.4 If more than one-half of the members of the audit committee have agreed in article 5.15.3, more than two-thirds of all directors may agree to do so, and the resolution of the audit committee shall be stated at the chairman's meeting.
- 5.15.5 All members of the Audit Committee as referred to in 5.15.3 and all directors referred to in the preceding paragraph shall be calculated by the actual incumbent.

6. References:

- 6.1 Derivatives log book.

7. Related forms:

- 7.1 Derivatives log book.

8. Attachment:

- 8.1 None.

Operating certificate:

1. None.

Precautions:

1. None.

5. Stockholding of directors



英屬蓋曼群島商立凱電能科技股份有限公司
Advanced Lithium Electrochemistry (Cayman) Co., Ltd.

Stockholding of directors

1. Number of shares for all directors in the list of shareholders

Position	Number of shares in the list of shareholders for book closure
All directors	630,072

Note: 1. Date of book closure February 15, 2021.

2. The company's number of shares of its paid-in capital is 160,019,664 shares in February 15, 2021.

3. The regulations for the numbers of shares required to be held do not apply in accordance with the number of shares of directors' supervisors of the company and Article 2 of the implementation regulations.

2. Number of shares held

Position	Name	Number of shares in the list of shareholders for book closure
Chairman	Sheng-Shih Chang	630,072
Director	Jaime Che	-
Director	Chi Kei Ching	-
Independent director	Wei-Min Shen	-
Independent director	Hsuan Wang	-
Independent director	I Yun Chang	-
Independent director	Chien-Hsiu Lee	-