

Stock Code: 3030



# **Handbook for 2017 Shareholders Meeting of Test Research Inc.**

May 26<sup>th</sup>, 2017

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# **2017 Shareholders Meeting Agenda of Test Research Inc.**

**I. Time:** 9:00 a.m. on May 26 (Friday), 2017

**II. Venue:** 3F(Training Room of the Company), No. 36-1, Huangxi St., Shilin District, Taipei City

## **III. Meeting Agenda**

1. Call meeting to order
2. Chairman gives the opening address
3. Reporting items:
  - (1)2016 Annual Business Report
  - (2) Supervisor's Review Report on 2016 Financial Statement
  - (3) Statement of 2016 Earning Distribution for Employees, Directors and Supervisors
4. Approval items:
  - (1)Adoption of 2016 Financial Statement
  - (2)Adoption of 2016 Earning Distribution Plan
5. Discussion and election items:
  - (1) Proposal of amendments to the Company's Articles of Association
  - (2) Proposal of amendments to the Company's Director and Supervisor Election Rules
  - (3) Proposal of amendments to the Company's Operating Procedures for Acquisition or Disposal of Assets
  - (4) Proposal of amendments to the Company's Operation Procedure for Lending Funds to Others
  - (5) Proposal of amendments to the Company's Procedures for Endorsement & Guarantee
  - (6) Proposal of reelecting all directors
  - (7) Proposal of releasing the prohibition on new directors from participation in competitive business
6. Incidental motions
7. Adjournment

## Reporting Items

Proposal 1: 2016 Annual Business Report

Explanatory Notes: Please refer to Appendix 1 of this Handbook.

Proposal 2: Supervisor's Review Report on 2016 Financial Statement

Explanatory Notes: Please refer to Appendix 2 of this Handbook.

Proposal 3: Statement of 2016 Earning Distribution for Employees, Directors and Supervisors

- Explanatory Notes:
1. The amount of earning distributed for employees, directors and supervisors in 2016 is NT\$19,216,438 and NT\$3,928,000 respectively, which is distributed by cash.
  2. The resolution amount doesn't have any difference from the amount of expense recognized for 2016.

## Approval Items

Proposal 1: Adoption of 2016 Financial Statement (Proposed by the Board of Directors)

Explanatory Notes: 1. 2016 Business Report and Financial Statement (including the consolidated financial statement) are passed upon the resolution of the Board. The Financial Statement (including the consolidated financial statement) is audited by the CPA. The above reports are reviewed by the supervisors.

2. Please refer to the Appendix 1 and Appendix 3 of the Handbook.

Resolution:

Proposal 2: Adoption of 2016 Earning Distribution Plan (Proposed by the Board of Directors)

Explanatory Notes: 1. This earning distribution plan firstly considers the earning of 2016, and then distributes the undistributed profits after 1998. The common shares are distributed with cash dividend of NT\$3 per share.

2. For 2016 Earning Distribution Table, please refer to Appendix 4 of the Handbook.
3. As for the cash dividend distribution, the Board is authorized to settle the related affairs after it is passed in the Shareholders Meeting.
4. The Board is authorized to adjust the sum of fractional amount of the cash dividend less than NT\$1.
5. In the event that, the transfer, exchange and cancellation of shares or buyback of shares of the Company affects the amount of outstanding shares and the payout ratio for shareholders, it is proposed that the Board of Directors be authorized to change the related affairs.

Resolution:

## Discussion and election items

Proposal 1: Proposal of Amendments to the Company's Articles of Association. Please proceed to discuss. (Proposed by the Board)

Explanatory Notes: To cope with the Audit Committee set up to substitute the supervisors and meet the practical demands, it is proposed to amend some articles of the Company's Articles of Association. For the Amendments Table, please refer to the Appendix 5 of the Handbook.

Resolution:

Proposal 2: Proposal of Amendments to the Company's Director and Supervisor Election Rules. Please proceed to discuss. (Proposed by the Board)

Explanatory Notes: To cope with the Audit Committee set up to substitute the supervisors and meet the practical demands, it is proposed to amend some articles of the Company's Director and Supervisor Election Rules, which is renamed as the Director Election Rules. For the Amendments Table, please refer to the Appendix 6 of the Handbook.

Resolution:

Proposal 3: Proposal of Amendments to the Company's Operating Procedures for Acquisition or Disposal of Assets. Please proceed to discuss. (Proposed by the Board)

Explanatory Notes: To cope with the Audit Committee set up to substitute the supervisors and meet the practical demands, it is proposed to amend some articles of the Company's Operating Procedures for Acquisition or Disposal of Assets. For the Amendments Table, please refer to the Appendix 7 of the Handbook.

Resolution:

Proposal 4: Proposal of Amendments to the Company's Operation Procedure for Lending Funds to Others. Please proceed to discuss. (Proposed by the Board)

Explanatory Notes: To cope with the Audit Committee setup, it is proposed to amend some articles of the Company's Operation Procedure for Lending Funds to Others. For the Amendments Table, please refer to the Appendix 8 of the Handbook.

Resolution:

Proposal 5: Proposal of Amendments to the Company's Procedures for Endorsement & Guarantee. Please proceed to discuss. (Proposed by the Board)

Explanatory Notes: To cope with the Audit Committee setup, it is proposed to amend some articles of the Company's Procedures for Endorsement & Guarantee. For the Amendments Table, please refer to the Appendix 9 of the Handbook.

Resolution:

Proposal 6: Proposal of Reelection of All Directors. Please proceed to re-appoint. (Proposed by the Board)

Explanatory Notes: 1. The term of the Company's directors and supervisors will be ended on June 5, 2017. As required by Article 16 of the Company's Articles of Association, it is proposed to re-elect all 9 directors (including 3 independent directors) in 2017 Shareholders Meeting. Moreover, to practice the philosophy of corporate governance, the Audit Committee is set up to substitute the supervisors.

2. The new directors (including independent directors) will serve a three-year term since the date of appointment during 2017 Shareholders Meeting (May 26, 2017~May 25, 2020). The current directors and supervisors will be relieved of office since the date of appointing new directors.

3. According to the Articles of Association, the director election shall adopt Candidates Nomination System. It means the directors shall be elected from the list of director candidates by the shareholders. The candidates of directors and independent directors are reviewed and approved by the Board of Directors. The basic information of the candidates is listed as below:

Candidates of Directors (a total of 6)      Until March 28, 2017 ; Unit: share

Name	Main Education Background	Main Experience	Position	Shareholding
Chieh-Yuan,Chen	BE(Elec)of Tatung University	Department Head of Philip Co. Taiwan	Chairman of Test Research,Inc.	37,889,235
Kuang-Chao,Fan	Ph.D. degree from University of Manchester Institute of Science and Technology in UK	Distinguished Professor in the Department of Mechanical Engineering of National Taiwan University.	Independent Director of U.D. Electronic Corp. Director of Test Research,Inc.	124,211
Chin-Lung,Chen	LL.M National Taiwan University	Managing Partner, Bright & Wise Attorneys-at-Law	Supervisor of Powerchip Technology Corporation Supervisor of NewSoft Technology Corporation Supervisor of St.Shine Optical Co.,Ltd. Supervisor of Test Research,Inc.	415,857
Chiang-Huai,Lin	BE(ES)of National Taiwan University of Science and Technology	Vice President of Test Research, Inc.	Director of Test Research,Inc.	2,402,864
Ming-Chuan, Tsai	BE(Elec)of Tatung University	Vice President of Test Research, Inc.	Supervisor of Test Research,Inc.	1,350.650
Der-Hong Investment Co., Ltd.			Supervisor of Test Research,Inc.	2,738,939

Candidates of Independent Directors (a total of 3) By March 28, 2017 ; Unit: Shares

Name	Main Education Background	Main Experience	Position	Shareholding
Yow-Shiuan, Fu	MBA of West Coast University in USA	General Manager of WYSE Technology Taiwan Ltd. General Manager of E Ink Holdings Inc.	Independent Director of PenPower Technology Co., Ltd. Independent Director of Logah Technology Corp. Independent Director of Chicony Power Technology Co., Ltd. Director of Lite-On Semiconductor Corp. Member of the Compensation Committee of Test Research, Inc.	0
Mei-Jin, Chen	MBA of New York University in USA	Chairman of SinoPac Securities Investment Trust Co. Ltd.	Member of the Compensation Committee of Test Research, Inc.	0
Liang-Chia, Chen	Ph.D. in Advanced manufacturing and mechanical engineering, the university of South Australia, Australia	Chair, Manufacturing Automation Technology Research Center, National Taiwan University.	Distinguished Professor, Department of Mechanical Engineering, National Taiwan University.	0

4. Please elect and appoint based on the Company's Director Election Rules.

Election results:

Proposal 7: Proposal of releasing the prohibition on new directors from participation in competitive business. Please proceed to discuss. (Proposed by the Board)

Explanatory Notes: 1. According to Article 209 of the Company Act, a Director who conducts any act for himself or on behalf of another person that is within the scope of the company's business, shall explain to the Shareholders Meeting the essential contents of such act and secure its approval.

2. Since the director of the Company may be engaged in investing or operating another company with the same or similar business scope of the Company, or serve as director, it is proposed to release the prohibition on new directors and their representatives from participation in competitive business in the Shareholders Meeting.

Resolution:

**Incidental Motions**

**Adjournment**

## Appendix 1

### Business Report to Shareholders

Dear Shareholders:

The consolidated revenue of the Company in 2016 was NT\$3.1 billion, with the after-tax net profit of NT\$0.429 billion. Compared with NTD4.75 billion in 2015, the revenue was greatly reduced by 35%. In terms of the profit, compared with NT\$0.999 billion in 2015, it was sharply decreased by 57%.

According to the Consolidated Financial Statement, the operating profit margin of the Company last year was 18%, the after-tax profit margin was 14%, the return on equity was 8%, the return on assets was 7%, and the debt ratio was 11%. Despite the dramatic reduction of revenue and profit, the overall financial condition of the Company was robust and good.

The major factors that cause the dramatic reduction of revenue and profit in 2016 include (1)the global prosperity is still uncertain, and the growth of ICT industry shows a slower trend; (2) the commercialization of new product was delayed to complete; (3) it encountered the low-price competition of the competitors in the market of Mainland China; (4)the global market expansion was not as good as expected; (5) FCT event of the Company. Consequently, the annual revenue and profits were dramatically reduced.

- Future business strategies, production-sale policy, development policies and estimated sales volume:

The Company has laid a solid foundation in the technology of automatic detection equipment in the fields of optical image (AOI, SPI), X-RAY, electric test (ICT, FCT). It will be dedicated to meeting the demands for such three automatic detection equipment in (1) SMT process of circuit board assembly, (2)IC packaging and testing, (3)flex board process and (4) process related to electronics. We will keep developing (1)high-precision and high-resolution machine, (2)integrating software and hardware of automatic detection equipment based on production automation of Industry 4.0, so as to achieve full automation with 0 escape and 0 false call. This year we (1) commercialize various new products with global competitiveness, (2)develop the global market actively, (3)expect the global prosperity recovery, and (4) have a low revenue of base period in the last year, so we still have chance to achieve high growth.

- The impacts of external competition environment, law environment and overall business environment on the Company:

We will cooperate with the globally large factories closely, and provide total solutions of automatic detection equipment of optical image, X-RAY, and electric test for the customer,



so as to satisfy their demands for high-precision and high-automation automatic detection equipment. Under fierce competition globally, we must make continuous improvements in “leading technology”, “stable and reliable quality”, “global market expansion”, “control of new product development schedule”, and “internal talent cultivation”, so as to strengthen our robustness, which will facilitate the Company to achieve continuous growth in the future.

Thanks for the support from all shareholders who bring opportunities for continuous growth of the Company.

Best Regards

Chairman: Chieh-Yuan, Chen

Manager: Chieh-Yuan, Chen

Accounting Chief: Guan-Yuan, Chen

## Appendix 2

### TRI Supervisor's Review Report

It is hereby confirmed that

The Board of Directors prepares the 2016 Business Report, Financial Statement (including consolidated financial statement) and Earning Distribution Plan. PwC Taiwan audits the Financial Statement and presents the report. The above Business Report, Financial Statement and Earning Distribution Plan are reviewed by the supervisors, and no incompliance is found. The above report is presented as required by Article 219 of the Company Act, for further inspection.

Supervisor: Chin-Lung,Chen

Ming-Chuan, Tsai

Der-Hong Investment Co., Ltd.

Representative: Chiou-Shann,Fuh

Feb. 23, 2017

## Appendix 3

### REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

PWCR 16003319

To the Board of Directors and Stockholders of Test Research, Inc.

#### ***Opinion***

We have audited the accompanying consolidated balance sheets of Test Research, Inc. and its subsidiaries (the “Group”) as of December 31, 2016 and 2015, 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, based on our audits and the reports of other independent accountants (please refer to “***other matter***”), the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2016 and 2015, 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 (ROC GAAS). Our responsibilities under those standards are further described in the Independent Accountant’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Code of Professional Ethics for Certified Public Accountants in the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with the Code. Based on our audits and the reports of other independent accountants, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### ***Key audit matters***

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

#### **Evaluation of inventories**

##### Description

Please refer to Note 4(10) for accounting policies adopted for the evaluation of inventories, Note 5 for critical accounting estimates and assumptions of the evaluation of inventories, and Note 6(3) for details of significant accounts in inventories. As of December 31, 2016, inventory and allowance for valuation losses are NT\$619,146 thousand and NT\$87,434 thousand, respectively.

The Group is primarily engaged in the design, manufacture, sale, repairs and maintenance of semiconductor testers and in-circuit testers, and inventories are stated at the lower of cost and net realisable value. Management considers the rapidly changing technology and the short life cycle of

electronic products in evaluating inventories. For inventories that are over certain aging and individually identified obsolete or slow-moving items, the net realizable value is determined based on inventory aging and the market demand of such items in the future for a specific period, which are based on sales, obsolescence and the inventory quality. As the amount of inventory is significant, inventory items are numerous, and the evaluation of inventory requires critical judgement and a high degree of uncertainty in estimation, we consider the evaluation of allowance for inventory valuation losses a key audit matter.

#### How our audit addressed the matter

Our audit procedures performed in respect of the above included the following:

1. Understood the industry and operations of the Group, and assessed the reasonableness of accounting policies applied in the evaluation of inventory provision.
2. Understood the inventory management processes, examined the annual physical count plan, and performed physical inventory observation to assess the effectiveness of judgement and control of obsolete or slow-moving inventory.
3. Obtained inventory aging report, and tested movements to confirm whether they were assigned to the correct aging category by the system and were in accordance with the Group's accounting policy.
4. Analysed and compared the difference of inventory valuation losses between the latest two years and examined the difference between the historical record of allowance for inventory valuation losses and the actual write off amount; and selected samples from details of inventory valuation losses, checked changes incurred after the balance sheet date and assessed the propriety of inventory valuation losses.

#### **Cut-off of export revenue recognition**

##### Description

For accounting policies adopted for revenue recognition, please refer to Note 4(21).

The Group recognises export revenue in accordance with the terms of the transaction with the customer. The export revenue constitutes more than 80% of consolidated operating revenue and the period of revenue recognition is based on transaction terms of different customers. However, timing of revenue recognition may be based on management judgement depending on past experience, thus revenue may not be recorded in the proper period. Thus, we consider the cut-off of export revenue recognition a key audit matter.

#### How our audit addressed the matter

Our audit procedures performed in respect of the above included the following:

1. Understood and assessed the effectiveness of export revenue recognition control processes.
2. Obtained detailed listing of export sales within the defined period before and after period end, selected samples and assessed the completeness by agreeing the sale to supporting documentation (such as export bill of lading and proof of delivery) to ascertain whether the sale was recorded in proper period.

#### ***Other matter - Audits of the other independent accountants***

We did not audit the financial statements of certain consolidated subsidiaries, which statements reflect total assets of NT\$33,945 thousand and NT\$31,695 thousand, both constituting 1% of the consolidated total assets as of December 31, 2016 and 2015, respectively, and total operating revenue was both NT\$0 for the years then ended. Those financial statements and the information disclosed in Note 13 were audited by other independent accountants whose reports thereon have been furnished to us, and our opinion expressed herein, insofar as it relates to the amounts included in the consolidated financial statements and information disclosed relative to these consolidated subsidiaries, is based solely on the audit reports of the other independent accountants.

### ***Other matter – Parent company only financial reports***

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

### ***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 Preparations 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 supervisors, are responsible for overseeing the Group’s financial reporting process.

### ***Auditor’s responsibilities for the audit of the consolidated financial statements***

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ROC GAAS 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 ROC GAAS, 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 auditor’s report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are

based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the 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.

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 auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Pan, Hui-Lin

Liao, A-Shen

for and on behalf of PricewaterhouseCoopers, Taiwan

February 22, 2017

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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 accountants 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.

**TEST RESEARCH, INC. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS (CONTINUED)**  
**DECEMBER 31, 2016 AND 2015**  
(Expressed in thousands of New Taiwan dollars)

Assets		Notes	December 31, 2016 AMOUNT	December 31, 2015 AMOUNT
<b>Current assets</b>				
1100	Cash and cash equivalents	6(1)	\$ 1,727,314	\$ 2,171,175
1150	Notes receivable, net		37,269	64,131
1170	Accounts receivable, net	6(2)	1,185,421	1,455,486
1200	Other receivables		16,894	26,006
130X	Inventory	6(3)	531,712	611,585
1470	Other current assets	8	21,793	33,058
11XX	<b>Total current assets</b>		<u>3,520,403</u>	<u>4,361,441</u>
<b>Non-current assets</b>				
1600	Property, plant and equipment	6(4) and 8	2,183,004	2,214,672
1780	Intangible assets		8,048	10,321
1840	Deferred income tax assets	6(15)	52,574	53,091
1900	Other non-current assets		9,504	9,695
15XX	<b>Total non-current assets</b>		<u>2,253,130</u>	<u>2,287,779</u>
1XXX	<b>Total Assets</b>		<u>\$ 5,773,533</u>	<u>\$ 6,649,220</u>

(Continued)

**TEST RESEARCH, INC. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS (CONTINUED)**  
**DECEMBER 31, 2016 AND 2015**  
(Expressed in thousands of New Taiwan dollars)

Liabilities and Equity		Notes	December 31, 2016 AMOUNT	December 31, 2015 AMOUNT
<b>Current liabilities</b>				
2150	Notes payable		\$ 15,896	\$ 22,507
2170	Accounts payable		271,149	365,128
2200	Other payables	6(5)	208,204	311,562
2230	Current income tax liabilities		21,578	98,664
2300	Other current liabilities		17,207	27,433
21XX	<b>Total current liabilities</b>		<u>534,034</u>	<u>825,294</u>
<b>Non-current liabilities</b>				
2550	Provisions for liabilities - non-current		19,264	21,569
2570	Deferred income tax liabilities	6(15)	36,689	63,213
2600	Other non-current liabilities	6(6)	54,287	53,898
25XX	<b>Total non-current liabilities</b>		<u>110,240</u>	<u>138,680</u>
2XXX	<b>Total Liabilities</b>		<u>644,274</u>	<u>963,974</u>
<b>Equity attributable to owners of parent</b>				
<b>Share capital</b>				
3110	Common stock	6(7)	2,362,160	2,362,160
<b>Capital surplus</b>				
3200	Capital surplus	6(8)	53,290	53,290
<b>Retained earnings</b>				
3310	Legal reserve	6(9)	1,004,199	904,309
3320	Special reserve		14,381	14,381
3350	Unappropriated retained earnings	6(15)	1,721,032	2,338,424
<b>Other equity interest</b>				
3400	Other equity interest		( 25,803)	12,682
31XX	<b>Equity attributable to owners of the parent</b>		<u>5,129,259</u>	<u>5,685,246</u>
3XXX	<b>Total Equity</b>		<u>5,129,259</u>	<u>5,685,246</u>
<b>Significant contingent liabilities and unrecognised contract commitments</b>				
<b>Significant subsequent events</b>				
3X2X	<b>Total Liabilities and Equity</b>		<u>\$ 5,773,533</u>	<u>\$ 6,649,220</u>

The accompanying notes are an integral part of these consolidated financial statements.  
See report of independent accountants dated February 22, 2017



TEST RESEARCH, INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME  
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015  
(Expressed in thousands of New Taiwan dollars, except for earnings per share amount)

			Year ended December 31	
			2016	2015
Items	Notes		AMOUNT	AMOUNT
4000	<b>Operating revenue</b>	6(10)	\$ 3,099,686	\$ 4,754,389
5000	<b>Operating costs</b>	6(13)(14)	( 1,404,300)	( 2,219,681)
5950	<b>Net operating margin</b>		<u>1,695,386</u>	<u>2,534,708</u>
	<b>Operating expenses</b>	6(13)(14)		
6100	Selling expenses		( 703,973)	( 874,485)
6200	General and administrative expenses		( 120,890)	( 130,119)
6300	Research and development expenses		( 325,806)	( 379,486)
6000	<b>Total operating expenses</b>		<u>( 1,150,669)</u>	<u>( 1,384,090)</u>
6900	<b>Operating profit</b>		<u>544,717</u>	<u>1,150,618</u>
	<b>Non-operating income and expenses</b>			
7010	Other income	6(11)	28,954	34,299
7020	Other gains and losses	6(12)	( 42,329)	61,374
7000	<b>Total non-operating revenue and expenses</b>		<u>( 13,375)</u>	<u>95,673</u>
7900	<b>Profit before income tax</b>		<u>531,342</u>	<u>1,246,291</u>
7950	Income tax expense	6(15)	( 102,124)	( 247,388)
8200	<b>Profit for the year</b>		<u>\$ 429,218</u>	<u>\$ 998,903</u>
	<b>Other comprehensive income</b>			
	<b>Components of other comprehensive loss that will not be reclassified to profit or loss</b>			
8311	Remeasurement arising on defined benefit plans	6(6)	( \$ 1,856)	( \$ 6,074)
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(15)	<u>-</u>	<u>1,033</u>
8310	<b>Components of other comprehensive loss that will not be reclassified to profit or loss</b>		<u>( 1,856)</u>	<u>( 5,041)</u>
	<b>Components of other comprehensive loss that will be reclassified to profit or loss</b>			
8361	Financial statements translation differences of foreign operations		( 46,367)	( 13,682)
8399	Income tax relating to the components of other comprehensive income	6(15)	<u>7,882</u>	<u>2,326</u>
8360	<b>Components of other comprehensive loss that will be reclassified to profit or loss</b>		<u>( 38,485)</u>	<u>( 11,356)</u>
8300	<b>Total other comprehensive loss for the year</b>		<u>( \$ 40,341)</u>	<u>( \$ 16,397)</u>
8500	<b>Total comprehensive income for the year</b>		<u>\$ 388,877</u>	<u>\$ 982,506</u>
	<b>Profit attributable to:</b>			
8610	Owners of parent		<u>\$ 429,218</u>	<u>\$ 998,903</u>
	<b>Comprehensive income attributable to:</b>			
8710	Owners of the parent		<u>\$ 388,877</u>	<u>\$ 982,506</u>
	<b>Earnings per share (in dollars)</b>	6(16)		
9750	<b>Basic earnings per share</b>		<u>\$ 1.82</u>	<u>\$ 4.23</u>
9850	<b>Diluted earnings per share</b>		<u>\$ 1.81</u>	<u>\$ 4.21</u>

The accompanying notes are an integral part of these consolidated financial statements.  
See report of independent accountants dated February 22, 2017

TEST RESEARCH, INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015  
(Expressed in thousands of New Taiwan dollars)

		Equity attributable to owners of the parent							
		Capital Surplus			Retained Earnings			Financial statements translation differences of foreign operations	Total equity
Notes	Common stock	Additional paid-in capital	Donated assets received	Legal reserve	Special reserve	Unappropriated retained earnings			
<u>2015</u>									
		\$ 2,362,160	\$ 51,874	\$ 1,416	\$ 778,269	\$ 14,381	\$ 2,486,331	\$ 24,038	\$ 5,718,469
Appropriations of 2014 earnings	6(9)								
Legal reserve		-	-	-	126,040	-	( 126,040)	-	-
Cash dividends		-	-	-	-	-	( 1,015,729)	-	( 1,015,729)
Net income for the year		-	-	-	-	-	998,903	-	998,903
Other comprehensive loss for the year		-	-	-	-	-	( 5,041)	( 11,356)	( 16,397)
Balance at December 31, 2015		<u>\$ 2,362,160</u>	<u>\$ 51,874</u>	<u>\$ 1,416</u>	<u>\$ 904,309</u>	<u>\$ 14,381</u>	<u>\$ 2,338,424</u>	<u>\$ 12,682</u>	<u>\$ 5,685,246</u>
<u>2016</u>									
Balance at January 1, 2016		\$ 2,362,160	\$ 51,874	\$ 1,416	\$ 904,309	\$ 14,381	\$ 2,338,424	\$ 12,682	\$ 5,685,246
Appropriations of 2015 earnings	6(9)								
Legal reserve		-	-	-	99,890	-	( 99,890)	-	-
Cash dividends		-	-	-	-	-	( 944,864)	-	( 944,864)
Net income for the year		-	-	-	-	-	429,218	-	429,218
Other comprehensive loss for the year		-	-	-	-	-	( 1,856)	( 38,485)	( 40,341)
Balance at December 31, 2016		<u>\$ 2,362,160</u>	<u>\$ 51,874</u>	<u>\$ 1,416</u>	<u>\$ 1,004,199</u>	<u>\$ 14,381</u>	<u>\$ 1,721,032</u>	<u>( \$ 25,803)</u>	<u>\$ 5,129,259</u>

The accompanying notes are an integral part of these consolidated financial statements.  
See report of independent accountants dated February 22, 2017

TEST RESEARCH, INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015  
(Expressed in thousands of New Taiwan dollars)

	<u>Notes</u>	<u>2016</u>	<u>2015</u>
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>			
Profit before tax		\$ 531,342	\$ 1,246,291
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation	6(13)	95,427	99,012
Amortization	6(13)	5,308	6,482
Reversal of provision for bad debt expense	6(2)	( 3,654 )	( 545 )
Interest income	6(11)	( 9,510 )	( 16,237 )
Loss on disposal of property, plant and equipment	6(12)	1,150	1,488
Changes in operating assets and liabilities			
Changes in operating assets			
Notes receivable, net		26,862	( 31,319 )
Accounts receivable		275,690	( 330,578 )
Other receivables		9,539	( 11,357 )
Inventory		18,649	57,344
Other current assets		8,426	( 2,177 )
Changes in operating liabilities			
Notes payable		( 6,611 )	( 6 )
Accounts payable		( 93,979 )	( 39,877 )
Other payables		( 103,358 )	( 36,946 )
Other current liabilities		( 10,226 )	23,280
Provisions for liabilities - non-current		( 2,305 )	3,264
Other non-current liabilities		( 1,467 )	( 1,474 )
Cash inflow generated from operations		741,283	966,645
Interest received		9,083	22,351
Income tax paid		( 197,335 )	( 313,232 )
Net cash flows from operating activities		<u>553,031</u>	<u>675,764</u>
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>			
Decrease in other financial assets		2,839	118
Acquisition of property, plant and equipment	6(4)	( 30,386 )	( 24,815 )
Proceeds from disposal of property, plant and equipment		11,621	15,070
Acquisition of intangible assets		( 3,095 )	( 8,456 )
Decrease in other non-current assets		191	1,740
Net cash flows used in investing activities		<u>( 18,830 )</u>	<u>( 16,343 )</u>
<b><u>CASH FLOWS FROM FINANCING ACTIVITIES</u></b>			
Payment of cash dividends	6(9)	( 944,864 )	( 1,015,729 )
Net cash flows used in financing activities		<u>( 944,864 )</u>	<u>( 1,015,729 )</u>
Effect due to charges in exchange rate		( 33,198 )	( 14,593 )
Net decrease in cash and cash equivalents		( 443,861 )	( 370,901 )
Cash and cash equivalents at beginning of year		<u>2,171,175</u>	<u>2,542,076</u>
Cash and cash equivalents at end of year		<u>\$ 1,727,314</u>	<u>\$ 2,171,175</u>

The accompanying notes are an integral part of these consolidated financial statements.  
See report of independent accountants dated February 22, 2017.

## Appendix 4

### TRI 2016 Earning Distribution Table

	Unit: NT\$
Beginning balance	1,298,711,138
Add: Net after-tax profit of the year	429,217,592
Less: 10% legal reserve	(42,921,759)
Less: Retained earning adjustment amount	(6,897,389)
Less: Special reserve-other benefits	(11,422,233)
Distributable profit	1,666,687,349
Distributable items: Dividend to shareholders (NT\$3)	(708,648,000)
Undistributed earning at the end of the period	958,039,349

Chairman: Chieh-Yuan,Chen

Manager: Chieh-Yuan,Chen

Accounting Chief: Guan-Yuan, Chen

## Appendix 5

### TRI Articles of Association Amendments Table

Article	Original Article	Amended Article	Amendment Reason
Chapter 4	Directors, <u>Supervisors</u> and Managers	Directors and <u>Audit Committee</u>	Cope with the Audit Committee set to substitute the supervisors
Article 16	<p>The Company sets up 5~9 directors and <u>3 supervisors</u>. The Board is authorized to determine the number of directors, which shall include at least 3 independent directors. The election of directors and <u>supervisors</u> adopts the nomination system as required by the Company Act. The independent directors and non-independent directors shall be elected in the same election, but the respective votes shall be separately calculated to determine the elected persons. <u>The directors and supervisors</u> shall be elected and appointed based on the cumulative counts as stipulated in Article 198 of the Company Act, with a three-year term, who may be re-elected and re-appointed for one additional term. During the three-year term, the representative of entity shareholder may be elected as director. Where there are several representatives of any entity shareholder, they may be elected as directors or supervisors, and the entity shareholder shall appoint a replacement representative based on the position until the expiration of the original term.</p> <p>As for the professional qualifications, shareholdings, restrictions on concurrent positions held, nomination and other compliances with respect to independent directors, it is subject to the related regulations under the competent authority of the securities.</p>	<p>The Company sets up 5~9 directors. The Board Meeting is authorized to determine the number of directors, which shall include at least 3 independent directors. The election of directors adopts the nomination system as required by the Company Act. The independent directors and non-independent directors shall be elected in the same election, but the respective votes shall be separately calculated to determine the elected persons. The directors shall be elected and appointed based on the cumulative counts as stipulated in Article 198 of the Company Act, with a three-year term, who may be re-elected and re-appointed for one additional term. The representative of entity shareholder may be elected as director. Where there are several representatives of any entity shareholder, they may be elected as directors or supervisors, and the entity shareholder shall appoint a replacement representative based on the position until the expiration of the original term.</p> <p>As for the professional qualifications, shareholdings, restrictions on concurrent positions held, nomination and other compliances with respect to independent directors, it is subject to the related regulations under the competent authority of the securities.</p> <p><u>The Company sets up Audit Committee as required by Securities and Exchange Act, which is composed of all independent directors.</u></p>	
Article 16-1	<p>One of the following relationships may not exist among more than half of the directors, more than one supervisor, and between supervisor and director.</p> <ol style="list-style-type: none"> <li>1. A spousal relationship.</li> <li>2. A familial relationship within the second degree of kinship.</li> </ol>	<p>One of the following relationships may not exist among more than half of the directors.</p> <ol style="list-style-type: none"> <li>1. A spousal relationship.</li> <li>2. A familial relationship within the second degree of kinship.</li> </ol>	
Article 18	The first board meeting of each new term after an election shall be convened by the director who receives the ballot representing the highest number of votes within 15 days. The other board meetings shall	The first board meeting of each new term after an election shall be convened by the director who receives the ballot representing the highest number of votes within 15 days. The other board meetings shall	

	be convened by the Chairman, which shall specify the reason and inform the directors <u>and supervisors</u> within written notice <u>7 days</u> in advance. However, in case of emergency, the Company's board meeting can be convened via E-mail or fax instead of written notice.	be convened by the Chairman, which shall specify the reason and inform the directors within written notice <u>7 days</u> in advance. However, in case of emergency, the Company's board meeting can be convened via E-mail or fax instead of written notice.	
Article 23	Besides exercising the legal duties, the supervisor shall attend the board meeting to express their opinions, but shall not participate in voting.	Removed.	
Article 24	Duties of supervisors: 1. Inspect the business and financial condition of the Company. 2. Audit accounting books and documents. 3. Supervise the business performed by the employees and check the misconduct and negligence. 4. Review budget and final accounts. 5. Inspect the earning distribution or loss recovery proposal. 6. Other rights granted by laws	The duties and related affairs of the <u>Audit Committee and its members</u> are subject to the related regulations under the competent authority of the securities.	
Article 25	The directors and <u>supervisors</u> shall be distributed with remuneration as stipulated by Article 29, who shall also receive some reward of a fixed amount every month. The board is authorized to determine the reward based on the competitors and the level of listed companies.	The directors shall be distributed with remuneration as stipulated by Article 29, who shall also receive some reward of a fixed amount every month. The board is authorized to determine the reward based on the competitors and the level of listed companies.	
Article 28	The fiscal year of the Company is from Jan. 1 to Dec. 31. At the end of each fiscal year, it shall close the final accounts. After the final accounts every year, the Board will prepare various reports as required by laws, <u>which shall be submitted to the supervisors for review 30 days before the shareholders meeting.</u> Moreover, the supervisors will <u>present report</u> and submit to the shareholders meeting for approval.	The fiscal year of the Company is from Jan. 1 to Dec. 31. At the end of each fiscal year, it shall close the final accounts. After the final accounts every year, the Board will prepare various reports as required by laws, which shall be submitted to the shareholders meeting for approval.	
Article 29	After the final accounts of the Company, if there are earnings, the Company shall first pay the tax, make up the losses for the preceding years and then set aside a legal reserve of 10% of the net profit. An additional special reserve shall be set aside or reversed in compliance with the Securities and Exchange Law. Based on the remaining profit plus the undistributed profit of the previous year, the Board shall work out the earning distribution plan, and the shareholders meeting will make resolution to distribute the dividend for shareholders.	After the final accounts of the Company, if there are earnings, the Company shall first <u>pay the tax</u> , make up the losses for the preceding years and then <u>set aside a legal reserve of 10% of the net profit.</u> However, it is an exception when the <u>legal reserve of profit reaches the capital sum.</u> After an additional special reserve shall be set aside or reversed in compliance with laws, <u>it shall be the distributable profit of the year. Together with the undistributed profit at the end of the period, it will be the cumulative distributable profit of the shareholders.</u> The Board shall	Meet the practical demands

	<p>The Company is engaged in the industries related to high-tech circuit board detection and IC testing devices. It is in the growth period of the corporate life cycle. To cope with the overall environment and characteristics of industrial growth, achieve business sustainability, and pursue the long-term profit of the company and stabilize operating performance goals, the dividend policy of the Company shall be based on the capital expenditure budget and the capital demands in the future. The cash dividend accounts for 50% of the total dividend. However, <u>when the capital expenditure demand is low or the capital is abundant, it shall increase the distribution rate, which can reach 100% of the total dividend.</u></p>	<p>work out the earning distribution plan, and submit it to the shareholders meeting for resolution on distribution.</p> <p>The Company is engaged in the industries related to high-tech circuit board detection and IC testing devices. It is in the growth period of the corporate life cycle. To cope with the overall environment and characteristics of industrial growth, achieve business sustainability, and pursue the long-term profit of the company and stabilize operating performance goals, the dividend policy of the Company shall be based on the capital expenditure budget and the capital demands in the future. <u>The dividend for shareholder shall be appropriated from the cumulative distributable profit, which shall be no less than 60% of the distributable profit of the current year. The cash dividend shall be no less than 50% of the amount distributed in the current year.</u></p>	
Article 29-1	<p>If the Company gains some profits in the year, it shall make up the loss based on the pre-tax profit before deducting the remuneration of the employees. If there are still some profits remaining, it shall appropriate no less than 3% as the remuneration of the employees, and no more than 2% as the remuneration of the supervisors. The subjects distributed with the above remuneration shall include the employees of the subsidiaries.</p>	<p>If the Company gains some profits in the year, it shall make up the loss based on the pre-tax profit before deducting the remuneration of the employees. If there are still some profits remaining, it shall appropriate no less than 3% as the remuneration of the employees, and no more than 2% as the remuneration of the directors. The subjects distributed with the above remuneration shall include the employees of the subsidiaries.</p>	Cope with the Audit Committee set to substitute the supervisors
Article 31	<p>The Articles of Association was drafted on March 31, 1989. The 1<sup>st</sup> amendment was on June 1, 1989. The 2<sup>nd</sup> amendment was on April 6, 1990. The 3<sup>rd</sup> amendment was on February 25, 1995. ..... .....(Omit) The 22<sup>nd</sup> amendment was on June 3, 2016.</p>	<p>The Articles of Association was drafted on March 31, 1989. The 1<sup>st</sup> amendment was on June 1, 1989. The 2<sup>nd</sup> amendment was on April 6, 1990. The 3<sup>rd</sup> amendment was on February 25, 1995. ..... .....(Omit) The 22<sup>nd</sup> amendment was on June 3, 2016. <u>The 23th amendments are on May 26, 2017.</u></p>	Add amendment date

## **TRI Articles of Association**

### **Chapter 1 General Principles**

Article 1: The Company is organized under the provisions of Company Act, with the name of XinTec Inc. Test Research , Inc.

Article 2: The businesses of the Company include:

1. CB01010 machinery and equipment manufacturing.
2. CE01010 precision instruments manufacturing.
3. CE01030 photographic and optical equipment manufacturing.
4. E604010 machinery installation construction.
5. EZ05010 apparatus installation construction.
6. F113030 wholesale of precision instruments.
7. F119010 wholesale of electronic materials.
8. F213030 retail sale of computing and business machinery equipment.
9. F213040 retail sale of precision instruments.
10. F219010 retail sale of electronic materials.
11. F401010 international trade.
12. I301010 information software service.
13. I501010 product design.
14. ZZ99999 all business items that are not prohibited or restricted by laws, except those that are subject to special approval.

Article 3: The Company may act as guarantor externally based on business demands.

Article 4: The re-investment amount of the Company is free from the restriction of no more than 40% in the paid-in capital.

Article 5: The Company is headquartered in Taipei County, and may set up and cancel branch or office home and abroad upon the resolution of the Board of Directors.

Article 6: Removed.

### **Chapter 2 Shares**

Article 7: The capital amount of the Company is NT\$2.5 billion composed of 250,000,000 shares with NTD10 per share. Wherein, the Board of Directors is authorized to issue the unissued shares by installments.

NT\$50,000,000 in the above capital amount equivalent to 5,000,000 shares of NT\$10 per share are retained for staff subscription right, which shall be issued by installments based on the resolution of the Board of Directors.

Article 8: The shares of the Company are registered, which are issued with the signature or seal of more than 3 directors based on the legal certification. The Company may issue the shares in scriptless form after issuing the shares publically. Moreover, it shall consult the Central Securities Depository for register.

Article 9: Regarding the change of shareholders list, it shall be stopped 60 days before the general Shareholders meeting, 30 days before the interim Shareholders meeting or 5 days before the baseline date when company decides to distribute dividend, bonuses or other profits.

Article 10: The shareholder affairs of the Company shall be subject to the regulations prescribed by the related laws and the competent authority.

### **Chapter 3 Shareholders Meeting**

Article 11: It is divided into the general and interim meetings. The general meeting is held annually by the Board of Directors of Directors within 6 months after each fiscal year in accordance with laws,



while the interim meeting is convened in accordance with laws if necessary.

Article 12: The Chairman shall preside over the meetings convened by the Board of Directors. In case the Chairman is absent, s/he shall designate a person to act in lieu of him. If no one is designated, the directors shall elect one from themselves to act in lieu of the Chairman. As for the meetings convened by any other person having the convening right rather other the Board of Directors, the convener shall act as the Chairman. If there are two or more persons having the convening right, the Chairman of the meeting shall be elected among themselves.

Article 13: If any shareholder can't attend the shareholder meeting for some reason, the Letter of Attorney printed by the Company shall be printed that specifies the authorization scope of the proxy to attend the meeting. The proxy appointment shall be subject to Article 177 of the Company Act and "Regulations Governing the Use of Proxies for Attendance at Shareholders Meetings of Public Listed Companies".

Article 14: The shareholders of the Company shall have one vote for each share unless the voting right is restricted or prohibited by the Company Act.

Article 15: Unless otherwise provided by the Company Act, the resolution of the shareholders meeting requires the presence of shareholders representing more than half of the issued shares, and the approval of more than half of votes of the shareholders attending the meeting. The resolutions of the shareholders meeting shall be recorded in the meeting minutes.

The resolutions passed in the shareholders meeting shall be recorded in memo, which shall be signed or sealed by the Chairman, and distributed to the shareholders within 20 days after the meeting. After the Company issues the shares publically, the memo shall be distributed by making announcements. The memo can be generated and distributed in an electronic way.

#### **Chapter 4 Directors and Audit Committee**

Article 16: The Company sets up 5~9 directors. The Board Meeting is authorized to determine the number of directors, which shall include at least 3 independent directors. The election of directors adopts the nomination system as required by the Company Act. The independent directors and non-independent directors shall be elected in the same election, but the respective votes shall be separately calculated to determine the elected persons. The directors shall be elected and appointed based on the cumulative counts as stipulated in Article 198 of the Company Act, with a three-year term, who may be re-elected and re-appointed for one additional term. The representative of entity shareholder may be elected as director. Where there are several representatives of any entity shareholder, they may be elected as directors or supervisors, and the entity shareholder shall appoint a replacement representative based on the position until the expiration of the original term.

As for the professional qualifications, shareholdings, restrictions on concurrent positions held, nomination and other compliances with respect to independent directors, it is subject to the related regulations under the competent authority of the securities.

The Company sets up Audit Committee as required by Securities and Exchange Act, which is composed of all independent directors.

Article 16-1: One of the following relationships may not exist among more than half of the directors.

1. A spousal relationship.
2. A familial relationship within the second degree of kinship.

Article 17: The Board of Directors shall exercise the legal duties in the Board. A Chairman shall be elected from themselves with the presence of more than 2/3 directors, and the approval of more than half of the directors attending the meeting. The Chairman represents the company externally, and may appoint several consultants upon the resolution of the board meeting if necessary.

- Article 18: The first board meeting of each new term after an election shall be convened by the director who receives the ballot representing the highest number of votes within 15 days. The other board meetings shall be convened by the Chairman, which shall specify the reason and inform the directors within written notice 7 days in advance. However, in case of emergency, the Company's board meeting can be convened via E-mail or fax instead of written notice.
- Article 19: Unless otherwise provided by the Company Act and the Articles of Association, the resolutions shall be attended by more than 2/3 directors and approved by more than half number of the attending directors.
- Article 20: When the Chairman is on leave or can't exercise the duties for some reason, the proxy shall be subject to Article 208 of the Company Act.
- Article 21: The director may authorize another director in written form to attend the board meeting in lieu of him. However, each director can only serve as the proxy of only one director.
- Article 22: The board organizes the board meeting, with the rights as listed below:
1. Make and revising business plan.
  2. Make earning distribution or loss recovery plan.
  3. Make capital increase/decrease plan.
  4. Amend the Articles of Association.
  5. Review the important contracts.
  6. Appoint managers.
  7. Set up and cancel the branches and offices.
  8. Budgeting and final accounts.
  9. Decide the transaction of real properties and investment into other businesses.
  10. Other rights granted based on the Company Act or the resolution of shareholders meeting.
- Article 23: Removed.
- Article 24: The duties and related affairs of the Audit Committee and its members are subject to the related regulations under the competent authority of the securities.
- Article 25: The directors shall be distributed with remuneration as stipulated by Article 29, who shall also receive some reward of a fixed amount every month. The board is authorized to determine the reward based on the competitors and the level of listed companies.

## **Chapter 5 Managers**

- Article 26: The Company shall set up General Manager, whose appointment, dismiss and remuneration shall be subject to Article 29 of the Company Act.
- Article 27: The General Manager shall deal with all businesses of the Company as instructed by the Board.

## **Chapter 6 Accounting**

- Article 28: The fiscal year of the Company is from Jan. 1 to Dec. 31. At the end of each fiscal year, it shall close the final accounts. After the final accounts every year, the Board will prepare various reports as required by laws, which shall be submitted to the shareholders meeting for approval.
- Article 29: After the final accounts of the Company, if there are earnings, the Company shall first pay the tax, make up the losses for the preceding years and then set aside a legal reserve of 10% of the net profit. However, it is an exception when the legal reserve of profit reaches the capital sum. After an additional special reserve shall be set aside or reversed in compliance with laws, it shall be the distributable profit of the year. Together with the undistributed profit at the end of the period, it will be the cumulative distributable profit of the shareholders. The Board shall work out the earning distribution plan, and submit it to the shareholders meeting for resolution on distribution. The Company is engaged in the industries related to high-tech circuit board detection and IC testing devices. It is in the growth period of the corporate life cycle. To cope with the overall

environment and characteristics of industrial growth, achieve business sustainability, and pursue the long-term profit of the company and stabilize operating performance goals, the dividend policy of the Company shall be based on the capital expenditure budget and the capital demands in the future. The dividend for shareholder shall be appropriated from the cumulative distributable profit, which shall be no less than 60% of the distributable profit of the current year. The cash dividend shall be no less than 50% of the amount distributed in the current year.

Article 29-1: If the Company gains some profits in the year, it shall make up the loss based on the pre-tax profit before deducting the remuneration of the employees. If there are still some profits remaining, it shall appropriate no less than 3% as the remuneration of the employees, and no more than 2% as the remuneration of the directors.  
The subjects distributed with the above remuneration shall include the employees of the subsidiaries.

### **Chapter 7 Supplementary Provisions**

Article 30: The affairs not mentioned herein this document shall be subject to the Company Act and other laws.

Article 31: The document was drafted on March 31, 1989

The 1<sup>st</sup> amendment was on June 1, 1989

The 2<sup>nd</sup> amendment was on April 6, 1990

The 3<sup>rd</sup> amendment was on February 25, 1995

The 4<sup>th</sup> amendment was on November 20, 1995

The 5<sup>th</sup> amendment was on July 18, 1996

The 6<sup>th</sup> amendment was on May 27, 1997

The 7<sup>th</sup> amendment was on June 8, 1997

The 8<sup>th</sup> amendment was on June 18, 1998

The 9<sup>th</sup> amendment was on March 27, 1999

The 10<sup>th</sup> amendment was on June 3, 2000

The 11<sup>th</sup> amendment was on April 28, 2001

The 12<sup>th</sup> amendment was on May 4, 2002

The 13<sup>th</sup> amendment was on June 23, 2003

The 14<sup>th</sup> amendment was on June 15, 2004

The 15<sup>th</sup> amendment was on June 14, 2005

The 16<sup>th</sup> amendment was on June 9, 2006

The 17<sup>th</sup> amendment was on June 15, 2007

The 18<sup>th</sup> amendment was on June 13, 2008

The 19<sup>th</sup> amendment was on June 19, 2009

The 20<sup>th</sup> amendment was on June 18, 2010

The 21<sup>st</sup> amendment was on June 6, 2011

The 22<sup>nd</sup> amendment was on June 3, 2016

The 23<sup>rd</sup> amendment was on May 26, 2017

## Appendix 6

### TRI Director and Supervisor Election Rules Amendments Table

Article	Original Article	Amended Article	Amendment Reason
Title	TRI Director and <u>Supervisor</u> Election Rules	TRI Director Election Rules	Modify the title
Article 1	The election of the directors <u>and supervisors</u> in the Company shall be subject to this regulation.	The election of the directors in the Company shall be subject to this regulation.	Cope with the Audit Committee setup
Article 2	The election of the directors <u>and supervisors</u> in the Company shall be conducted in the shareholders meeting.	The election of the directors in the Company shall be conducted in the shareholders meeting.	
Article 3	Anyone with legal ability can be elected as director or supervisor of the Company based on the regulations of the Rules.	Anyone with legal ability can be elected as director of the Company based on the regulations of the Rules.	
Article 3-1	One of the following relationships may not exist among more than half of the directors, <u>more than one supervisor, and between supervisor and director.</u> 1. A spousal relationship. 2. A familial relationship within the second degree of kinship.	One of the following relationships may not exist among more than half of the directors. 1. A spousal relationship. 2. A familial relationship within the second degree of kinship.	
Article 4	The election of the directors and <u>supervisors</u> in the Company adopts the registered cumulative voting. The candidates are registered based on the shareholder account number or the identity card number printed on the ballot. The number of votes exercisable in respect of one share shall be the same as the number of <u>directors and supervisors</u> to be elected, and the total number of votes per share may be consolidated for election of one candidate or split for election of multiple candidates.	The election of the directors in the Company <u>shall be subject to the candidate nomination system prescribed in the Company Act,</u> together with the registered cumulative voting. The candidates are registered based on the shareholder account number or the identity card number printed on the ballot. The number of votes exercisable in respect of one share shall be the same as the number of directors to be elected, and the total number of votes per share may be consolidated for election of one candidate or split for election of multiple candidates. <u>The independent directors and non-independent directors shall be elected in the same election, but the respective votes shall be separately calculated.</u>	
Article 5	The number of directors shall be specified in the Articles of Association, and the candidates receiving a majority of votes will be appointed. If two or more candidates receive an equal number of votes, a draw shall take place between them to determine who shall be elected. Where a candidate is not present, the Chairman shall draw on behalf of the candidate. <u>The candidate who is elected as</u>	The number of directors shall be specified in the Articles of Association and <u>passed by the Board,</u> and the candidates receiving a majority of votes will be appointed. If two or more candidates receive an equal number of votes, a draw shall take place between them to determine who shall be elected. Where a candidate is not present, the Chairman shall draw on behalf of the candidate.	

	<u>director and supervisor at the same time, shall decide to be a director or a supervisor. And the candidate receiving the second most votes to such Director in the same general meeting shall be elected to fill the vacancy.</u>		
Article 6-1	<p>When the elected <u>director or supervisor</u> doesn't meet the condition set forth in Article 3-1, it shall decide the finally elected director or supervisor based on the following regulations:</p> <ol style="list-style-type: none"> <li>1. When the elected directors don't meet the condition, the elected director who receives the lowest number of votes among those not meeting the condition shall be deemed invalid.</li> <li>2. <u>When the elected supervisors don't meet the condition, it is applicable to above regulation.</u></li> <li>3. <u>When the condition is not met between the supervisors and directors, the elected supervisor who receives the lowest number of votes among those not meeting the condition shall be deemed invalid.</u></li> </ol>	When the elected director doesn't meet the condition set forth in Article 3-1, the elected director who receives the lowest number of votes among those not meeting the condition shall be deemed invalid.	
Article 10	<p>The ballot shall be null and invalid upon occurrence of one of the following.</p> <ol style="list-style-type: none"> <li>1. Ballots which are not in compliance with the Rules.</li> <li>2. Blank ballots which are cast into the ballot box.</li> <li>3. Scribbled and unidentifiable writing.</li> <li>4. The name, account number or identity card number, and the entitled votes of the elected candidate are altered.</li> <li>5. For name of candidate is inconsistent with the information recorded in the Register of shareholders.</li> <li>6. The name of the candidate is the same with other shareholder, but no shareholder number is provided for identification.</li> <li>7. Writing other words and symbols than the name of the candidate or shareholder account number and the number of votes entitled.</li> <li>8. The number of voted candidates exceeds the number of directors</li> </ol>	<p>The ballot shall be null and invalid upon occurrence of one of the following.</p> <ol style="list-style-type: none"> <li>1. Ballots which are not in compliance with the Rules.</li> <li>2. Blank ballots which are cast into the ballot box.</li> <li>3. Scribbled and unidentifiable writing.</li> <li>4. The <u>account name</u>, name, account number or identity card number, and the entitled votes of the elected candidate are altered.</li> <li>5. For a candidate who is also a <u>shareholder</u>, the <u>account name</u> and the <u>account number</u> are inconsistent with the information recorded in the Register of shareholders. <u>For a candidate who is not a shareholder, the name and the identity card number provided are inconsistent upon further verification.</u></li> <li>6. The <u>account name</u> (name) of the candidate is the same with other shareholder, but no shareholder number (or <u>identity card number</u>) is provided for identification.</li> <li>7. Writing other words and symbols than</li> </ol>	Meet the practical demands

	<p>to be elected.</p> <p>9. The number of votes cast by the voter exceeds the sum of votes held by him.</p>	<p>the <u>account name</u>( or name) of the candidate or shareholder account number (or <u>identity card number</u>) and the number of votes entitled.</p> <p>8. The number of voted candidates exceeds the number of directors to be elected.</p> <p>9. The number of votes cast by the voter exceeds the sum of votes held by him.</p> <p><u>10. Ballots which are not put into the ballot box.</u></p>	
Article 13	The Company shall send each elected <u>director and supervisor</u> a notice of appointment.	The Company shall send each elected director a notice of appointment.	Cope with the Audit Committee setup

## **TRI Director Election Rules**

- Article 1: Unless otherwise provided by the Company Act and the Articles, the election of the directors in the Company shall be subject to this regulation.
- Article 2: The election of the directors in the Company shall be conducted in the shareholders meeting.
- Article 3: Anyone with legal ability can be elected as director of the Company based on the regulations of the Rules.
- Article 3-1: One of the following relationships may not exist among more than half of the directors.
1. A spousal relationship.
  2. A familial relationship within the second degree of kinship.
- Article 4: The election of the directors in the Company shall be subject to the candidate nomination system prescribed in the Company Act, together with the registered cumulative voting. The candidates are registered based on the shareholder account number or the identity card number printed on the ballot. The number of votes exercisable in respect of one share shall be the same as the number of directors to be elected, and the total number of votes per share may be consolidated for election of one candidate or split for election of multiple candidates. The independent directors and non-independent directors shall be elected in the same election, but the respective votes shall be separately calculated.
- Article 5: The number of directors shall be specified in the Articles of Association and passed by the Board, and the candidates receiving a majority of votes will be appointed. If two or more candidates receive an equal number of votes, a draw shall take place between them to determine who shall be elected. Where a candidate is not present, the Chairman shall draw on behalf of the candidate.
- Article 6: The Board shall prepare the ballots. With the Company seal, the ballots shall specify the shareholder account number or the identity card number, and fill in the number of votes.
- Article 6-1: When the elected director doesn't meet the condition set forth in Article 3-1, the elected director who receives the lowest number of votes among those not meeting the condition shall be deemed invalid.
- Article 7: The Chairman shall appoint several persons each to check, count and record the ballots prior to the casting of ballot.
- Article 8: The Board shall set up a ballot box to be inspected by the ballot examiner prior to the casting of ballots.
- Article 9: The person casting the vote shall specify the shareholder account name or the identity card number, and the name shareholder number on each ballot in the column entitled "Candidate". If the candidate is a government entity or a juristic person, the person casting the vote shall specify the name of the government entity or juristic person and may in addition specify the name of the representative.
- Article 10: The ballot shall be null and invalid upon occurrence of one of the following.
1. Ballots which are not in compliance with the Rules.
  2. Blank ballots which are cast into the ballot box.
  3. Scribbled and unidentifiable writing.
  4. The account name, name, account number or identity card number, and the entitled votes of the elected candidate are altered.
  5. For a candidate who is also a shareholder, the account name and the account number are

inconsistent with the information recorded in the Register of shareholders. For a candidate who is not a shareholder, the name and the identity card number provided are inconsistent upon further verification.

6. The account name (name) of the candidate is the same with other shareholder, but no shareholder number (or identity card number) is provided for identification.
7. Writing other words and symbols than the account name( or name) of the candidate or shareholder account number ( or identity card number) and the number of votes entitled.
8. The number of voted candidates exceeds the number of directors to be elected.
9. The number of votes cast by the voter exceeds the sum of votes held by him.
10. Ballots which are not put into the ballot box.

Article 11: When the number of entitled votes is less than the number of votes held by the voter, the difference of votes shall be deemed as waiver.

Article 12: After the voting is finished, the ballots shall be counted publically, and the voting results shall be announced by the Chairman publically.

Article 13: The Company shall send each elected director a notice of appointment.

Article 14: The affairs not mentioned herein this document shall be subject to the Company Act and the Articles of Association.

Article 15: The Rules shall be implemented upon the approval of the shareholders meeting, and it is the same for the amendments.



## Appendix 7

### TRI Procedures for Acquisition or Disposal of Assets Amendments Table

	Original Article	Amended Article	Amendment Reason
Article 4	<p>Evaluation and authorization procedures</p> <p>1.Acquisition or disposal of short/long-term securities that are not in the concentrated marketing or securities business center shall consider the net value per share, profit-making ability, future expanding potential, market interest rate, bond coupon rate, debtor's credit and current transaction price. The transaction amount below NT\$3 million shall be approved by the General Manager. For the amount above NT\$3 million but less than 20% of the paid-in capital shall be approved by the Chairman. For the amount above 20% of the paid-in capital shall be <u>passed by the Board</u> before implementation.</p> <p>2.Acquisition or disposal of short/long-term securities that are in the concentrated marketing or securities business center shall be subject to the current equity or bond price, which shall be implemented upon the authorization approved by the Chairman.</p> <p>3.Acquisition or disposal of assets other than the above two items shall be based on price solicitation, price comparison, bargaining or public tendering, with the reference of announced value, appraised value, actual closing prices for nearby real properties. For those which meet the public announcement and reporting standards as stipulated in the Procedures, it shall also refer to the price appraisal report of a professional appraiser. The transaction amount below NT\$3 million shall be approved by the General Manager. For the amount above NT\$3 million but less than NT\$10 million shall be approved by the Chairman. For the amount above NT\$10 million shall be <u>passed by the</u></p>	<p>Evaluation and authorization procedures</p> <p>1.Acquisition or disposal of short/long-term securities that are not in the concentrated marketing or securities business center shall consider the net value per share, profit-making ability, future expanding potential, market interest rate, bond coupon rate, debtor's credit and current transaction price. The transaction amount below NT\$3 million shall be approved by the General Manager. For the amount above NT\$3 million but less than 20% of the paid-in capital shall be approved by the Chairman. For the amount above 20% of the paid-in capital shall be <u>approved by the Audit Committee and passed by the Board</u> before implementation.</p> <p>2.Acquisition or disposal of short/long-term securities that are in the concentrated marketing or securities business center shall be subject to the current equity or bond price, which shall be implemented upon the authorization approved by the Chairman.</p> <p>3. Acquisition or disposal of assets other than the above two items shall be based on price solicitation, price comparison, bargaining or public tendering, with the reference of announced value, appraised value, actual closing prices for nearby real properties. For those which meet the public announcement and reporting standards as stipulated in the Procedures, it shall also refer to the price appraisal report of a professional appraiser. The transaction amount below NT\$3 million shall be approved</p>	Cope with the Audit Committee setup and meet the practical demands

	Board before implementation.	by the General Manager. For the amount above NT\$3 million but less than NT\$10 million shall be approved by the Chairman. For the amount above NT\$10 million shall be <u>approved by the Audit Committee and passed by the Board</u> before implementation.
Article 9	<p>In acquiring or disposing real property or equipment where the transaction amount reaches 20% of the Company's paid-in capital or NT\$300 million, the Company, unless transacting with a government agency, engaging others to build on its own land, engaging others to build on rented land, or acquiring or disposing of business machinery and equipment, shall obtain an appraisal report(it shall record the details as Appendix 1) prior to the occurrence date of event from a professional appraiser and shall further comply with the following provisions:</p> <ol style="list-style-type: none"> <li>1. Where due to special circumstances it is necessary to give a restrictive 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, and the same procedure shall be followed for any future changes to the terms and conditions of the transaction.</li> <li>2. Where the transaction amount reaches NT\$1 billion or more, appraisals from two or more professional appraisers shall be obtained, who shall not be related party of each other.</li> <li>3. Where any one of the following circumstances applies with respect to the professional appraiser's appraisal results, unless that the appraisal price is higher than the transaction amount in acquisition of asset(s), or the appraisal price is lower than the transaction amount in disposal of asset(s), 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 Accounting Research and</li> </ol>	<p>In acquiring or disposing real property or equipment where the transaction amount reaches 20% of the Company's paid-in capital or NT\$300 million, the Company, unless transacting with a government agency, engaging others to build on its own land, engaging others to build on rented land, or acquiring or disposing of business machinery and equipment, shall obtain an appraisal report(it shall record the details as Appendix 1) prior to the occurrence date of event from a professional appraiser and shall further comply with the following provisions:</p> <ol style="list-style-type: none"> <li>1. Where due to special circumstances it is necessary to give a restrictive price, specified price or special price as a reference basis for the transaction price, the transaction shall be <u>approved by the Audit Committee, and submitted for approval in advance by the Board,</u> and the same procedure shall be followed for any future changes to the terms and conditions of the transaction.</li> <li>2. Where the transaction amount reaches NT\$1 billion or more, appraisals from two or more professional appraisers shall be obtained, who shall not be related party of each other.</li> <li>3. Where any one of the following circumstances applies with respect to the professional appraiser's appraisal results, unless that the appraisal price is higher than the transaction amount in acquisition of asset(s), or the appraisal price is lower than the transaction amount</li> </ol>

	<p>Development Foundation and render a specific opinion regarding the reason for the discrepancy and the appropriateness of the transaction price:</p> <p>(1) The discrepancy between the appraisal result and the transaction amount is 20% or more of the transaction amount.</p> <p>(2) The discrepancy between the appraisal results of two or more professional appraisers is 10% or more of the transaction amount.</p> <p>4. Where a professional appraiser present a report, no more than three months may pass between the date of the appraisal report and the contract execution date; provided, where the publicly announced current value for the same period is used and not more than six months have elapsed, an opinion may still be issued by the original professional appraiser.</p>	<p>in disposal of asset(s), 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 Accounting Research and Development Foundation and render a specific opinion regarding the reason for the discrepancy and the appropriateness of the transaction price:</p> <p>(1) The discrepancy between the appraisal result and the transaction amount is 20% or more of the transaction amount.</p> <p>(2) The discrepancy between the appraisal results of two or more professional appraisers is 10% or more of the transaction amount.</p> <p>4. Where a professional appraiser present a report, no more than three months may pass between the date of the appraisal report and the contract execution date; provided, where the publicly announced current value for the same period is used and not more than six months have elapsed, an opinion may still be issued by the original professional appraiser.</p>
Article 11	<p>Except for transactions with government institutions, if the Company's acquisition or disposal of membership or intangible assets reaches 20% of the Company's paid-in capital or NT\$300 million, opinions in respect of a rational transaction price shall be sought from certified public accountant prior to the Date of the Event. Certified public accountant shall handle the matter in accordance with the provision of Auditing Standard No. 20 published by the Accounting Research and Development Foundation. The Company shall not conduct any action of acquiring the claims and memberships of financial institutions. If it intends to acquire or</p>	<p>Except for transactions with government institutions, if the Company's acquisition or disposal of membership or intangible assets reaches 20% of the Company's paid-in capital or NT\$300 million, opinions in respect of a rational transaction price shall be sought from certified public accountant prior to the Date of the Event. Certified public accountant shall handle the matter in accordance with the provision of Auditing Standard No. 20 published by the Accounting Research and Development Foundation. The Company shall not conduct any action of acquiring the claims and memberships of financial institutions. If it intends to acquire or</p>

	dispose the claims and memberships of financial institutions afterwards, it shall be submitted for approval of the Board before stipulating the evaluation and operation procedures.	dispose the claims and memberships of financial institutions afterwards, it shall be <u>approved by the Audit Committee and submitted for approval of the Board</u> before stipulating the evaluation and operation procedures.
Article 15	<p>Where the Company intends to acquire or dispose real property from a related party, or to acquire or dispose any property other than real property from a related party and the transaction amount of which is 20% of the paid-in capital of the Company, or 10% of the aggregate assets of the Company, or NTD30 million or more, except in trading of government bonds or bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises, the following matters shall be submitted for <u>passed by the Board and approved by the supervisors</u> before any transaction agreement can be signed or any payment can be made:</p> <ol style="list-style-type: none"> <li>1. The purpose, necessity and anticipated benefit of the property acquisition or disposal.</li> <li>2. The reason for choosing the related party as a trading counterparty.</li> <li>3. In respect of acquisition of real property, information regarding appraisal of the reasonableness of the proposed transaction terms in accordance with the provisions in Article 16 and Article 17.</li> <li>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.</li> <li>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.</li> </ol>	<p>Where the Company intends to acquire or dispose real property from a related party, or to acquire or dispose any property other than real property from a related party and the transaction amount of which is 20% of the paid-in capital of the Company, or 10% of the aggregate assets of the Company, or NTD30 million or more, except in trading of government bonds or bonds under repurchase and resale agreements, or subscription or <u>buyback</u> of money market funds issued by domestic securities investment trust enterprises, the following matters shall be submitted for <u>approval firstly by the Audit Committee before resolution is further approved by the Board</u> before any transaction agreement can be signed or any payment can be made:</p> <ol style="list-style-type: none"> <li>1. The purpose, necessity and anticipated benefit of the property acquisition or disposal.</li> <li>2. The reason for choosing the related party as a trading counterparty.</li> <li>3. In respect of acquisition of real property, information regarding appraisal of the reasonableness of the proposed transaction terms in accordance with the provisions in Article 16 and Article 17.</li> <li>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.</li> <li>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.</li> </ol>

	<p>6. An appraisal report issued by a professional appraiser or a CPA opinion pursuant to the last item.</p> <p>7. Restrictive covenants and other important stipulations associated with the transaction.</p> <p>The transaction amount referred to in the preceding paragraph shall be calculated in accordance with Article 7 and the period for one year shall commence from the date when the transaction takes place. However, the calculation should exclude the amount which has already been submitted for approval by the Board and <u>the supervisors.</u></p> <p>For the acquisition and disposal of machinery and equipment used for business operation by and between the Company and its subsidiary, the Board may authorize its Chairman to proceed with certain authorized transaction amount pursuant to paragraph 3, Article 4 before such transaction is later submitted to the Board for approval at the next meeting immediately following the transaction. <u>When the Company sets up independent directors as required,</u> and when Procedures for Acquisition or Disposal of Assets is submitted to the Board Meeting for discussion pursuant to above paragraph, it 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 meeting.</p>	<p>6. An appraisal report issued by a professional appraiser or a CPA opinion pursuant to the last item.</p> <p>7. Restrictive covenants and other important stipulations associated with the transaction.</p> <p>The transaction amount referred to in the preceding paragraph shall be calculated in accordance with Article 7 and the period for one year shall commence from the date when the transaction takes place. However, the calculation should exclude the amount which has already been submitted for approval by the Audit Committee as well as the Board.</p> <p>For the acquisition and disposal of machinery and equipment used for business operation by and between the Company and its subsidiary, the Board may authorize its Chairman pursuant to paragraph 3, Article 4 to proceed with certain authorized transaction amount before such transaction is later submitted to the Board for approval at the next meeting immediately following the transaction. When the Procedures for Acquisition or Disposal of Assets is submitted to the Board Meeting for discussion pursuant to above paragraph, it 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 meeting.</p>
Article 17	<p>Where the Company acquires real estate from a related party and the results of appraisals conducted in accordance with the related provisions are uniformly lower than the transaction price, the following steps shall be taken:</p> <p>1. A special reserve shall be set aside in accordance with the applicable regulations against the difference between the real estate transaction price and the appraised cost, and may not be distributed or used for capital increase or issuance of bonus</p>	<p>Where the Company acquires real estate from a related party and the results of appraisals conducted in accordance with the related provisions are uniformly lower than the transaction price, the following steps shall be taken:</p> <p>1. A special reserve shall be set aside in accordance with the applicable regulations against the difference between the real estate transaction price and the appraised cost, and may not be distributed or used for</p>

	<p>shares. Where the Company uses the equity method to account for its investment in a publicly listed company, the special reserve shall be also set aside pro rata in a proportion in accordance with the applicable regulations.</p> <p>2. <u>The supervisors</u> shall comply with the provisions of Article 218 of the Company Act.</p> <p>3. Actions taken pursuant to subparagraph 1 and subparagraph 2 shall be reported to a shareholders meeting, and the details of the transaction shall be disclosed in the annual report and any investment prospectus.</p> <p>The Company that has set aside a special reserve under the preceding paragraph may not utilize the special reserve until it has recognized a loss on decline in market value of the assets it purchased at a premium, or they have been disposed of, or adequate compensation has been made, or the status quo ante has been restored, or there is other evidence confirming that there was nothing unreasonable about the transaction, and got the consent from Financial Supervisory Commission.</p> <p>When the Company obtains real estate from a related party, it shall also comply with the provisions of the preceding two paragraphs if there is other evidence indicating that the acquisition was not an arms length transaction.</p>	<p>capital increase or issuance of bonus shares. Where the Company uses the equity method to account for its investment in a publicly listed company, the special reserve shall be also set aside pro rata in a proportion in accordance with the applicable regulations.</p> <p>2. <u>The independent directors of Audit Committee</u> shall comply with the provisions of Article 218 of the Company Act.</p> <p>3. Actions taken pursuant to subparagraph 1 and subparagraph 2 shall be reported to a shareholders meeting, and the details of the transaction shall be disclosed in the annual report and any investment prospectus.</p> <p>The Company that has set aside a special reserve under the preceding paragraph may not utilize the special reserve until it has recognized a loss on decline in market value of the assets it purchased at a premium, or they have been disposed of, or adequate compensation has been made, or the status quo ante has been restored, or there is other evidence confirming that there was nothing unreasonable about the transaction, and got the consent from Financial Supervisory Commission.</p> <p>When the Company obtains real estate from a related party, it shall also comply with the provisions of the preceding two paragraphs if there is other evidence indicating that the acquisition was not an arms length transaction.</p>
Article 19	<p>In conducting a merger, demerger, acquisition, or transfer of shares, the Company is advised to appoint 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 the shareholders, and submit it to the Board for approval.</p>	<p>In conducting a merger, demerger, acquisition, or transfer of shares, the Company is advised to appoint 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 the shareholders, and submit it to the <u>Audit Committee for approval and to the Board for deliberation and</u></p>

	<p>approval. However, when the publicly listed company merges its own subsidiaries with direct or indirect 100% shareholding of the issued shares or capital sum, or the merger takes place between its subsidiaries in which it has direct or indirect 100% shareholding of the issues shares or capital sum, the expert opinion of reasonableness as stated above shall be exempted.</p> <p>In participating in a merger, demerger, acquisition, or transfer of shares, the Company shall prepare a report to the shareholders detailing important contractual content and matters prior to the general meeting and include such report together with the expert opinion referred to in the preceding paragraph with the meeting notice of the general meeting to be used as reference on whether to the merger, demerger, acquisition shall be approved. Provided, where a provision of other laws exempts the Company from having to convene a general meeting to approve the merger, demerger, or acquisition, the above requirement shall not apply.</p> <p>Where in participation of a merger, demerger, or acquisition, the general meeting 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, the Company engaged in the merger, demerger or acquisition shall immediately explain the reason, the follow-up measures, and the preliminary date of the next general meeting.</p>	<p>approval. However, when the publicly listed company merges its own subsidiaries with direct or indirect 100% shareholding of the issued shares or capital sum, or the merger takes place between its subsidiaries in which it has direct or indirect 100% shareholding of the issues shares or capital sum, the expert opinion of reasonableness as stated above shall be exempted.</p> <p>In participating in a merger, demerger, acquisition, or transfer of shares, the Company shall prepare a report to the shareholders detailing important contractual content and matters prior to the general meeting and include such report together with the expert opinion referred to in the preceding paragraph with the meeting notice of the general meeting to be used as reference on whether to the merger, demerger, acquisition shall be approved. Provided, where a provision of other laws exempts the Company from having to convene a general meeting to approve the merger, demerger, or acquisition, the above requirement shall not apply.</p> <p>Where in participation of a merger, demerger, or acquisition, the general meeting 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, the Company engaged in the merger, demerger or acquisition shall immediately explain the reason, the follow-up measures, and the preliminary date of the next general meeting.</p>
Article 25	<p>Implementation date</p> <p>The Procedures shall be passed by the Board, and finally submitted to the supervisors and shareholders meeting for approval. It is the same for the amendments. <u>If any director expresses objection opinion with records or written statements, the Company shall submit the data of director's objection opinion to the supervisors.</u></p> <p>When the Procedures for Acquisition or Disposal of Assets is submitted to</p>	<p>Implementation date</p> <p>The Procedures shall be <u>approved by more than half of all members of Audit Committee, passed</u> by the Board, and finally submitted to the shareholders meeting for approval. It is the same for the amendments.</p> <p>When the Procedures for Acquisition or Disposal of Assets is submitted to the Board Meeting for discussion, it shall fully consider the opinion of the independent directors, and record the concurring or objecting opinions</p>

the Board Meeting for discussion, it shall fully consider the opinion of the independent directors, and record the concurring or objecting opinions and reasons proposed by the independent directors in the meeting minutes.	and reasons proposed by the independent directors in the meeting minutes. <u>When stipulating or amending the Procedures for Acquisition or Disposal of Assets, if the Company fails to obtain the consent from more than half of all members under Audit Committee, it shall be approved by more than 2/3 of all directors before implementation. Moreover, it shall record the resolution of the Audit Committee in the board meeting minutes.</u>
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## **TRI Procedures for Acquisition or Disposal of Assets**

### **Article 1 Purpose**

The Procedures are established for purposes of guaranteeing investment making information publicly available.

### **Article 2 Foundation**

The Procedures are subject to the provisions of Guidelines for Handling Acquisition and Disposal of Assets by Public Companies in Article 36-1 of Securities and Exchange Act.

### **Article 3 Applicable range of the assets stated herein the Procedures**

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.
2. Real estate (including land, house and building, real estate for investment purpose, right to use land and inventories of construction enterprises) and equipment.
3. Memberships.
4. Patents, copyrights, trademarks, franchise rights, and other intangible assets.
5. Claims of financial institutions (including receivables, bills purchased and discounted, loans, and overdue receivables).
6. Derivatives.
7. Assets acquired or disposed of in connection with merger, demerger, acquisition, or transfer of shares in accordance with acts of law.
8. Other major assets.

### **Article 4 Evaluation and authorization procedures**

1. Acquisition or disposal of short/long-term securities that are not in the concentrated marketing or securities business center shall consider the net value per share, profit-making ability, future expanding potential, market interest rate, bond coupon rate, debtor's credit and current transaction price. The transaction amount below NT\$3 million shall be approved by the General Manager. For the amount above NT\$3 million but less than 20% of the paid-in capital shall be approved by the Chairman. For the amount above 20% of the paid-in capital shall be approved by the Audit Committee and passed by the Board before implementation.
2. Acquisition or disposal of short/long-term securities that are in the concentrated marketing or securities business center shall be subject to the current equity or bond price, which shall be implemented upon the authorization approved by the Chairman.
3. Acquisition or disposal of assets other than the above two items shall be based on price solicitation, price comparison, bargaining or public tendering, with the reference of announced value, appraised value, actual closing prices for nearby real properties. For those which meet the public announcement and reporting standards as stipulated in the Procedures, it shall also refer to the price appraisal report of a professional appraiser. The transaction amount below NT\$3 million shall be approved by the General Manager. For the amount above NT\$3 million but less than NT\$10 million shall be approved by the Chairman. For the amount above NT\$10 million shall be approved by the Audit Committee and passed by the Board before implementation.

#### Article 5 Procedures for assets acquisition or disposal

1. When acquiring or disposing assets, the undertaker shall evaluate the acquisition or disposal reason, target, trading counterparty, transfer price, reception/payment condition and price references, and then submit to the authorized department for final decision before implementation. The related affairs are subject to related operational regulations of the Company's internal control system and the Procedures.
2. Finance Department is responsible for implementing the investment of short/long-term securities in the Company. The using department and the Administration Department are responsible for implementing real properties and other fixed assets. For other assets other than the investment of securities, real properties and other fixed assets, it shall be first evaluated by the implementation related departments.
3. The operations related to acquisition or disposal of assets shall be subject to the related regulations of the internal control system in the Company. If any major violation is found, it will result in penalties of involved personnel based on the actual condition.

#### Article 6 Limits of investment amount

For the acquisition of real estate or securities by the Company and its Subsidiary for non-operating purpose, the total amount of investment shall not exceed the paid-in capital of the Company. Moreover, the total amount of investment into respective securities shall not exceed 40% of the paid-in capital of the Company.

#### Article 7 Public announcement and reporting standards

Should any of the following conditions relating to the Company's acquisition or disposal of assets occurs, filing and public announcement shall be made on the website designated by the Financial Supervisory Commission within 2 days commencing immediately from the Date of occurrence of the event:

1. Acquisition of real estate from or to a related party, or acquisition or disposal of assets other than real estate from or to a related party where the transaction amount reaches 20% of the paid-in capital, 10% of the company's total assets, or NT\$300 million or more; provided, however, that this shall not apply to the trading of government bonds or bonds under repurchase and resale agreements and the purchase or redemption of domestic money market funds in Taiwan;
2. Merger, demerger, acquisition or transfer of shares;
3. The loss of trading derivatives reaches the limit for all or individual contract set forth in the Procedures for Financial Derivatives Transactions;
4. Where an asset transaction other than any of those referred to in the preceding three subparagraphs, a disposal of receivables by a financial institution, or an investment in the Mainland China area reaches 20% of the paid-in capital or NT\$300 million; provided, this shall not apply to the following circumstances:
  - (1) Trading of government bonds.
  - (2) Securities trading in the Securities Exchange home and abroad or the operating site of the securities firm for investment purpose, or the securities purchased by the securities firm in the primary market or as required.
  - (3) Trading of bonds under repurchase/resale agreements and the purchase or redemption of domestic money market funds in Taiwan.
  - (4) Where the type of asset acquired or disposed is equipment for business use, the

trading counterparty is not a related party, and the transaction amount is less than NT\$500 million.

(5) Where the publicly listed company engaged in construction business acquires or disposes the real property for construction use, and the trading counterparty is not a related party, and the transaction amount is less than NT\$500 million.

(6) Where land is acquired under an arrangement on engaging others to build on the company's own land, engaging others to build on rented land, joint construction and allocation of housing units, joint construction and allocation of ownership percentages, or joint construction and separate sale, and the amount the Company expects to invest in the transaction is less than NT\$500 million.

The amount of transactions above shall be calculated as follows:

1. The amount of any individual transaction.
2. The cumulative transaction amount of acquisitions and disposals of the same type of underlying asset with the same trading counterparty within the preceding year.
3. The cumulative transaction amount of real estate 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.

"Within the preceding year" as used in the preceding paragraph refers to the year preceding the date of occurrence of the current transaction. Items duly announced in accordance with the Procedures need not be counted toward the transaction amount.

"Date of the Event" used herein should mean the contracting day, the payment day, the transaction day, the title transferring day, the day of board resolution or other date when the transaction party and the transaction amount can be ascertained (whichever is earlier); for investments required to be approved by competent authority, the Date of the Event will be any of the above-mentioned dates or the date on which the approval letter of competent authority is received, whichever is earlier.

When the Company at the time of public announcement makes an error or omission in an item required by the Procedures to be publicly announced and so is required to correct it, all the items shall be again publicly announced and reported in their entirety. In acquiring or disposing of assets, the Company shall keep all relevant contracts, meeting minutes, log books, appraisal reports and certified public account, attorney, and securities underwriter opinions in the Company, where they shall be retained for five years unless otherwise provided by related laws.

After a public announcement and reporting for the investment in Mainland China area pursuant to the above has been made, if the competent authority rejects the application of investment in Mainland China area, it shall disclose the related information on the MOPS such as the initial announcement and reporting date, name of target investment company in Mainland China, estimated investment amount, trading counterparty, and the date of rejection by the competency authority.

Article 8 After a public disclosure of information pursuant to the above has been made, upon occurrence of the following, a report of relevant information shall be made on the information reporting website designated by the Financial Supervisory Commission within 2 days from the occurrence date of the event:

1. Change, termination, or cancellation 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. Amendments to or changes in the original report.

Article 9 In acquiring or disposing real property or equipment where the transaction amount reaches 20% of the Company's paid-in capital or NT\$300 million, the Company, unless transacting with a government agency, engaging others to build on its own land, engaging others to build on rented land, or acquiring or disposing of business machinery and equipment, shall obtain an appraisal report(it shall record the details as Appendix 1) prior to the occurrence date of the event from a professional appraiser and shall further comply with the following provisions:

1. Where due to special circumstances it is necessary to give a restrictive price, specified price or special price as a reference basis for the transaction price, the transaction shall be approved by the Audit Committee, and submitted for approval in advance by the Board, and the same procedure shall be followed for any future changes to the terms and conditions of the transaction.
2. Where the transaction amount reaches NT\$1 billion or more, appraisals from two or more professional appraisers shall be obtained, who shall not be related party of each other.
3. Where any one of the following circumstances applies with respect to the professional appraiser's appraisal results, unless that the appraisal price is higher than the transaction amount in acquisition of asset(s), or the appraisal price is lower than the transaction amount in disposal of asset(s), 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 Accounting Research and Development Foundation and render a specific opinion regarding the reason for the discrepancy and the appropriateness of the transaction price:
  - (1) The discrepancy between the appraisal result and the transaction amount is 20% or more of the transaction amount.
  - (2) The discrepancy between the appraisal results of two or more professional appraisers is 10% or more of the transaction amount.
4. Where a professional appraiser present a report, no more than three months may pass between the date of the appraisal report and the contract execution date; provided, where the publicly announced current value for the same period is used and not more than six months have elapsed, an opinion may still be issued by the original professional appraiser.

Article 10 The Company acquiring or disposing of securities shall, prior to the Date of the Event, obtain the latest financial statements of the target company audited or reviewed by certified public accountant for the assessment and reference of transaction price. Should the transaction price reaches 20% of the Company's paid-in capital or NT\$300 million, opinions in respect of a rational transaction price have to be sought from certified public accountant prior to the Date of the Event. 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 Accounting Research and Development Foundation. These requirements are not

applicable if such securities have a public price from an active market or where otherwise provided by regulations of the Financial Supervisory Commission.

Article 11 Except for transactions with government institutions, if the Company's acquisition or disposal of membership or intangible assets reaches 20% of the Company's paid-in capital or NT\$300 million, opinions in respect of a rational transaction price shall be sought from certified public accountant prior to the Date of the Event. Certified public accountant shall handle the matter in accordance with the provision of Auditing Standard No. 20 published by the Accounting Research and Development Foundation. The Company shall not conduct any action of acquiring the claims and memberships of financial institutions. If it intends to acquire or dispose the claims and memberships of financial institutions afterwards, it shall be approved by the Audit Committee and submitted for approval of the Board before stipulating the evaluation and operation procedures.

Article 11-1 The calculation of the transaction amounts referred to in the preceding three sub-paragraphs shall be done in accordance with Paragraph 2, Article 7, and "within the preceding year" as used herein refers to the year preceding the date of occurrence of the current transaction. Items for which an appraisal report from a professional appraiser or a CPA's opinion has been obtained need not be counted toward the transaction amount.

Article 12 The Company for acquisition or disposal of assets through auction procedures of courts, the appraisal report or certified public accountant's opinion can be replaced by documents issued by the courts.

Article 13 Any professional appraiser and its appraisal personnel, certified public accountants, lawyers, securities underwriters or trading counterparty whom the Company has acquired appraisal reports and opinions from, shall not be a related party of the Company. Moreover, they shall have no judgment record of crime or offender.

Article 14 In acquiring or disposing real property from a related party, the Company shall ensure that the necessary resolutions are adopted, the reasonableness of the transaction terms is appraised, and other relevant matters are carried out in compliance with the following, including but without limitation. In case where the transaction amount is 10% or more of the aggregate assets of the Company, it shall obtain an appraisal report issued by a professional appraiser or a CPA opinion as required, in addition to compliance with the procedures set forth above. The calculation of the transaction amount is subject to the provisions in Article 11-1.

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

Article 15 Where the Company intends to acquire or dispose real property from a related party, or to acquire or dispose any property other than real property from a related party and the transaction amount of which is 20% of the paid-in capital of the Company, or 10% of the aggregate assets of the Company, or NTD30 million or more, except in trading of government bonds or bonds under repurchase and resale agreements, or subscription or buyback of money market funds issued by domestic securities investment trust enterprises, the following matters shall be submitted for approval firstly by the Audit Committee before resolution is further approved by the Board before any transaction agreement can be signed or any payment can be made:

1. The purpose, necessity and anticipated benefit of the property acquisition or disposal.
2. The reason for choosing the related party as a trading counterparty.

3. In respect of acquisition of real property, information regarding appraisal of the reasonableness of the proposed transaction terms in accordance with the provisions in Article 16 and Article 17.
  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 issued by a professional appraiser or a CPA opinion pursuant to the last item.
  7. Restrictive covenants and other important stipulations associated with the transaction.
- The transaction amount referred to in the preceding paragraph shall be calculated in accordance with Article 7 and the period for one year shall commence from the date when the transaction takes place. However, the calculation should exclude the amount which has already been submitted for approval by the Audit Committee as well as the Board.

For the acquisition and disposal of machinery and equipment used for business operation by and between the Company and its subsidiary, the Board may authorize its Chairman to proceed with certain authorized transaction amount pursuant to paragraph 3, Article 4 before such transaction is later submitted to the Board for approval at the next meeting immediately following the transaction.

When the Procedures for Acquisition or Disposal of Assets is submitted to the Board Meeting for discussion pursuant to above paragraph, it 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 meeting.

**Article 16** When the Company acquires real estate from a related party, it shall evaluate the reasonableness of the transaction costs by the following means:

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

Where land and structures thereupon are combined as a single property purchased in one transaction, the transaction costs for the land and the structures may be separately appraised in accordance with either of the means listed in the preceding paragraph.

The Company that acquires real estate from a related party and appraises the cost of the real estate in accordance with the related provisions shall also engage a CPA to check the appraisal and render a specific opinion. It shall not apply to the following circumstances.

1. The related party acquired the real estate through inheritance or as a gift.
2. More than five years will have elapsed from the time the related party signed the contract to obtain the real estate to the signing date for the current transaction.
3. The real estate is acquired through signing of a joint development contract with the related party or through contract development, where the related party as the developer, on the land of the Company or a third-party landowner.

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

1. A special reserve shall be set aside in accordance with the applicable regulations against the difference between the real estate transaction price 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 a publicly listed company, the special reserve shall be also set aside pro rata in a proportion in accordance with the applicable regulations.
2. The independent directors of Audit Committee shall comply with the provisions of Article 218 of the Company Act.
3. Actions taken pursuant to subparagraph 1 and subparagraph 2 shall be reported to a shareholders meeting, and the details of the transaction shall be disclosed in the annual report and any investment prospectus.

The Company that has set aside a special reserve under the preceding paragraph may not utilize the special reserve until it has recognized a loss on decline in market value of the assets it purchased at a premium, or they have been disposed of, or adequate compensation has been made, or the status quo ante has been restored, or there is other evidence confirming that there was nothing unreasonable about the transaction, and got the consent from Financial Supervisory Commission.

When the Company obtains real estate from a related party, it shall also comply with the provisions of the preceding two paragraphs if there is other evidence indicating that the acquisition was not an arms length transaction.

Article 18 The transaction of derivative products by the Company shall be subject to the Procedures for Derivative Products Transactions and shall attend to matters of risk management and audit to ensure that the internal control system is fully implemented.

Article 19 In conducting a merger, demerger, acquisition, or transfer of shares, the Company is advised to appoint 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 the shareholders, and submit it to the Audit Committee for approval and to the Board for deliberation and approval. However, when the publicly listed company merges its own subsidiaries with direct or indirect 100% shareholding of the issued shares or capital sum, or the merger takes place between its subsidiaries in which it has direct or indirect 100% shareholding of the issues shares or capital sum, the expert opinion of reasonableness as stated above shall be exempted.

In participating in a merger, demerger, acquisition, or transfer of shares, the Company shall prepare a report to the shareholders detailing important contractual content and matters prior to the general meeting and include such report together with the expert opinion referred to in the preceding paragraph with the meeting

notice of the general meeting to be used as reference on whether to the merger, demerger, acquisition shall be approved. Provided, where a provision of other laws exempts the Company from having to convene a general meeting to approve the merger, demerger, or acquisition, the above requirement shall not apply.

Where in participation of a merger, demerger, or acquisition, the general meeting 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, the Company engaged in the merger, demerger or acquisition shall immediately explain the reason, the follow-up measures, and the preliminary date of the next general meeting.

Article 20 In participation of a merger, demerger, or acquisition, the board meeting and general meeting shall be convened on the same day to resolve matters relevant to the merger, demerger, or acquisition, unless otherwise provided by other application laws, or approval from the Financial Supervisory Commission in advance of extraordinary circumstances. In participation of a transfer of shares, the board meeting of the other participating companies shall be convened on same the day, unless otherwise provided by other application laws, or approval from the Financial Supervisory Commission in advance of extraordinary circumstances.

Article 21 Every person participating in or privy to the Company's 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.

Article 22 In participation of a merger, demerger, acquisition, or transfer of shares, the Company shall not arbitrarily alter the share swap ratio or purchase price unless the following circumstances permitting alteration are stipulated in the contract for the merger, demerger, acquisition, or transfer of shares and publicly disclosed:

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, that affects the Company's financial operations
3. An event, such as a major disaster or major change in technology, that affects shareholder equity or securities 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.

The Company's contract related to the merger, demerger, acquisition, or transfer of shares shall specify the related matters as required, so as to maintain the rights and benefits of all parties.

Article 22-1 When participating in a merger, demerger, acquisition, or transfer of shares, the Company that is listed on an exchange or has its shares traded on an OTC market shall prepare a full written record of the following information and retain it for five years



for inspection:

1. Basic identification data for personnel: Including the occupational titles, names, and identity card 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 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 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 meetings.

When participating in a merger, demerger, acquisition, or transfer of shares, the Company that is listed on an exchange or has its shares traded on an OTC market shall, within 2 days commencing immediately from the date of a resolution passed by the Board, report the information set forth in paragraphs 1 and 2 of the preceding paragraph to the Financial Supervisory Commission for recordation in the prescribed format and via the Internet-based information system.

Where the Company participating in a merger, demerger, acquisition, or transfer of shares is neither listed on an exchange nor has its shares traded on an OTC market, the company(s) so listed or traded shall sign an agreement with such company whereby the latter is required to abide by the provisions of paragraphs 1 and 2.

#### Article 23 Subsidiaries' procedures for acquisition or disposal of assets

1. The Company shall supervise the subsidiaries to stipulate the Procedures for Acquisition or Disposal of Assets pursuant to the related guidelines, and to evaluate whether the related matters follow the Procedures regularly by themselves. The self-evaluation report shall be audited by the internal auditor.
2. If the subsidiary is not a listed company in Taiwan, when the target assets to be acquired or disposed reaches the announcement and reporting standards under Article 7, the parent company shall handle the reporting affairs.
3. The amount reaching up to "20% of the paid-in capital" or 10% of the total assets under the announcement and reporting standards of the subsidiaries, is subject to the amount of paid-in capital of total assets of the parent company.

The subsidiary refers to the target company of investment that the Company holds more than 50% of issued voting shares directly or holds more than 50% of issued voting shares indirectly through a subsidiary, and so forth; or the target company of investment that a company holds more than 50% of issued voting shares directly or holds more than 50% of issued voting shares indirectly through a subsidiary, and so forth.

#### Article 24 Disclosure of Financial Statement

When the assets acquired or disposed by the Company reaches the announcement and reporting standards under Article 7, and the trading counterparty is a substantial related party, it shall disclose the announcement content in the notes of Financial Statement, and report in the board meeting.

Article 24-1 10% of the total assets under the Procedures shall be calculated based on the amount of total assets in the latest individual financial statement as stipulated in the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

## Article 25 Implementation date

The Procedures shall be approved by more than half of all members of Audit Committee, passed by the Board, and finally submitted to the shareholders meeting for approval. It is the same for the amendments.

When the Procedures for Acquisition or Disposal of Assets is submitted to the Board Meeting for discussion pursuant to above paragraph, it shall fully consider the opinion of the independent directors, and record the concurring or objecting opinions and reasons proposed by the independent directors in the meeting minutes. When stipulating or amending the Procedures for Acquisition or Disposal of Assets, if the Company fails to obtain the consent from more than half of all members under Audit Committee, it shall be approved by more than 2/3 of all directors before implementation. Moreover, it shall record the resolution of the Audit Committee in the board meeting minutes.

## Appendix 8

### TRI Operation Procedures for Lending Funds to Others Amendments Table

	Original Article	Amended Article	Amendment Reason
Article 3	Reasons and necessity for granting of loan Where funds are lent to a company or business with business relationships with the Company, loan may be granted for a company or business in need of short-term financing need due to purchase of materials or operational needs. When the funds are lent for short-term financing, loan may be granted for a invested company that is evaluated based on equity method by the Company and has the need of financing due to business relationship, or others approved by the Board of the Company.	Reasons and necessity for granting of loan Where funds are lent to a company or business with business relationships with the Company, loan may be granted for a company or business in need of short-term financing need due to purchase of materials or operational needs. When the funds are lent for short-term financing, loan may be granted for a invested company that is evaluated based on equity method by the Company and has the need of financing due to business relationship, or others approved by the <u>Audit Committee and the Board</u> of the Company.	Cope with the Audit Committee setup
Article 5	Procedures for granting of loans 1. ....(Omitted) 2. ....(Omitted) 3. Authorization scope In granting of a loan by the Company, after the Finance Department has conducted a credit investigation, it shall be submitted to the General Manager for approval and further to the Board for resolution. No other person may be authorized to make such decision.	Procedures for granting of loans 1. ....(Omitted) 2. ....(Omitted) 3. Authorization scope In granting of a loan by the Company, after the Finance Department has conducted a credit investigation, it shall be submitted to the General Manager for approval and to <u>the Audit Committee for its approval</u> , and further to the Board for resolution. No other person may be authorized to make such decision.	
Article 8	Supervisory management 1. When the Company grants a loan, a written record shall be established specifying the borrower, loan amount, date of Board approval, drawdown date, and any other matters required to be reviewed and evaluated by the Procedures. 2. The internal auditor shall audit the Procedures and its implementation at least on a quarterly basis and prepare written record of such audit. In the event that a material violation is discovered, the <u>supervisors</u> shall be notified in writing immediately and sanctions shall be taken against the responsible manager and person in charge.	Supervisory management 1. When the Company grants a loan, a written record shall be established specifying the borrower, loan amount, date of Board approval, drawdown date, and any other matters required to be reviewed and evaluated by the Procedures. 2. The internal auditor shall audit the Procedures and its implementation at least on a quarterly basis and prepare written record of such audit. In the event that a material violation is discovered, the <u>Audit Committee</u> shall be notified in writing immediately and sanctions shall be taken against the responsible manager and person in charge. 3. If due to a change of circumstances of	

	<p>3. If due to a change of circumstances of the Company, the outstanding balance of the loan exceeds the limit required thereof, an improvement plan shall be adopted and submitted to the <u>supervisors</u>, so as to strengthen the internal control of the Company.</p> <p>4. The Company shall evaluate the status of loans and make adequate appropriation of bad debts, as well as make appropriate disclosure of relevant information in the financial reports and provide the relevant information to the CPA for conducting the necessary audit.</p> <p>5. The affairs not mentioned herein this document shall be subject to the Company Act and other laws.</p>	<p>the Company, the outstanding balance of the loan exceeds the limit required thereof, an improvement plan shall be adopted and submitted to the <u>Audit Committee</u>, so as to strengthen the internal control of the Company.</p> <p>4. The Company shall evaluate the status of loans and make adequate appropriation of bad debts, as well as make appropriate disclosure of relevant information in the financial reports and provide the relevant information to the CPA for conducting the necessary audit.</p> <p>5. The affairs not mentioned herein this document shall be subject to the Company Act and other laws.</p>	
Article 10	<p>The Procedures shall be approved by the Board and <u>submitted to the supervisors for approval</u>, finally submitted to the shareholders meeting for approval. Any objection by the Director which is recorded or in writing shall be <u>distributed to the supervisors</u> and submitted to the shareholders meeting for discussion. It is the same for the amendments. The comments of each of the Independent Directors shall be fully considered by the Board of Directors during deliberations pursuant to the preceding subparagraph, and the concurring or objecting position and any objection reasons shall be clearly recorded in the Board meeting minutes.</p>	<p>The Procedures shall be approved by <u>more than half of the members of Audit Committee</u>, passed by the Board and finally submitted to the shareholders meeting for approval. Any objection by the Director which is recorded or in writing shall be submitted to the shareholders meeting for discussion. It is the same for the amendments. The comments of each of the Independent Directors shall be fully considered by the Board of Directors during deliberations pursuant to the preceding subparagraph, and the concurring or objecting position and any objection reasons shall be clearly recorded in the Board meeting minutes.</p> <p><u>If the draft or amendment of the Procedures is not approved by more than half of all members of the Audit Committee, it shall be approved by more than 2/3 of the all directors before implementation. Moreover, it shall record the resolution of the Audit Committee in the Board meeting minutes. All members and all directors stated above are calculated based on the actual in-service number.</u></p>	

## **TRI Operation Procedures for Lending Funds to Others**

### **Article 1: Purpose**

1. The Procedures are stipulated to regulate the Company's operation of lending funds to others.
2. When any subsidiary of the Company lends funds to others, the Company shall supervise it to stipulate the Operation Procedure for Lending Funds to Others and perform self-inspection, which shall be passed by the Board of two parties before proceeding.

### **Article 2: Entities to which the Company may loan funds**

1. According to the provisions of Article 15 in the Company Act, the Company shall not loan funds to any of its shareholders or any other person except under the following circumstances:
  - (1) Where an inter-company or inter-firm business transaction calls for a loan arrangement;
  - (2) Where an inter-company or inter-firm short-term financing facility is necessary, provided that such financing amount shall not exceed 40% of the lender's net worth.
2. The term "short-term" as used in the preceding paragraph means one year, or where the Company's operating cycle exceeds one year, one operating cycle.
3. The restriction in subparagraph 2 of paragraph 1, shall not apply to inter-company loans of funds between foreign companies in which the Company holds, directly or indirectly, 100% of the voting shares, but such inter-company loans of funds shall be set with limits and period of funds lent as required.

### **Article 3: Reasons and necessity for granting of loan**

Where funds are lent to a company or business with business relationships with the Company, loan may be granted for a company or business in need of short-term financing need due to purchase of materials or operational needs. When the funds are lent for short-term financing, loan may be granted for a invested company that is evaluated based on equity method by the Company and has the need of financing due to business relationship, or others approved by the Audit Committee and the Board of the Company.

### **Article 4: Sum limit of all loans and individual loan**

1. The accumulated sum of the loans shall not exceed 50% of the net worth of the Company. The amount of capitals lent to others due to short-term financing shall not exceed 40% of the net worth of the Company. The amount of an individual loan granted by the Company shall not exceed NT\$50 million. The financing amount refers to the accumulated amount of the short-term financing of the Company. The net worth refers to the equity attributable to the owner of the parent company specified in the Financial Statement as required by the Regulations Governing the Preparation of Financial Reports by Securities Issuers.
2. For the company or firm with business relationship with the Company, the amount of individual loan is as shown below:
  - (1) For the loan granted for customer, the sum of the amount and the balance outstanding shall not exceed the credit amount listed in the approved Customer Credit Application Form.
  - (2) For the loan granted for enterprise, the amount shall not exceed 50% of the total amount of purchases made from the enterprise in the last six months.
  - (3) The amount of individual loan shall not exceed NT\$20 million.
3. The amount of total loans granted for short-term financing between the foreign subsidiaries, directly or indirectly, whose 100% voting shares are hold by the Company, shall not exceed the 20% of the net worth of the Company. The amount of individual loan shall not exceed 10% of the net worth of the Company.

#### Article 5: Procedures for granting of loans

1. Credit investigation: The borrower shall provide required company information and financial information together with the written application for the loan to be submitted to the Company. Upon receipt of the application, the Finance Department of the Company shall investigate, evaluate and draft report on the business, financial condition, repayment capability, creditworthiness and profitability of the borrower as well as the purpose of the loan.

The detailed evaluation to be conducted for the borrower by the Finance Department shall include at least the following:

- (1) Necessity and reasonableness of the loan;
- (2) Necessity of such loan and the amount of loan in light of the borrower's financial condition;
- (3) Whether the accumulated loan amount is within the loan limit;
- (4) The risk on the Company's operation and financial conditions as well as the impact on the rights of the members;
- (5) Whether collateral is required and appraisal on the value of the collateral;
- (6) Credit investigation and risk evaluation of the borrower shall be attached.

2. Securities:

In granting of loan, the promissory note of the equivalent amount shall be obtained, and the mortgage on real property or personal property shall be required where necessary. The abovementioned security may be substituted with guarantees by an individual or company with substantial assets at the Board's discretion based on the credit investigation report provided by the Finance Department. For guarantees made by a company, the Articles of Association of such company shall be checked for conformity.

3. Authorization scope:

In granting of a loan by the Company, after the Finance Department has conducted a credit investigation, it shall be submitted to the General Manager for approval and to the Audit Committee for its approval, and further to the Board for resolution. No other person may be authorized to make such decision.

#### Article 6: Financing period and calculation of interest

1. The term of each loan shall not exceed one year except the term of each loan for financing purpose between the Company's foreign subsidiaries of whom the Company holds, directly or indirectly, 100% of the voting shares shall not exceed three years.
2. The interest rate of the loan shall not be lower than the highest interest rate of the short-term loan granted by the financial institution for the Company. The Company shall take the daily loan sum (accumulated sum) multiplying with the annual interest rate and being divided by 365 days as the daily interest of the loan, which shall be paid on a monthly basis unless the additional resolution by the Board. The borrower shall pay all interest on the day settled in the agreement, which shall not be one week late at least. In some special case, it may make some adjustment based on the actual condition upon the approval of the Board.

#### Article 7: Subsequent monitoring and procedures for dealing with delinquencies for approved loans

1. Once drawdown on a loan has been made, the financial, business and relevant credit conditions of the borrower and the guarantor shall be regularly monitored. Where collateral is provided, changes in its values shall be noted, and any material change thereto shall be immediately reported to the Chairman and be dealt with according to the relevant instruction.
2. When the borrower is making a repayment upon or prior to maturity, the interest shall first be calculated and repaid together with the principal, before the cancellation and return of the relevant evidence of claim to the borrower or the cancellation of the mortgage registration.
3. At the due date of the loan, the borrower shall pay the principal together with the interest, which shall not be extended. The Company may act on or claim against the collateral or guarantor provided by the borrower for any violation thereof.

Article 8: Supervisory management

1. When the Company grants a loan, a written record shall be established specifying the borrower, loan amount, date of Board approval, drawdown date, and any other matters required to be reviewed and evaluated by the Procedures.
2. The internal auditor shall audit the Procedures and its implementation at least on a quarterly basis and prepare written record of such audit. In the event that a material violation is discovered, the Audit Committee shall be notified in writing immediately and sanctions shall be taken against the responsible manager and person in charge.
3. If due to a change of circumstances of the Company, the outstanding balance of the loan exceeds the limit required thereof, an improvement plan shall be adopted and submitted to the Audit Committee, so as to strengthen the internal control of the Company.
4. The Company shall evaluate the status of loans and make adequate appropriation of bad debts, as well as make appropriate disclosure of relevant information in the financial reports and provide the relevant information to the CPA for conducting the necessary audit.
5. The affairs not mentioned herein this document shall be subject to the Company Act and other laws.

Article 9: The information disclosure procedure shall be subject to the procedures required by the competent authority.

Article 10: The Procedures shall be approved by more than half of the members of Audit Committee, passed by the Board and finally submitted to the shareholders meeting for approval. Any objection by the Director which is recorded or in writing shall be submitted to the shareholders meeting for discussion. It is the same for the amendments. The comments of each of the Independent Directors shall be fully considered by the Board of Directors during deliberations pursuant to the preceding subparagraph, and the concurring or objecting position and any objection reasons shall be clearly recorded in the Board meeting minutes.

If the draft or amendment of the Procedures is not approved by more than half of all members of the Audit Committee, it shall be approved by more than 2/3 of the all directors before implementation. Moreover, it shall record the resolution of the Audit Committee in the Board meeting minutes. All members and all directors stated above are calculated based on the actual in-service number.

## Appendix 9

### TRI Procedures for Endorsement & Guarantee Amendments Table

	Original Article	Amended Article	Amendment Reason
Article 5	<p>Determination and authorization</p> <p>1. Endorsements/Guarantees by the Company shall be <u>approved by the Board</u> before proceeding. If an Audit Committee is set up, the opinions of the Independent Directors shall be fully considered, and the concurring or objecting opinions and reasons proposed by the independent directors shall be recorded in the minutes of the Board meeting. The Board may authorize the Chairman to approve in advance any endorsement/guarantee which is less than 10% of the Company's paid-in capital based on the related provisions of the Procedures. It shall report the same to the Board for ratification after the fact. Moreover, the implementation details shall be reported to the shareholders meeting for inspection.</p> <p>2. In case the Company needs to conduct endorsement/guarantee in excess of the limits set out in the Procedures to satisfy its business requirements, the Company shall obtain approval from the Board, and half or more of the Directors shall act as joint guarantors for any loss that may be caused to the Company by the excess endorsement/guarantee. The Company shall also amend the Procedures and submit the same to the shareholders meeting for ratification after the fact. If the shareholders meeting does not approve, the Company shall adopt a plan to discharge the amount in excess within a given time limit. <u>If an Audit Committee is set up</u>, the opinions of the Independent Directors shall be fully considered by the Board in the above meeting, and the concurring or objecting</p>	<p>Determination and authorization</p> <p>1. Endorsements/Guarantees by the Company shall be approved by the Audit Committee, and submitted to the Board for approval before proceeding. The opinions of the Independent Directors shall be fully considered, and the concurring or objecting opinions and reasons proposed by the independent directors shall be recorded in the minutes of the Board meeting. The Board may authorize the Chairman to approve in advance any endorsement/guarantee which is less than 10% of the Company's paid-in capital based on the related provisions of the Procedures. It shall report the same to the Board for ratification after the fact. Moreover, the implementation details shall be reported to the shareholders meeting for inspection.</p> <p>2. In case the Company needs to conduct endorsement/guarantee in excess of the limits set out in the Procedures to satisfy its business requirements, the Company shall obtain <u>approval from the Audit Committee and resolution of the Board</u>, and half or more of the Directors shall act as joint guarantors for any loss that may be caused to the Company by the excess endorsement/guarantee. The Company shall also amend the Procedures and submit the same to the shareholders meeting for ratification after the fact. If the shareholders meeting does not approve, the Company shall adopt a plan to discharge the amount in excess within a given time limit. The opinions of the Independent Directors shall be fully considered</p>	Cope with the Audit Committee setup



	position of the Independent Directors and any objection reasons shall be clearly recorded in the Board meeting minutes.	by the Board in the above meeting, and the concurring or objecting position of the Independent Directors and any objection reasons shall be clearly recorded in the Board meeting minutes.	
Article 6	<p>Procedures for making endorsements/guarantees</p> <p>1. ....(Omitted)</p> <p>2. ....(Omitted)</p> <p>3. ....(Omitted)</p> <p>4. ....(Omitted)</p> <p>5. Where the subject of endorsement/guarantee later becomes non-conformity with the requirements set forth in the Procedures due to some changes of the Company, or if the amount of endorsement/guarantee exceeds the limit due to changes in the basis of calculation, the endorsement/guarantee made for the business or entity or the portion exceeding the limit shall be cancelled upon expiration of the contract or within a timeframe specified in a plan adopted by the Company. The relevant improvement plan shall also be submitted to the <u>supervisors</u> and reported to the Board.</p>	<p>Procedures for making endorsements/guarantees</p> <p>1. ....(Omitted)</p> <p>2. ....(Omitted)</p> <p>3. ....(Omitted)</p> <p>4. ....(Omitted)</p> <p>5. Where the subject of endorsement/guarantee later becomes non-conformity with the requirements set forth in the Procedures due to some changes of the Company, or if the amount of endorsement/guarantee exceeds the limit due to changes in the basis of calculation, the endorsement/guarantee made for the business or entity or the portion exceeding the limit shall be cancelled upon expiration of the contract or within a timeframe specified in a plan adopted by the Company. The relevant improvement plan shall also be submitted to the <u>Audit Committee</u> and reported to the Board.</p>	
Article 8	<p>Internal control</p> <p>1. The internal auditor of the Company shall at least on a quarterly basis audit the Procedures and the implementation and shall prepare a written record. The internal auditor shall immediately notify the <u>supervisors</u> in writing upon discovery of any material violation.</p> <p>2. ....(Omitted)</p>	<p>Internal control</p> <p>1. The internal auditor of the Company shall at least on a quarterly basis audit the Procedures and the implementation and shall prepare a written record. The internal auditor shall immediately notify the <u>Audit Committee</u> in writing upon discovery of any material violation.</p> <p>2. ....(Omitted)</p>	
Article 12	The Procedures shall be approved by the Board and <u>submitted to the supervisors for approval</u> , finally submitted to the shareholders meeting for approval. Any objection by the director which is recorded or in writing shall be submitted to <u>the supervisors and the shareholders</u>	The Procedures shall be approved by <u>more than half of the members of Audit Committee</u> , passed by the Board and finally submitted to the shareholders meeting for approval. Any objection by the director which is recorded or in writing shall be	

	<p>meeting for discussion. It is the same for the amendments. The comments of each of the Independent Directors shall be fully considered by the Board of Directors during deliberations pursuant to the preceding subparagraph, and the concurring or objecting position and any objection reasons shall be clearly recorded in the Board meeting minutes.</p>	<p>submitted to the shareholders meeting for discussion. It is the same for the amendments. The comments of each of the Independent Directors shall be fully considered by the Board of Directors during deliberations pursuant to the preceding subparagraph, and the concurring or objecting position and any objection reasons shall be clearly recorded in the Board meeting minutes.</p> <p><u>If the draft or amendment of the Procedures is not approved by more than half of all members of the Audit Committee, it shall be approved by more than 2/3 of the all directors before implementation. Moreover, it shall record the resolution of the Audit Committee in the Board meeting minutes. All members and all directors stated above are calculated based on the actual in-service number.</u></p>	
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## **TRI Procedures for Endorsement & Guarantee**

**Article 1:** Endorsement and guarantees made by the Company shall be subject to the Procedures.

The subsidiary of the Company shall not provide endorsement & guarantee. When it intends to provide endorsement & guarantee, the Company shall supervise the subsidiary to stipulated the Procedure for Endorsement & Guarantee and perform self-inspection, which shall be passed by the Board before proceeding.

**Article 2:** Applicable subjects

1. Financing Endorsements and Guarantees:
  - (1) Bill discount financing
  - (2) Endorsement or guarantee made to meet the financing needs of another company.
  - (3) Issuance of a separate negotiable instrument to a non-financial enterprise as security to meet the financing needs of the Company.
2. Customs duty endorsement/guarantee: it refers to an endorsement or guarantee for the Company or another company with respect to customs duty matters.
3. Other endorsements/guarantees: it refers to endorsements or guarantees beyond the scope of the above two subparagraphs.
4. Any creation by the Company of a pledge or mortgage on its chattel or real property as security for the loans of another company shall also comply with the Procedures.

**Article 3:** Subject of endorsements/guarantees

The Company may, in order to fulfill its contractual obligations, provide mutual endorsements/guarantees for another company in the same industry for purposes of undertaking a construction project, or where all capital contributing shareholders make endorsements/guarantees for their jointly invested company in proportion to their shareholdings. Except for the above, the Company may provide endorsements/guarantees only to the following companies:

1. A company with which it does business.
2. A company in which the Company directly and indirectly holds more than 50% of the voting shares. The subject of endorsements/guarantees can't be a subsidiary with the net worth lower than the half of the paid-in capital. The Finance Department shall regularly review the net worth of the subject of endorsements/guarantees on a regular basis. For the subsidiary with the net worth lower than the half of the paid-in capital, it shall terminate the endorsements/guarantees for it. The subsidiary and parent company stated herein shall be determined under the Regulations Governing the Preparation of Financial Reports by Securities Issuers. For those which prepare the Financial Statement based on the International Financial Reporting Standards, the net worth refers to the equity attributable to the owner of the parent company specified in the balance sheet as required by Regulations Governing the Preparation of Financial Reports by Securities Issuers. In the case of the subsidiary whose shares have no par value or a par value other than NT\$10, the paid-in capital paragraph shall refer to the sum of the share capital plus the capital reserve minus the original issue premium.

**Article 4:** Limits of endorsements/guarantees

1. The total amount of the Company's liability in respect of endorsements/ guarantees cannot exceed 40% of the paid-in capital, and the endorsements/guarantees for an individual entity cannot exceed 20% of the paid-in capital except for the subsidiary in which the Company holds more than 90% of the votes of the common shares. Otherwise, it shall not exceed 20% of the paid-in capital and 40% of the paid-capital of the Company in its most recent financial statement.

2. Where endorsements/ guarantees are provided due to the business relationship of the Company, in addition to the requirements of the above paragraph, the amount of the individual endorsement/guarantee in respect of the business or company cannot exceed the business transaction amount between the parties in the last year. "Business transaction amount" refers the amount of purchases or sales between the parties, whichever is greater.

#### Article 5: Determination and authorization

1. Endorsements/Guarantees by the Company shall be approved by the Audit Committee, and submitted to the Board for approval before proceeding. The opinions of the Independent Directors shall be fully considered, and the concurring or objecting opinions and reasons proposed by the independent directors shall be recorded in the minutes of the Board meeting. The Board may authorize the Chairman to approve in advance any endorsement/guarantee which is less than 10% of the Company's paid-in capital based on the related provisions of the Procedures. It shall report the same to the Board for ratification after the fact. Moreover, the implementation details shall be reported to the shareholders meeting for inspection.
2. In case the Company needs to conduct endorsement/guarantee in excess of the limits set out in the Procedures to satisfy its business requirements, the Company shall obtain approval from the Audit Committee and resolution of the Board, and half or more of the Directors shall act as joint guarantors for any loss that may be caused to the Company by the excess endorsement/guarantee. The Company shall also amend the Procedures and submit the same to the shareholders meeting for ratification after the fact. If the shareholders meeting does not approve, the Company shall adopt a plan to discharge the amount in excess within a given time limit. The opinions of the Independent Directors shall be fully considered by the Board in the above meeting, and the concurring or objecting position of the Independent Directors and any objection reasons shall be clearly recorded in the Board meeting minutes.

#### Article 6: Procedures for making endorsements/guarantees

1. The entity for which the endorsement/guarantee is made shall complete and submit an "Endorsement/Guarantee Application" to the Finance Department of the Company. The Finance Department shall conduct the credit investigation, evaluate the risk and prepare written record, which shall be reviewed and then submitted to the General Manager and the Chairman for approval. It shall obtain collateral when necessary.
2. The Finance Department shall conduct credit investigation on the entity for which endorsement/guarantee is made and conduct risk evaluation, which shall include the following:
  - (1) The necessity of and reasonableness of the endorsements/guarantees.
  - (2) The necessity of the amount of endorsement/guarantee based on the financial status of the entity for which the endorsement/guarantee is made.
  - (3) Whether the accumulative endorsements/guarantees amount is within the limit.
  - (4) For endorsement/guarantee due to business relationship, whether the amount of endorsement/guarantee and business transaction amount are within the limit.
  - (5) Risk on the operations and financial conditions of the Company and impact on the rights of the Members.
  - (6) Whether collateral should be obtained and the appraised value of the collateral.
  - (7) Credit investigation report and risk evaluation record shall be attached.
3. The Finance Department shall prepare a memorandum book to record in detail the following information: the subject of endorsement/guarantee, the amount, the date of Board approval or of authorization by the Chairman, the date of endorsement/guarantee, and the risk evaluation.
4. The Finance Department shall evaluate or identify loss contingencies of the endorsements/guarantees and disclose information relevant to the

endorsements/guarantees as appropriate in the financial statement, and shall provide the relevant information to a certified public accountant for adoption of necessary audit and preparation of the audit report.

5. Where the subject of endorsement/guarantee later becomes non-conformity with the requirements set forth in the Procedures due to some changes of the Company, or if the amount of endorsement/guarantee exceeds the limit due to changes in the basis of calculation, the endorsement/guarantee made for the business or entity or the portion exceeding the limit shall be cancelled upon expiration of the contract or within a timeframe specified in a plan adopted by the Company. The relevant improvement plan shall also be submitted to the Audit Committee and reported to the Board.

#### Article 7: Discharge of endorsements/guarantees

1. If upon full repayment of debt or renewal due to extended term the relevant identification or negotiable instrument for an endorsement/guarantee needs to be cancelled, the entity for which the endorsement/guarantee is made shall, together with a formal request letter, submit the relevant identification of the original endorsement/guarantee to the Company's Finance Department, and the Finance Department shall affix the "Cancellation" seal onto the identification and return the same. The request letter shall be kept by the Company for recordation.
2. The Finance Department shall from time to time record the cancellation of endorsement/guarantee into the memorandum book for endorsements/guarantees to reduce the amount of endorsement/guarantee.

#### Article 8: Internal control

1. The internal auditor of the Company shall at least on a quarterly basis audit the Procedures and the implementation and shall prepare a written record. The internal auditor shall immediately notify the Audit Committee in writing upon discovery of any material violation.
2. The Company shall comply with the Procedures in making endorsements/guarantees. In case of material violation, the manager or person-in-charge shall be sanctioned depending on the actual condition.

#### Article 9: Safekeeping and procedures for chop

1. The Company shall use the corporate chop registered from the MOEA as the dedicated chop for endorsements/guarantees. The chop and the related vouchers shall be kept in the custody of a designated person and may be used to seal or issue negotiable instruments only in prescribed procedures. Moreover, the appointment or transfer of the custodian shall be reported to the Board for approval.
2. When making a guarantee for a foreign company, the Company shall have the guarantee agreement signed by Chairman.

Article 10: The information disclosure procedure shall be subject to the procedures required by the competent authority.

Article 11: The affairs not mentioned herein this document shall be subject to the applicable laws and the related regulations of the Company.

Article 12: The Procedures shall be approved by more than half of the members of Audit Committee, passed by the Board and finally submitted to the shareholders meeting for approval. Any objection by the director which is recorded or in writing shall be submitted to the shareholders meeting for discussion. It is the same for the amendments. The comments of each of the Independent Directors shall be fully considered by the Board of Directors during deliberations pursuant to the preceding subparagraph, and the concurring or objecting position and any objection reasons shall be clearly recorded in the Board meeting minutes.

If the draft or amendment of the Procedures is not approved by more than half of all members of the Audit Committee, it shall be approved by more than 2/3 of the all directors before implementation. Moreover, it shall record the resolution of the Audit Committee in the Board meeting minutes. All members and all directors stated above are calculated based on the actual in-service number.

## **Appendix 10**

### **TRI Procedural Rules of General Meeting**

1. The general shareholders meeting of the Company is subject to the Rules.
2. The shareholders attending the meeting (or the proxies) shall present the attendance card and submit the sign-in card for checking in, based on which the attending votes shall be calculated.
3. Unless otherwise provided by the Company Act, the Chairman shall call the general meeting to order at the time schedules and when the attending shareholders hold more than half of the issued shares. If the scheduled time is due and the number of shares represented by the attending shareholders is less than the quorum, the Chairman may announce to postpone the time for the meeting. If the number of shares represented by the attending shareholders is less than the quorum after two postponements, but more than 1/3 of the issued shares, it shall be subject to “the tentative resolution passed by more than half of the votes represented by the attending shareholders” pursuant to Article 175 of the Company Act.  
If the number of shares represented by the attending shareholders reaches the above quorum before the tentative resolution is passed, the Chairman shall call the meeting to order and submit the said tentative resolution for ratification in the meeting.
4. The meeting agenda is determined by the Board, based on which the general meeting shall be held.
5. When making a speech, the attending shareholder shall fill out a speech note with the number of attendance card and name. The sequence of speeches shall be determined by the Chairman.
6. When the attending shareholder makes a speech, each speech time shall not exceed five minutes, which can be extended for three minutes upon the approval of the Chairman.
7. Any shareholder may not speak more than twice concerning the same proposal item.
8. During the discussion of proposals, the Chairman may announce the conclusion of discussion at the appropriate time, and also announce the termination of discussion when necessary.
9. The shareholders of the Company shall have one vote for each share unless the voting right is restricted or prohibited by the Company Act.
10. As for voting for proposals, unless otherwise provided by the Company Act, it shall be passed upon the consent of more than half of the voting rights represented by the attending shareholders. When voting, the Chairman may consult the number of objecting shareholders. If the voting rights of the objecting shareholders are less than a half, or no objection is consulted by the Chairman, the proposal shall be deemed as being passed, which has the same effect as voting.
11. During the general meeting, the Chairman may, at his or her discretion, set for intermission.
12. The affairs not mentioned herein this document shall be subject to the Company Act and the Articles of Association of the Company.

The Rules shall be implemented upon the approval of the Board, and it is the same for the amendments.

## Appendix 11 Current Shareholdings of All Directors and Supervisors:

1. The paid-in capital of the Company is NT\$2,362,160,000, with a total of 236,216,000 shares issued.
2. According to Article 26 of Securities and Exchange Act, the minimum number of shares held by all directors is 15,000,000, which is 1,500,000 for all supervisors.

Until the book closure date of this general meeting, the shareholding of all directors and supervisors recorded under the shareholder book is as listed below:

March 28, 2017			
Title	Account Name	Number of shares held	Shareholding percent
Chairman	Chieh-Yuan,Chen	37,889,235	16.04%
Director	Kuang-Chao,Fan	142,211	0.06%
Director	Jia-Ruey,Duann	24,058	0.01%
Director	Xu-Ling,Wang	0	0
Director	Chiang-Huai,Lin	2,402,864	1.02%
Shareholding sum of all directors		40,458,368	17.13%
Supervisor	Chin-Lung,Chen	415,857	0.18%
Supervisor	Ming-Chuan, Tsai	1,350,650	0.57%
Supervisor	Representative of Der-Hong Investment Co., Ltd.: Chiou-Shann,Fuh	2,738,939	1.16%
Shareholding sum of all supervisors		4,505,446	1.91%

## Appendix 12. Other Matters:

The notes for proposals handled in this shareholder's meeting:

- Notes:
1. According to Article 172-1 of the Company Act, the shareholder representing more than 1% of the issued shares shall submit proposal in written forms for the shareholders meeting, which is limited to one proposal within 300 words.
  2. The period for receiving the shareholder's proposal for this shareholders meeting is March 20, 2017~March 29, 2017, which is already disclosed on MOPS.
  3. No proposal from shareholders is received by the Company.