

Stock code: 3030



# **Handbook for 2019 Shareholders Meeting of Test Research, Inc.**

May 29<sup>th</sup>, 2019

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# **2019 Shareholders Meeting Agenda of Test Research, Inc.**

**I. Time:** 9:00 a.m. on May 29 (Wednesday), 2019

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

## **III. Meeting Agenda**

1. Call meeting to order
2. Chairman gives the opening address
3. Reporting items:
  - (1) 2018 Annual Business Report
  - (2) Audit Committee's Review Report on 2018 Financial Statement
  - (3) Statement of 2018 Earning Distribution for Employees and Directors.
4. Approval items:
  - (1) Adoption of 2018 Financial Statement
  - (2) Adoption of 2018 Earning Distribution Plan
5. Discussion items:
  - (1) Proposal of amendments to the Company's Articles of Association
  - (2) Proposal of amendments to the Company's Operating Procedures for Acquisition or Disposal of Assets
6. Incidental motions
7. Adjournment

## Reporting Items

Proposal 1: 2018 Annual Business Report

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

Proposal 2: Audit Committee's Review Report on 2018 Financial Statement

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

Proposal 3: Statement of 2018 Earning Distribution for Employees and Directors

Explanatory Notes:

- (1) The amount of earning distributed for employees and directors in 2018 is NT\$53,317,693 and NT\$10,920,490 respectively, which is distributed by cash.
- (2) The resolution amount doesn't have any difference from the amount of expense recognized for 2018.

## Approval Items

Proposal 1: Adoption of 2018 Financial Statement (Proposed by the Board of Directors)

Explanatory Notes:

- (1) 2018 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 Audit Committee.
- (2) Please refer to the Appendix 1 and Appendix 3 of the Handbook.

Resolution:

Proposal 2: Adoption of 2018 Earning Distribution Plan (Proposed by the Board of Directors)

Explanatory Notes:

- (1) This earning distribution plan firstly considers the earning of 2018, and then distributes the undistributed profits after 1998. The common shares are distributed with cash dividend of NT\$3.7 per share.
- (2) For 2018 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 Chairman is authorized to contact specific person 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 Items

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

Explanatory Notes: The amended articles are listed with their original ones as below:

	Original Article	Amended Article	Amendment Reason
Article 29	<p>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.</p> <p>The Company is engaged in the industries related to high-tech <u>circuit board detection and IC testing</u> 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.</p>	<p>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.</p> <p>The Company is engaged in the industries related to high-tech <u>automatic inspection</u> 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.</p>	For the practical needs

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 <u>3%</u> 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.	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 <u>1%</u> 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.	For the practical needs
Article 31	The Company's Articles of Association was drafted on March 31, 1989 The 1st amendment was on June 1, 1989 The 2nd amendment was on April 6, 1990 The 3rd amendment was on February 25, 1995 ..... (omitted) The 22nd amendment was on June 3, 2016 The 23rd amendment was on May 26, 2017	The Company's Articles of Association was drafted on March 31, 1989 The 1st amendment was on June 1, 1989 The 2nd amendment was on April 6, 1990 The 3rd amendment was on February 25, 1995 ..... (omitted) The 22nd amendment was on June 3, 2016 The 23rd amendment was on May 26, 2017 The 24th amendment was on May 29, 2019	Adding the date of the new amendment

Resolution:

Proposal 2: Proposal of Amendments to the Company's Operating Procedures for Acquisition or Disposal of Assets. Please proceed to discuss. (Proposed by the Board of Directors)

Explanatory Notes: In order to be in accordance with the International Financial Reporting Standards 16's revision to the regulations related to the leases standard, 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 5 of the Handbook.

Resolution:

**Incidental Motions**

**Adjournment**

## Appendix 1

### Business Report to Shareholder

Dear Shareholders:

The consolidated revenue of the Company in 2018 was NT\$4.919 billion, with the after-tax net profit of NT\$1.064 billion. The revenue was increased by 37% if compared with NT\$3.601 billion in 2017. Moreover, the profit was greatly increased by 79% if compared with NT\$595 million in 2017.

According to the Consolidated Financial Statement, the operating profit margin of the Company last year was 26%, the after-tax profit margin was 22%, the return on equity was 21%, the return on assets was 17%, and the debt ratio was 17%. The overall financial condition of the Company was robust and good.

The major factors that contribute the great growth of the revenue and profit in 2018 include (1) great global prosperity, (2) the rise in product competitiveness, (3) increase in the new products' sales, (4) global promotion of automation of production and manufacturing, higher demands for automatic inspection devices, (5) getting closer to customers, close cooperation with globally renowned large manufactures, total solution of automatic inspection in the product process provided for customers.

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

The Company's three technologies of automatic inspection equipment, namely, image technology (AOI, SPI), X-RAY, and board tester (ICT, FCT) have strong competitiveness in the global market. To respond to the demands for the automatic inspection equipment based on the industrial development trend, the Company will (1) invest more R&D resources and continuously commercialize various new products with global competitiveness; (2) keep improving the product quality, so as to elevate the machine stability and reliability, (3) expand new demands for automatic inspection devices in the automotive electronics industry and the semiconductor industry (4) get closer to customers, cooperate with globally renowned large manufactures, and provide total solution of automatic inspection for customers, (5) expand global market, increase the global market share of the products made by the Company. With the increasing market demands for automatic inspection equipment, the global competitiveness of the Company's products will be increased continuously. The sales volume this year is estimated to have sustainable growth.

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

Facing the fierce global competition against competitors from Korea, Japan, Mainland China, Germany and America, the Company needs to make continuous improvement and adjust the overall robustness in terms of "leading technology", "stable and reliable quality", "getting closer to customers", "global market expansion", "control of new product development schedule", and "internal talent cultivation".

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: Kaun-Yuan, Chen

## Appendix 2

### Audit Committee's Review Report

The Board of Directors prepares the 2018 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 Audit Committee, and no incompliance is found. The above report is presented as required by Article 14-4 of Securities and Exchange Act, Article 219 of the Company Act, for further inspection.

Convener of TRI Audit Committee: Mei-Jing, Chen

Feb. 28, 2019



## Appendix 3

### REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

PWCR 18003602

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 at December 31, 2018 and 2017, 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 (refer to “***other matter***”), the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and 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 (the “Code”), 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.

Key audit matters for the Group’s consolidated financial statements of the current period are stated as follows:

## **Evaluation of inventories**

### Description

Refer to Note 4(10) for accounting policies adopted for the evaluation of inventories, Note 5 for critical accounting estimates and assumptions related to the evaluation of inventories, and Note 6(3) for details of inventories. As of December 31, 2018, inventory and allowance for valuation losses are NT\$912,770 thousand and NT\$105,235 thousand, respectively.

The Group is primarily engaged in sales of automated inspection and testing equipment, 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 realisable 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, involves numerous items, 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. Understanding the industry and operations of the Group, and assessing the reasonableness of accounting policies applied in the evaluation of inventory provision.
2. Understanding the inventory management processes, examining the annual physical count plan, and performing physical inventory observation to assess the effectiveness of judgement and control of obsolete or slow-moving inventory.
3. Obtaining inventory aging report, and testing movements to confirm whether they are assigned to the correct aging category by the system and are in accordance with the Group's accounting policy. We also recalculated to check the adequacy of the allowance for valuation losses.
4. Analysing and comparing the difference of inventory valuation losses between the latest two years and examining supporting documents in relation to allowance for slow-moving inventory valuation losses, which were individually identified by the management based on the inventory clearance condition, to assess the propriety of inventory valuation losses.

## **Cutoff of export revenue recognition**

### Description

For accounting policies adopted for revenue recognition, refer to Note 4(22).

The Group recognises export revenue in accordance with the terms of the transaction with the customer. Export revenue constitutes more than 80% of consolidated operating revenue and the period of revenue recognition is based on transaction terms of different customers. As the timing of revenue recognition might be based on management judgement depending on past experience, revenue may not be recorded in the proper period. Thus, we consider the cutoff 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. Understanding and assessing the effectiveness of export revenue recognition control processes.
2. Obtaining detailed listing of export sales within a certain period before and after period end, selecting samples and assessing 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 the 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\$70,268 thousand and NT\$55,029 thousand, both constituting 1% of the consolidated total assets as at December 31, 2018 and 2017, respectively, and total operating revenue were 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, 2018 and 2017.

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

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

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

Those charged with governance, including the audit committee, 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:

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.

1. 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.
2. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
3. 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.
4. 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.
5. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our 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 27, 2019

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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  
DECEMBER 31, 2018 AND 2017  
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

Assets	Notes	December 31, 2018	December 31, 2017
<b>Current assets</b>			
1100	Cash and cash equivalents	6(1) \$ 1,097,433	\$ 1,230,388
1150	Notes receivable, net	6(2) 59,069	48,819
1170	Accounts receivable, net	6(2) 2,067,488	1,662,196
1200	Other receivables	27,180	24,015
130X	Inventories	6(3) 912,770	822,966
1470	Other current assets	8 46,326	38,015
11XX	<b>Total current assets</b>	<u>4,210,266</u>	<u>3,826,399</u>
<b>Non-current assets</b>			
1600	Property, plant and equipment	6(4) and 8 2,159,648	2,166,358
1780	Intangible assets	16,708	8,089
1840	Deferred income tax assets	6(15) 72,851	52,341
1900	Other non-current assets	8,823	8,713
15XX	<b>Total non-current assets</b>	<u>2,258,030</u>	<u>2,235,501</u>
1XXX	<b>Total assets</b>	<u>\$ 6,468,296</u>	<u>\$ 6,061,900</u>

(Continued)

**TEST RESEARCH, INC. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS (CONTINUED)**  
**DECEMBER 31, 2018 AND 2017**  
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

Liabilities and Equity	Notes	December 31, 2018	December 31, 2017
<b>Current liabilities</b>			
2130	Contract liabilities-current	\$ 39,634	\$ -
2150	Notes payable	26,898	42,998
2170	Accounts payable	381,132	563,775
2200	Other payables	308,338	224,338
2230	Current income tax liabilities	189,454	73,377
2300	Other current liabilities	8,193	33,678
21XX	<b>Total current liabilities</b>	<u>953,649</u>	<u>938,166</u>
<b>Non-current liabilities</b>			
2550	Provisions for liabilities – non-current	26,972	19,260
2570	Deferred income tax liabilities	81,354	40,572
2600	Other non-current liabilities	57,852	54,948
25XX	<b>Total non-current liabilities</b>	<u>166,178</u>	<u>114,780</u>
2XXX	<b>Total liabilities</b>	<u>1,119,827</u>	<u>1,052,946</u>
<b>Equity attributable to owners of the parent</b>			
<b>Share capital</b>			
3110	Common stock	2,362,160	2,362,160
<b>Capital surplus</b>			
3200	Capital surplus	53,290	53,290
<b>Retained earnings</b>			
3310	Legal reserve	1,106,607	1,047,121
3320	Special reserve	30,123	25,803
3350	Unappropriated retained earnings	1,838,084	1,550,703
<b>Other equity interest</b>			
3400	Other equity interest	( 41,795)	( 30,123)
31XX	<b>Equity attributable to owners of the parent</b>	<u>5,348,469</u>	<u>5,008,954</u>
3XXX	<b>Total Equity</b>	<u>5,348,469</u>	<u>5,008,954</u>
<b>Significant contingent liabilities and unrecognised contract commitments</b>			
<b>Significant subsequent events</b>			
3X2X	<b>Total liabilities and equity</b>	<u>\$ 6,468,296</u>	<u>\$ 6,061,900</u>

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

**TEST RESEARCH, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**  
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS, EXCEPT FOR EARNINGS PER SHARE AMOUNT)

Items	Notes	2018	2017
4000 <b>Operating revenue</b>	6(10) and 12(5)	\$ 4,919,426	\$ 3,601,158
5000 <b>Operating costs</b>	6(3)(13)(14)	( 2,290,122)	( 1,693,553)
5950 <b>Net operating margin</b>		<u>2,629,304</u>	<u>1,907,605</u>
<b>Operating expenses</b>	6(13)(14)		
6100 Selling expenses		( 813,348)	( 706,730)
6200 General and administrative expenses		( 151,715)	( 128,825)
6300 Research and development expenses		( 379,841)	( 314,368)
6450 Expected credit impairment loss	12(2)	( 14,649)	-
6000 <b>Total operating expenses</b>		<u>( 1,359,553)</u>	<u>( 1,149,923)</u>
6900 <b>Operating profit</b>		<u>1,269,751</u>	<u>757,682</u>
<b>Non-operating income and expenses</b>			
7010 Other income	6(11)	23,630	26,806
7020 Other gains and losses	6(12)	41,154	( 68,295)
7050 Finance costs		( 47)	-
7000 <b>Total non-operating income and expenses</b>		<u>64,737</u>	<u>( 41,489)</u>
7900 <b>Profit before income tax</b>		1,334,488	716,193
7950 Income tax expense	6(15)	( 270,089)	( 121,328)
8200 <b>Profit for the year</b>		<u>\$ 1,064,399</u>	<u>\$ 594,865</u>
<b>Other comprehensive loss</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)	(\$ 4,564)	(\$ 2,202)
<b>Components of other comprehensive loss that will be reclassified to profit or loss</b>			
8361 Financial statements translation differences of foreign operations		( 13,989)	( 5,205)
8399 Income tax relating to the components of other comprehensive loss	6(15)	2,317	885
8360 <b>Other comprehensive loss that will be reclassified to profit or loss</b>		<u>( 11,672)</u>	<u>( 4,320)</u>
8300 <b>Total other comprehensive loss for the year</b>		<u>(\$ 16,236)</u>	<u>(\$ 6,522)</u>
8500 <b>Total comprehensive income for the year</b>		<u>\$ 1,048,163</u>	<u>\$ 588,343</u>
<b>Profit attributable to:</b>			
8610 Owners of the parent		<u>\$ 1,064,399</u>	<u>\$ 594,865</u>
<b>Comprehensive income attributable to:</b>			
8710 Owners of the parent		<u>\$ 1,048,163</u>	<u>\$ 588,343</u>
<b>Earnings per share (in dollars)</b>	6(16)		
9750 <b>Basic earnings per share</b>		<u>\$ 4.51</u>	<u>\$ 2.52</u>
9850 <b>Diluted earnings per share</b>		<u>\$ 4.48</u>	<u>\$ 2.51</u>

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



TEST RESEARCH, INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017  
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	Equity attributable to owners of the parent								
	Notes	Capital Surplus			Retained Earnings			Financial statements translation differences of foreign operations	Total equity
		Common stock	Additional paid-in capital	Donated assets received	Legal reserve	Special reserve	Unappropriated retained earnings		
<u>2017</u>									
Balance at January 1, 2017		\$ 2,362,160	\$ 51,874	\$ 1,416	\$ 1,004,199	\$ 14,381	\$ 1,721,032	(\$ 25,803)	\$ 5,129,259
Profit for the year		-	-	-	-	-	594,865	-	594,865
Other comprehensive loss for the year		-	-	-	-	-	(2,202)	(4,320)	(6,522)
Total comprehensive income (loss)		-	-	-	-	-	592,663	(4,320)	588,343
Appropriations of 2016 earnings	6(9)								
Legal reserve		-	-	-	42,922	-	(42,922)	-	-
Special reserve		-	-	-	-	11,422	(11,422)	-	-
Cash dividends		-	-	-	-	-	(708,648)	-	(708,648)
Balance at December 31, 2017		<u>\$ 2,362,160</u>	<u>\$ 51,874</u>	<u>\$ 1,416</u>	<u>\$ 1,047,121</u>	<u>\$ 25,803</u>	<u>\$ 1,550,703</u>	<u>(\$ 30,123)</u>	<u>\$ 5,008,954</u>
<u>2018</u>									
Balance at January 1, 2018		\$ 2,362,160	\$ 51,874	\$ 1,416	\$ 1,047,121	\$ 25,803	\$ 1,550,703	(\$ 30,123)	\$ 5,008,954
Profit for the year		-	-	-	-	-	1,064,399	-	1,064,399
Other comprehensive loss for the year		-	-	-	-	-	(4,564)	(11,672)	(16,236)
Total comprehensive income (loss)		-	-	-	-	-	1,059,835	(11,672)	1,048,163
Appropriations of 2017 earnings	6(9)								
Legal reserve		-	-	-	59,486	-	(59,486)	-	-
Special reserve		-	-	-	-	4,320	(4,320)	-	-
Cash dividends		-	-	-	-	-	(708,648)	-	(708,648)
Balance at December 31, 2018		<u>\$ 2,362,160</u>	<u>\$ 51,874</u>	<u>\$ 1,416</u>	<u>\$ 1,106,607</u>	<u>\$ 30,123</u>	<u>\$ 1,838,084</u>	<u>(\$ 41,795)</u>	<u>\$ 5,348,469</u>

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

**TEST RESEARCH, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**  
**(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)**

	Notes	2018	2017
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>			
Profit before tax		\$ 1,334,488	\$ 716,193
Adjustments			
Adjustments to reconcile profit			
Depreciation	6(13)	90,201	89,446
Amortisation	6(13)	8,313	6,707
Expected credit impairment loss	12(2)	14,649	-
Provision for bad debts expense	12(4)	-	5,405
Interest income	6(11)	( 3,612 )	( 8,107 )
Interest expense		47	-
(Gain) loss on disposal of property, plant and equipment	6(12)	( 3,066 )	756
Changes in operating assets and liabilities			
Changes in operating assets			
Notes receivable, net		( 10,250 )	( 11,550 )
Accounts receivable		( 419,941 )	( 482,115 )
Other receivables		( 3,468 )	( 10,390 )
Inventory		( 150,236 )	( 339,036 )
Other current assets		( 8,215 )	( 16,471 )
Changes in operating liabilities			
Contract liabilities - current		7,266	-
Notes payable		( 16,100 )	27,102
Accounts payable		( 182,643 )	292,626
Other payables		84,000	16,134
Other current liabilities		6,883	16,471
Provisions for liabilities – non-current		7,712	( 4 )
Other non-current liabilities		( 1,660 )	( 1,541 )
Cash inflow generated from operations		754,368	301,626
Interest received		3,915	11,376
Interest paid		( 47 )	-
Income tax paid		( 131,423 )	( 64,528 )
Net cash flows from operating activities		<u>626,813</u>	<u>248,474</u>
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>			
(Increase) decrease in other financial assets		( 96 )	249
Acquisition of property, plant and equipment	6(4)	( 34,281 )	( 34,778 )
Proceeds from disposal of property, plant and equipment		9,925	7,469
Acquisition of intangible assets		( 16,913 )	( 6,714 )
(Increase) decrease in other non-current assets		( 110 )	791
Net cash flows used in investing activities		<u>( 41,475 )</u>	<u>( 32,983 )</u>
<b><u>CASH FLOWS FROM FINANCING ACTIVITIES</u></b>			
Payment of cash dividends	6(9)	( 708,648 )	( 708,648 )
Net cash flows used in financing activities		<u>( 708,648 )</u>	<u>( 708,648 )</u>
Effect due to charges in exchange rate		( 9,645 )	( 3,769 )
Net decrease in cash and cash equivalents		( 132,955 )	( 496,926 )
Cash and cash equivalents at beginning of year		1,230,388	1,727,314
Cash and cash equivalents at end of year		<u>\$ 1,097,433</u>	<u>\$ 1,230,388</u>

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

## Appendix 4

### TRI 2018 Earnings Distribution Table

Unit: NTS

Undistributed earnings in the beginning of 2018	778,247,679
Add: Net after-tax profit for the year	1,064,399,376
Less: 10% legal reserve	(106,439,938)
Less: 2018 retained earnings adjustment	(4,563,659)
Less: Special reserve	(11,670,665)
Earnings available for distribution by the end of the fiscal year	1,719,972,793
Distributable item: Dividend to shareholders(NT\$3.7 per share)	(873,999,200)
Undistributed earnings at the end of 2018	845,973,593

Chairman: Chieh-Yuan,Chen

Manager: Chieh-Yuan,Chen

Accounting Chief: Kaun-Yuan, Chen

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

## Appendix 5

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

	Original Article	Amended Article
Article 3	<p>Applicable range of the assets stated herein the Procedures</p> <ol style="list-style-type: none"> <li>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.</li> <li>2. Real estate (including land, house and building, real estate for investment purpose, right to use land and inventories of construction enterprises) and equipment.</li> <li>3. Memberships.</li> <li>4. Patents, copyrights, trademarks, franchise rights, and other intangible assets.</li> <li>5. Claims of financial institutions (including receivables, bills purchased and discounted, loans, and overdue receivables).</li> <li>6. Derivatives.</li> <li>7. Assets acquired or disposed of in connection with merger, demerger, acquisition, or transfer of shares in accordance with acts of law.</li> <li>8. Other major assets.</li> </ol>	<p>Applicable range of the assets stated herein the Procedures:</p> <ol style="list-style-type: none"> <li>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.</li> <li>2. Real estate (including land, house and building, real estate for investment purpose, <del>right to use land</del> and inventories of construction enterprises) and equipment.</li> <li>3. Memberships.</li> <li>4. Patents, copyrights, trademarks, franchise rights, and other intangible assets.</li> <li>5. <u>Right-of-use assets.</u></li> <li>6. Claims of financial institutions (including receivables, bills purchased and discounted, loans, and overdue receivables).</li> <li>7. Derivatives.</li> <li>8. Assets acquired or disposed of in connection with merger, demerger, acquisition, or transfer of shares in accordance with acts of law.</li> <li>9. Other major assets.</li> </ol>
Article 5	<p>Procedures for assets acquisition or disposal</p> <ol style="list-style-type: none"> <li>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.</li> <li>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</li> </ol>	<p>Procedures for assets acquisition or disposal</p> <ol style="list-style-type: none"> <li>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.</li> <li>2. Finance Department is responsible for implementing the investment of short/long-term securities in the Company. The using department and the <u>Logistics Division</u> are responsible for implementing real properties, <u>right-of-use assets</u> and other fixed assets. For other assets other than the investment of securities, real properties and other fixed</li> </ol>

	<p>assets, it shall be first evaluated by the implementation related departments.</p> <p>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.</p>	<p>assets, it shall be first evaluated by the implementation related departments.</p> <p>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.</p>
Article 7	<p>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:</p> <p>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;</p> <p>2. Merger, demerger, acquisition or transfer of shares;</p> <p>3. The loss of trading derivatives reaches the limit for all or individual contract set forth in the Procedures for Financial Derivatives Transactions;</p>	<p>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:</p> <p>1. Acquisition of real estate <u>or right-of-use assets</u> from or to a related party, or acquisition or disposal of assets other than real estate <u>or right-of-use assets</u> 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 <u>repurchase</u> of money market funds <u>issued by domestic securities investment trust enterprises</u> in Taiwan;</p> <p>2. Merger, demerger, acquisition or transfer of shares;</p> <p>3. The loss of trading derivatives reaches the limit for all or individual contract set forth in the Procedures for Financial Derivatives Transactions;</p> <p>4. <u>The type of asset acquired or disposed is equipment for business use or right-of-use assets, the trading counterparty is not a related party, and the transaction amount meets one of the following requirements:</u></p> <p>(1) <u>The paid-in capital of the publicly listed company is less than NT\$10 billion and the transaction amount reaches NT\$500 million.</u></p> <p>(2) <u>The paid-in capital of the publicly listed company reaches NT\$10 billion and the transaction amount reaches NT\$1 billion.</u></p> <p>5. <del>Where the publicly listed company</del></p>

	<p>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:</p> <p>(1) Trading of government bonds.</p> <p>(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.</p> <p>(3) Trading of bonds under repurchase/resale agreements and the purchase or redemption of domestic money market funds in Taiwan.</p> <p>(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.</p> <p>(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.</p> <p>(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.</p>	<p><del>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.</del></p> <p>5. Where land is acquired under an arrangement on engaging others to build on the company's own land, engaging others to build on rented land, joint construction and allocation of housing units, joint construction and allocation of ownership percentages, or joint construction and separate sale, <u>and the trading counterparty is not a related party</u> and the amount the Company expects to invest in the transaction <del>does not reach(es)</del> NT\$500 million.</p> <p>6. Where an asset transaction other than any of those referred to in the preceding <u>five</u> 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:</p> <p>(1) Trading of <u>domestic</u> government bonds <u>in Taiwan</u>.</p> <p>(2) Securities trading in the Securities Exchange <del>home and abroad</del> or the operating site of the securities firm for investment purpose, or <u>the ordinary corporate bonds and general bank debentures which are not involved in the shareholders' rights (not including subordinated debt) purchased, offered and issued by the securities firm in the primary market, or the purchase or repurchase of securities investment trust funds or futures trust funds, or securities purchased under the regulations of the Taipei Exchange by the securities firm due to the business underwriting requirements, as a counseling and recommending securities firm for listed companies at emerging stock market.</u></p> <p>(3) Trading of bonds under repurchase/resale agreements and the purchase or <u>repurchase</u> of domestic money market funds <u>issued by</u></p>
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<p>The amount of transactions above shall be calculated as follows:</p> <ol style="list-style-type: none"> <li>1. The amount of any individual transaction.</li> <li>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.</li> <li>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.</li> <li>4. The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of the same security within the preceding year.</li> </ol> <p>"Within the preceding year" as used in the preceding paragraph refers to the year preceding the date of occurrence of the current transaction. Items duly announced in accordance with the Procedures need not be counted toward the transaction amount.</p> <p>"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.</p> <p>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.</p> <p>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</p>	<p><u>securities investment trust enterprises</u> in Taiwan.</p> <p>The amount of transactions above shall be calculated as follows:</p> <ol style="list-style-type: none"> <li>1. The amount of any individual transaction.</li> <li>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.</li> <li>3. The cumulative transaction amount of real estate <u>or right-to-use assets</u> acquisitions and disposals (cumulative acquisitions and disposals, respectively) within the same development project within the preceding year.</li> <li>4. The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of the same security within the preceding year.</li> </ol> <p>"Within the preceding year" as used in the preceding paragraph refers to the year preceding the date of occurrence of the current transaction. Items duly announced in accordance with the Procedures need not be counted toward the transaction amount.</p> <p>"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.</p> <p>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 <u>within two days as soon as the error or omission is reported.</u></p> <p>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</p>
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	<p>in the Company, where they shall be retained for five years unless otherwise provided by related laws.</p> <p>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.</p>	<p>in the Company, where they shall be retained for five years unless otherwise provided by related laws.</p> <p>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.</p>
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 the 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 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.</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</li> </ol>	<p>In acquiring or disposing real property, equipment or <u>right-to-use assets</u> where the transaction amount reaches 20% of the Company's paid-in capital or NT\$300 million, the Company, unless transacting with a <u>domestic</u> government agency <u>in Taiwan</u>, engaging others to build on its own land, engaging others to build on rented land, or acquiring or disposing of business equipment or <u>right-of-use assets</u>, shall obtain an appraisal report prior to the occurrence date of the 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 approved by the Audit Committee, and submitted for approval in advance by the Board, and <del>the same procedure shall be followed for any future changes to the terms and conditions of the transaction</del> <u>if any transaction term is changed afterwards, the same procedure shall be applied.</u></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</li> </ol>



	<p>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:</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>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:</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 10	<p>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.</p>	<p>The Company acquiring or disposing of intangible assets or <u>right-of-use assets</u> or <u>membership</u> 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. <u>Except for transactions with domestic government institutions in Taiwan</u>, 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 <u>shall</u> be sought from certified public accountant prior to the Date of the Event, and 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.</p>
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</p>	<p>Where the Company intends to acquire or dispose real property <u>or right-of-use assets</u> from a related party, or to acquire or dispose</p>

<p>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 NTD\$30 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:</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> <li>6. An appraisal report issued by a professional appraiser or a CPA opinion pursuant to the last item.</li> <li>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.</li> </ol>	<p>any property other than real property or <u>right-of-use assets</u> 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 NT\$30 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:</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 or <u>right-of-use assets</u>, information regarding appraisal of the reasonableness of the proposed transaction terms in accordance with the provisions in Article 16 and <del>Article 17</del>.</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> <li>6. An appraisal report issued by a professional appraiser or a CPA opinion pursuant to the last item.</li> <li>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 <u>Paragraph 2</u>, 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.</li> </ol>
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	<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.</p> <p>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>	<p><del>For the acquisition and disposal of machinery and equipment used for business operation</del> <u>For the following transactions conducted by and between the Company and its subsidiary, or among its own subsidiaries with direct or indirect 100% shareholding of the issued shares or capital sum,</u> 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:</p> <ol style="list-style-type: none"> <li>1. <u>The acquisition and disposal of equipment used for business operation or right-of-use assets.</u></li> <li>2. <u>The acquisition and disposal of right-of-use real property assets.</u></li> </ol> <p>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 16	<p>When the Company acquires real estate from a related party, it shall evaluate the reasonableness of the transaction costs by the following means:</p> <ol style="list-style-type: none"> <li>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.</li> <li>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</li> </ol>	<p>When the Company acquires real estate or <u>right-of-use assets</u> from a related party, it shall evaluate the reasonableness of the transaction costs by the following means:</p> <ol style="list-style-type: none"> <li>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.</li> <li>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</li> </ol>

	<p>institution is a related party of one of the trading counterparties.</p> <p>Where land and structures thereupon are combined as a single property purchased in one transaction, the transaction costs for the land and the structures may be separately appraised in accordance with either of the means listed in the preceding paragraph.</p> <p>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:</p> <ol style="list-style-type: none"> <li>1. The related party acquired the real estate through inheritance or as a gift.</li> <li>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.</li> <li>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.</li> </ol>	<p>institution is a related party of one of the trading counterparties.</p> <p>Where land and structures thereupon are combined as a single property purchased <u>or leased</u> in one transaction, the transaction costs for the land and the structures may be separately appraised in accordance with either of the means listed in the preceding paragraph.</p> <p>The Company that acquires real estate <u>or right-of-use assets</u> from a related party and <u>appraises the cost of the real estate or right-of-use assets in accordance with the preceding two paragraphs</u> shall also engage a CPA to check the appraisal and render a specific opinion. <u>The Company that acquires real estate or right-of-use assets from a related party shall not apply to the preceding three provisions if any of the following circumstances occurs:</u></p> <ol style="list-style-type: none"> <li>1. The related party acquired the real estate <u>or right-of-use assets</u> through inheritance or as a gift.</li> <li>2. More than five years will have elapsed from the time the related party signed the contract to obtain the real estate <u>or right-of-use assets</u> to the signing date for the current transaction.</li> <li>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.</li> <li>4. <u>The publicly listed company and its parent company, subsidiary, or its own subsidiaries with direct or indirect 100% shareholding of the issued shares or capital sum, acquire right-of-use real property assets for operating purpose.</u></li> </ol>
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> <ol style="list-style-type: none"> <li>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</li> </ol>	<p>Where the Company acquires real estate <u>or right-of-use assets</u> 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> <ol style="list-style-type: none"> <li>1. A special reserve shall be set aside in accordance with the applicable regulations against the difference between the real estate <u>or right-of-use assets</u> transaction price and the appraised cost, and may not be distributed or used for capital increase or issuance of bonus</li> </ol>

<p>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. The independent directors of Audit Committee 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 arm's length transaction.</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. The independent directors of Audit Committee shall comply with the provisions of Article 218 of the Company Act.</p> <p>3. Actions taken pursuant to the <u>preceding</u> two subparagraphs 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 <u>or leased</u>, or they have been disposed of, <u>or terminated the lease of</u>, or adequate compensation has been made, or the status quo ante has been restored, or there is other evidence confirming that there was nothing unreasonable about the transaction, and got the consent from Financial Supervisory Commission.</p> <p>When the Company obtains real estate <u>or right-of-use assets</u> 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 arm's length transaction.</p>
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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 and inventories of construction enterprises) and equipment.
3. Memberships.
4. Patents, copyrights, trademarks, franchise rights, and other intangible assets.
5. Right-of-use assets.
6. Claims of financial institutions (including receivables, bills purchased and discounted, loans, and overdue receivables).
7. Derivatives.
8. Assets acquired or disposed of in connection with merger, demerger, acquisition, or transfer of shares in accordance with acts of law.
9. 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 Logistic Division are responsible for implementing real properties, right-of-use assets 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 or right-of-use assets from or to a related party, or acquisition or disposal of assets other than real estate from or right-of-use assets 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 repurchase of money market funds issued by domestic securities investment trust enterprises 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. The type of asset acquired or disposed is equipment for business use or right-of-use assets, the trading counterparty is not a related party, and the transaction amount meets one of the following requirements:
  - (1) The paid-in capital of the publicly listed company is less than NT\$10 billion and the transaction amount reaches NT\$500 million.
  - (2) The paid-in capital of the publicly listed company reaches NT\$10 billion and the transaction amount reaches NT\$1 billion.
5. Where land is acquired under an arrangement on engaging others to build on the company's own land, engaging others to build on rented land, joint construction and allocation of housing units, joint construction and allocation of ownership percentages, or joint construction and separate sale, and the trading counterparty is not a related party and the amount the Company expects to invest in the transaction reaches NT\$500 million.
6. Where an asset transaction other than any of those referred to in the preceding five subparagraphs, 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 domestic government bonds in Taiwan.
- (2) Securities trading in the Securities Exchange or the operating site of the securities firm for investment purpose, or the ordinary corporate bonds and general bank debentures which are not involved in the shareholders' rights (not including subordinated debt) purchased, offered and issued in the primary market, or the purchase or repurchase of securities investment trust funds or futures trust funds, or securities purchased under the regulations of the Taipei Exchange by the securities firm due to the business underwriting requirements, as a counseling and recommending securities firm for listed companies at emerging stock market.
- (3) Trading of bonds under repurchase/resale agreements and the purchase or repurchase of domestic money market funds issued by securities investment trust enterprises in Taiwan.

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 or right-to-use assets acquisitions and disposals (cumulative acquisitions and disposals, respectively) within the same development project within the preceding year.
4. The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of the same security within the preceding year.

"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 within two days as soon as the error or omission is reported.

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, equipment or right-to-use assets where the transaction amount reaches 20% of the Company's paid-in capital or NT\$300 million, the Company, unless transacting with a domestic government agency in Taiwan, engaging others to build on its own land, engaging others to build on rented land, or acquiring or disposing of business equipment or right-of-use assets, shall obtain an appraisal report 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 if any transaction term is changed afterwards, the same procedure shall be applied.
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 intangible assets or right-of-use assets or membership 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. Except for transactions with domestic government institutions in Taiwan, 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 shall be sought from certified public accountant prior to the Date of the Event, and 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 subparagraphs 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 or right-of-use assets from a related party, or to acquire or dispose any property other than real property or right-of-use assets 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 NT\$30 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 or right-of-use assets, information regarding appraisal of the reasonableness of the proposed transaction terms in accordance with the provisions in Article 16.
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 following transactions conducted by and between the Company and its subsidiary, or among its own subsidiaries with direct or indirect 100% shareholding of the issued shares or capital sum, 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:

1. The acquisition and disposal of equipment used for business operation or right-of-use assets.
2. The acquisition and disposal of right-of-use real property assets.

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 or right-of-use assets 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 or leased in one transaction, the transaction costs for the land and the structures may be separately appraised in accordance with either of the means listed in the preceding paragraph.

The Company that acquires real estate or right-of-use assets from a related party and appraises the cost of the real estate or right-of-use assets in accordance with the preceding two paragraphs shall also engage a CPA to check the appraisal and render a specific opinion.

The Company that acquires real estate or right-of-use assets from a related party shall not apply to the preceding three provisions if any of the following circumstances occurs:

1. The related party acquired the real estate or right-of-use assets 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 or right-of-use assets 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.
4. The publicly listed company and its parent company, subsidiary, or its own subsidiaries with direct or indirect 100% shareholding of the issued shares or capital sum, acquire right-of-use real property assets for operating purpose.

Article 17 Where the Company acquires real estate or right-of-use assets 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 or right-of-use assets 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 the preceding two subparagraphs 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 leased, or they have been disposed of, or terminated the lease 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 or right-of-use assets 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 arm's 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 acquisition or disposal of assets conducted by the subsidiary shall be subject to the regulations of the Company.
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 7

### TRI Articles of Association

#### Chapter 1 General Principles

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

Article 2: The businesses of the Company include:

- 一、CB01010 machinery and equipment manufacturing.
- 二、CE01010 precision instruments manufacturing.
- 三、CE01030 photographic and optical equipment manufacturing.
- 四、E604010 machinery installation construction.
- 五、EZ05010 apparatus installation construction.
- 六、F113030 wholesale of precision instruments.
- 七、F119010 wholesale of electronic materials.
- 八、F213030 retail sale of computing and business machinery equipment.
- 九、F213040 retail sale of precision instruments.
- 十、F219010 retail sale of electronic materials.
- 十一、F401010 international trade.
- 十二、I301010 information software service.
- 十三、I501010 product design.
- 十四、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 Director shall exercise the legal duties in the Board. An 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:

- 一、 Make and revising business plan.
- 二、 Make earning distribution or loss recovery plan.
- 三、 Make capital increase/decrease plan.
- 四、 Amend the Articles of Association.
- 五、 Review the important contracts.
- 六、 Appoint managers.
- 七、 Set up and cancel the branches and offices.
- 八、 Budgeting and final accounts.
- 九、 Decide the transaction of real properties and investment into other businesses.
- 十、 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 automatic inspection 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 1% 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, 2018

The 24<sup>rd</sup> amendment was on May 29, 2019

## **Appendix 7**

### **TRI Rules Governing the Shareholders 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 8 Current Shareholdings of All Directors:

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 12,000,000.

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

March 31, 2019			
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	Chin-Lung,Chen	415,857	0.18%
Director	Chiang-Huai,Lin	2,357,864	1.00%
Director	Ming-Chuan,Tsai	1,045,650	0.44%
Director	Representative of Der-Hong Investment Co., Ltd.: Qiu-Shan,Fu	2,738,939	1.16%
Independent Director	Mei-Jing,Chen	0	0.00%
Independent Director	You-Xuan,Fu	0	0.00%
Independent Director	Liang-Jia,Chen	0	0.00%
Total shareholdings of all directors		44,589,756	18.88%

## Appendix 9 Other Matters:

The notes for proposals handled in this shareholders 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 29, 2019~April 8, 2019, which is already disclosed on MOPS.
  3. No proposal from shareholders is received by the Company.