

# **Sinmag Equipment Corporation**

## **2019 Annual Shareholders' Meeting**

### **Meeting Handbook**

Date: June 14th, 2019

Address: Room A, 3F, No. 9, Wugong 6th Road, Wugu Dist., New Taipei City (New Taipei City Labor Activity Center)

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## Sinmag Equipment Corporation

### Meeting Procedure for the 2019 Shareholders' Meeting

- I. Call the Meeting to Order
- II. Chairperson Remarks
- III. Management Presentation
- IV. Proposals
- V. Discussions
- VI. Election
- VII. Other Matters
- VIII. Extemporaneous Motions
- IX. Adjournment

Sinmag Equipment Corporation  
2019 Annual Shareholders' Meeting Agenda

Time: 9:00 A.M., June 14, 2019 (Friday)

Address: Room A, 3F, No. 9, Wugong 6th Road, Wugu Dist., New Taipei City (New Taipei City Labor Activity Center)

- I. Call the Meeting to Order (Reporting number of shares attending)
- II. Chairperson Remarks
- III. Management Presentation
  - Motion 1: 2018 Business Report.
  - Motion 2: 2018 Audit Committee's Review Report.
  - Motion 3: 2018 Employees' and Director's Compensation Distribution Report.
- IV. Proposals
  - Motion 1: To approve 2018 Business Report and Financial Statements.
  - Motion 2: To approve the proposal for 2018 Earnings Distribution.
- V. Discussions
  - Motion 1: Amendment of the Articles of Incorporation.
  - Motion 2: Amendment of the Procedures for Acquisition or Disposal of Assets.
  - Motion 3: Amendment of the Procedures for Loaning of Funds.
  - Motion 4: Amendment of the Procedures for Endorsements and Guarantees.
- VI. Election
  - To elect Directors and Independent Directors.
- VII. Other Matters
  - The proposal for releasing the Directors from non-competition restrictions.
- VIII. Extemporaneous Motions
- IX. Adjournment

## **Management Presentation**

Motion 1: 2018 Business Report

Explanation: Please refer to Attachment 1.

Motion 2: 2018 Audit Committee's Review Report

Explanation: Please refer to Attachment 2.

Motion 3: 2018 Employees' and Directors' Distribution Report

Explanation:

1. According to Article 29 of Articles of Incorporation, if the Company makes a profit in the year, 2 to 10% of the profits shall be allocated as Employees' compensation and no more than 5% of the profit as directors' compensation. In the presence of the accumulated loss, the Company shall allocate an amount to recover such loss before allocating any employees' and directors' compensation.
2. The Company's net income before tax in 2018 (before the allocation of employees' and directors' compensation) is NT\$546,086,191. The Company allocated NT\$21,847,173 as employees' compensation and NT\$8,538,869 as directors' compensation, and all were paid in cash.

## Proposals

Motion 1: To approve the 2018 Business Report and Financial Statements. (Proposed by the Board of Directors)

Explanation:

1. The Company's 2018 financial statements and consolidated financial statements have been approved by the Board of Directors and audited by independent auditors, Chen, Chiang-hsun and Chen, Chao-mei of Deloitte & Touche. 2018 Business Report, Independent Auditors' Report, and Financial Statements have been reviewed by the Audit Committee.
2. Please refer to Attachment 1 and Attachment 3.

Resolution:

Motion 2: To approve the proposal for 2018 Earnings Distribution. (Proposed by the Board of Directors)

Explanation:

1. The Company's 2018 Earnings Distribution Proposal is as follows:

Sinmag Equipment Corporation  
2018 Earnings Distribution Proposal

Unit: NT\$

Unappropriated retained earnings of the previous years	567,388,575
Remeasurement of defined benefit obligation	5,588,387
Plus: Net profit in 2018	473,613,290
Less: 10% appropriated as legal reserve	(47,361,329)
Appropriated as special reserve	(17,008,641)
Retained earnings available for distribution	982,220,282
Item for distribution:	
Dividends to shareholders	
Cash dividends (NT\$6.5 per share)	326,496,573
Unappropriated retained earnings at the end of the period	655,723,709

Chairman: HSIEH, SHUN-HO

President: LUE, GUO-HORNG

CFO: HUANG, YU-TUNG

2. Cash dividends to shareholders is NT\$6.5 per share. Upon the approval of the Annual Meeting of Shareholders, the Board of Directors is authorized to set the ex-dividend date and payment date of the dividends.
3. The cash dividends are calculated based on NT\$. The amount less than NT\$1 is rounded. For the fractional amount of the sum less than NT\$1, shareholders' amounts are adjusted according to the number after the decimal point from big to small and the shareholder number from front to back until it confirms to the total cash dividends.
4. If the change of the Company's share capital affects the number of outstanding

shares and leads to the change and amendment of shareholder dividend ratio, Board of Directors shall be authorized to handle the changes.

5. Sinmag adopts the last-in-first-out method when distributing earnings, first distribute earnings from the most current year and then the previous year's when insufficient.
6. Please proceed to the Ratification of the proposal.

Resolution:

## Discussions

Motion 1: Discussion of the amendment to the Articles of Incorporation. (Proposed by the Board of Directors)

Explanation:

1. In accordance with presidential decree No. 10700083291 issued by the President on August 1, 2018, Executive Yuan decree No. 1070037184 issued by Executive Yuan on October 26, 2018, and for the practical operation of the Company, it is proposed to amend part of the Articles of Incorporation.
2. For the Comparison Table for the Articles of Incorporation Before and After Revision, please refer to Attachment 4.
3. It is hereby submitted for discussion.

Resolution:

Motion 2: Discussion of the amendment to the Procedures for Acquisition or Disposal of Assets. (Proposed by the Board of Directors)

Explanation:

1. In accordance with the Financial Supervisory Commission's order No. 1070341072 issued on November 26, 2018, it is proposed to amend part of the Procedures for Acquisition or Disposal of Assets for the Company's practical operation.
2. For the Comparison Table for the Procedures for Acquisition or Disposal of Assets Before and After Revision, please refer to Attachment 5.
3. It is hereby submitted for discussion.

Resolution:

Motion 3: Discussion of the amendment to the Procedures for Loaning of Funds. (Proposed by the Board of Directors)

Explanation:

1. In accordance with the Financial Supervisory Commission's Order No. 1080304826 issued on March 7, 2019, it is proposed to amend part of the Procedures for Loaning Funds for the Company's practical operation.
2. For the Comparison Table for the Procedures for Loaning of Funds Before and After Revision, please refer to Attachment 6.
3. It is hereby submitted for discussion.

Resolution:



Motion 4: Discussion of the amendment to the Procedures for Endorsements and Guarantees.  
(Proposed by the Board of directors)

Explanation:

1. In accordance with the Financial Supervisory Commission's Order No. 1080304826 issued on March 7, 2019, it is proposed to amend part of the Procedures for Endorsements and Guarantees for the Company's practical operation.
2. For the Comparison Table for the Procedures for Endorsements and Guarantees Before and After Revision, please refer to Attachment 7.
3. It is hereby submitted for discussion.

Resolution:

## Elections

Motion: The election of Directors and Independent Directors. (Proposed by the Board of Directors)

Explanation:

1. The term of the Company's current directors expires on June 5, 2019, so it is proposed to conduct a full re-election of Directors and Independent Directors in the Annual Shareholders' Meeting.
2. According to Article 19 of the Articles of Incorporation, 9 Directors (including 3 Independent Directors) shall be elected. The election of Directors shall adopt the candidate nomination system. The term of newly-elected Directors shall be 3 years, commencing on June 14, 2019, and expiring on June 13, 2022. The current Directors and Independent Directors shall be effective until the adjournment of the 2019 Annual Shareholders' Meeting.
3. The elections are based on the Rules for Election of Directors, please refer to Appendix 6.
4. The relevant information for Directors and Independent Directors and the Candidates are listed below:

Serial number	Director Candidates	Shareholdings (Shares)	Education Background	Work Experiences	Current Position
1	Hsieh, Shun-ho	2,211,267	Secondary School	General Manager, Sheng Chia Industrial Co., Ltd. CEO, Sinmag Equipment Corporation	Chairman, Sinmag Equipment Corporation Chairman, Sinmag Equipment (China) Co., Ltd. Director, San Neng Bake Ware (Wuxi) Co., Ltd. Chairman, Sinmag Fitting Corporation Director, Sheng Chia Investment Co., Ltd. Chairman, Sinmag Bakery Machine India Private Limited Chairman, Sinmag Bakery Equipment Sdn. Bhd. Director, San Neng Group Holdings Co., Ltd. Director, San Neng Bakeware Corporation Director, PT. San Neng Bakeware Indonesia Director, Greater Win Holdings Limited
2	Wu, Yao-tsung	1,788,616 shares	National Yilan Senior High School	Vice Chairman, Tehmag Foods Corporation	Supervisor, Sinmag Fitting Corporation

Serial number	Director Candidates	Shareholdings (Shares)	Education Background	Work Experiences	Current Position
					<p>Supervisor, Sinmag Equipment (China) Co., Ltd.</p> <p>Director, Tehmag Foods Corporation</p> <p>Director, Wuxi New Order Control Co., Ltd.</p> <p>Director, Zeelandia Bakery Ingredients (Wuxi) Co., Ltd.</p> <p>Director, Yangyu Foods Corporation</p> <p>Supervisor, Kingcraft Industrial Corp., Ltd.</p> <p>Chairman, Taiwan Lunchun Association</p> <p>Director, Bliss &amp; Wisdom School</p> <p>Chairman, Purity New Materials Co., Ltd.</p> <p>Judicial person and Director, Taipei City Bliss &amp; Wisdom Buddhism Foundation</p>
3	Chang, Jui-jung	380,981	Master Degree in Business Administration, Asia University	<p>Chairman and General Manager, San Neng Bake Ware (Wuxi) Co., Ltd.</p> <p>Chairman, San Neng Bakeware Corporation</p> <p>Chairman and general manager, San Neng Group Holdings Co., Ltd.</p> <p>Chairman, PT. San Neng Bakeware Indonesia</p> <p>Chairman, East Gain Investment Limited</p> <p>Director, San Neng Limited</p> <p>Chairman, Jui Jung International Limited</p>	<p>Chairman and General Manager, San Neng Bake Ware (Wuxi) Co., Ltd.</p> <p>Chairman, San Neng Bakeware Corporation</p> <p>Chairman and general manager, San Neng Group Holdings Co., Ltd.</p> <p>Chairman, PT. San Neng Bakeware Indonesia</p> <p>Chairman, East Gain Investment Limited</p> <p>Director, San Neng Limited</p> <p>Chairman, Jui Jung International Limited</p>
4	Hsieh, Ming-ching	1,398,980	<p>Bachelor Degree in Economics, Fu Jen Catholic University</p> <p>Master Degree in Financial Management,</p>	<p>Special Assistant to the Chairman, Sinmag Equipment Corporation</p>	<p>Director, Kingcraft Industrial Corp., Ltd.</p> <p>Director and Vice President, LBC Bakery Equipment Inc.</p> <p>Director, Sheng Chia Investment Co., Ltd.</p>

Serial number	Director Candidates	Shareholdings (Shares)	Education Background	Work Experiences	Current Position
			Azusa Pacific University Master of Senior Management, Peking University		Director, Sinmag Equipment (Thailand) Co., Ltd. Director, Sinmag Equipment Corporation Deputy General Manager, Administrative Department, Sinmag Equipment Corporation Director, Sinmag Equipment (China) Co., Ltd. Deputy General Manager, Administrative Department, Sinmag Equipment (China) Co., Ltd. Supervisor, Squares Kitchen Sugarcraft (Wuxi) Co., Ltd. Chairman, Wuxi New Order Control Co., Ltd.
5	Chen, Yung-chen	0	Ph.D. in Mechanical Engineering, Chung Yuan Christian University	Deputy General Manager, Business and R&D, (American) Emler Technology company. Deputy General Manager, Kaori Heat Treatment Co., Ltd. General Manager, Resource Technology Corporation Senior Manager, Manufacturing Department, Loyalty Founder Enterprise Co., Ltd.	Deputy General Manager, Sales department, Sinmag Equipment (China) Co., Ltd. Director, Sinmag Bakery Equipment Sdn. Bhd. Director, Sinmag Bakery Machine India Private Limited
6	Chang, Yu-chuan	4,517	Mechanical Engineering in the Industrial College of China in five Year	Plant Manager, Chongjia Enterprise Co., Ltd. Plant Manager, Tech Control	General Manager, Sinmag Fitting Corporation Chairman, Kingcraft Industrial Corp., Ltd.

Serial number	Director Candidates	Shareholdings (Shares)	Education Background	Work Experiences	Current Position
				Enterprise Co., Ltd.	

Items	Independent Director Candidates	Shareholdings (Shares)	Education Background	Work Experiences	Current Position
1	Chan, Shih-hung	0	Ph.D. in Mechanical Engineering, University of California Berkeley	Professor, Yuan Ze University President, Yuan Ze University Far East Energy Lecture Professor, Yuan Ze University Dean, University of Wisconsin Milwaukee Research Engineer, Argonne National Laboratory Chairman, New Energy Association of Taiwan Science and Technology Advisory Committee of Office of the President (Taiwan)	Honorary Professor, Yuan Ze University Honorary President, New Energy Association of Taiwan Advisory committee, College of Chemistry, University of California Berkeley
2	Huang, Huei-wang	0	Bachelor Degree in Business Administration, College of Law and Commerce, National Chung Hsing University Financial Technology Seminar, University of California Berkeley	Principal consultant /Corporate Appraiser, Professional Actuary Management Consulting Co., Ltd. Chief Representative, Shanghai Representative Office of Dahua Securities Co., Ltd, Deputy Manager, Department of Securities & Finance, China	Representative, Bosch Think Tank Company Head/Corporate Appraiser/FRM, Bosch Think Tank Corporate Appraiser Company Member of Remuneration Committee, Rotam Global Agrosiences Limited

Items	Independent Director Candidates	Shareholdings (Shares)	Education Background	Work Experiences	Current Position
				Development Industrial Bank Deputy Manager, Underwriting Department, Dahua Securities Co., Ltd. Assistant Manager, Financial Trading Department, Chinatrust Commercial Bank	
3	Tu, San-chien	0	Bachelor Degree in Accounting, National Chengchi University Master Degree in Accounting, Louisiana State University and Agricultural and Mechanical College	Lecturer, College of Commerce, National Chengchi University Partner, Deloitte & Touche Chairman, Deloitte & Touche	Director, Pang Kuei & Co., CPA Independent Director, Lin Bioscience, Inc. Independent Director, Dah Chung Bills Finance Corp. Supervisor, Jorjin Technologies Inc. Supervisor, Superior Plating Technology Co., Ltd. Independent Director, Star Comgistic Capital Co., Ltd.

5. Please vote.

Election results:

## Other Matters

Motion: Releasing the Directors from non-competition restrictions. (Proposed by the Board of directors)

Explanation:

1. According to Article 209 of the Company Act, a director who does anything for himself or on behalf of another person that is within the scope of the Company's business, shall explain to the Meeting of the Shareholders the essential contents of such an act and secure its approval.
2. In order to respond to the Company's development of diversification and business alliance strategies, it is proposed to release the Directors from non-competition restrictions, without prejudice to the interests of the Company.
3. The details of releasing the Directors from non-competition restrictions are as follows:

Title/Name	Company Name and Position
Director, Hsieh, Shun-ho	Chairman, Sinmag Equipment (China) Co., Ltd. Director, San Neng Group Holdings Co., Ltd. Chairman, Sinmag Fitting Corporation Director, Sheng Chia Investment Co., Ltd. Chairman, Sinmag Bakery Machine India Private Limited Chairman, Sinmag Bakery Equipment Sdn. Bhd. Director, San Neng Bakeware Corporation Director, San Neng Bake Ware (Wuxi) Co., Ltd. Director, PT. San Neng Bakeware Indonesia Director, Greater Win Holdings Limited
Director, Wu, Yao-tsung	Supervisor, Sinmag Fitting Corporation Supervisor, Sinmag Equipment (China) Co., Ltd. Director, Tehmag Foods Corporation Director, Zeelandia Bakery Ingredients (Wuxi) Co., Ltd. Director, Wuxi New Order Control Co., Limited Director, Yangyu Foods Corporation Supervisor, Kingcraft Industrial Corp., Ltd.
Director, Chang, Jui-jung	Chairman and general manager, San Neng Group Holdings Co., Ltd. Chairman, San Neng Bakeware Corporation Chairman and general manager, San Neng Bake Ware (Wuxi) Co., Ltd. Chairman, PT. San Neng Bakeware Indonesia Chairman, East Gain Investment Limited Director, San Neng Limited

Title/Name	Company Name and Position
	Chairman, Jui Jung International Limited
Director, Hsieh, Ming-ching	Director, Sinmag Equipment (Thailand) Co., Ltd. Director and Vice President, LBC Bakery Equipment Inc. Director, Sheng Chia Investment Co., Ltd. Director, Kingcraft Industrial Corp., Ltd. Supervisor, Squares Kitchen Sugarcraft (Wuxi) Co., Ltd. Director, Sinmag Equipment (China) Co., Ltd. Deputy General Manager, Administrative Department, Sinmag Equipment (China) Co., Ltd. Chairman, Wuxi New Order Control Co., Limited
Director, Chen, Yung-chen	Deputy General Manager, Sales Department, Sinmag Equipment (China) Co., Ltd. Director, Sinmag Bakery Equipment Sdn. Bhd. Director, Sinmag Bakery Machine India Private Limited
Director, Chang, Yu-chuan	General Manager, Sinmag Fitting Corporation Chairman, Kingcraft Industrial Corp., Ltd.

4. It is hereby submitted for discussion.

Resolution:

## **Extemporary Motions**

## **Adjournment**



【Attachment 1】

Sinmag Equipment Corporation

2018 Business Report

I. 2018 Business Report

(I) Business Plan Implementation Results

After the financial tsunami, the global economic recovery situation, which relied on the loose monetary policies of various governments, had encountered significant pressure in 2018. Not only will the US interest rate hike cycle come to an end, but China's economic reform and adjustment will also have created a huge backseat force. Furthermore, dispute between the two major powers, the US and China, may have an impact on subsequent economic momentum. Although the baking industry in the PRC has a significant growth potential, the market in China has been significantly affected by the economic recovery and the global market continues to experience increasingly fierce competition and challenges. The consolidated turnover of the Company for 2018 is NT\$4,312,015,000, down about 6.55% from NT\$4,614,233,000 in 2017. The combined net profit after tax is NT\$473,613,000, and the after-tax earnings per share is NT\$9.43. The company will continue to maintain a stable operation in response to changes in the external operating environment, making more efforts in developing new markets and innovative product development in addition to maintaining the market share in China, hoping to improve the stability and achieve good performance in 2019.

1. The Company's operating results are as follows:

(1) Comparison of operating results (combined profit and loss)

Unit: Thousand NT\$

	2018	2017	Increase (decrease) ratio (%)
Operating Revenue	4,312,015	4,614,233	(6.55%)
Operating Costs	2,593,709	2,716,488	(4.52%)
Gross Profit	1,718,306	1,897,745	(9.46%)
Operating Expenses	1,061,006	1,069,547	(0.80%)
Operating Profit	657,300	828,198	(20.63%)
Non-operating Income Expenses	31,961	(37,962)	(184.19%)
Profit Before Tax	689,261	790,236	(12.78%)
Profit After Tax	473,613	534,153	(11.33%)

(2) Budget execution

The company did not have a public financial forecasting for 2018.

(3) Financial income and expenditure (structure) and profitability analysis  
(combined statement)

Items		2018	2017
Financial Structure Analysis	Debt-to-asset Ratio	34.45%	38.13%
	Ratio of Long-term Capital to Property, Plant, and Equipment	262.36%	291.06%
Analysis of Debt Payment Structure	Current Ratio	236.68%	229.87%
	Quick Ratio	162.03%	159.31%
Profitability Analysis	Return on Assets	15.05%	17.21%
	Return on Shareholders' Equity	23.31%	27.48%
	Radio of Paid-in Capital	130.85%	170.65%
	Operating Profit	137.22%	162.82%
	Net Income Before Tax	11.25%	11.85%
	Net Profit Rate	9.43	11.01
Earnings Per Share (NT\$)			

## II. Research and Development Status

In order to ensure the competitive advantage in the food device field, the Group has been continuously improving the design and process of its bakeware and expanded to the production and development of the food service equipment. In 2018, the Group invested a total of NT\$163,455,000 in research and development, including development of various processes and technologies, development of more diversified and innovative quality products, hoping to continue to expand the market share of the Company's products in addition to fully satisfying customers' all-round needs and looking forward to opening up new market opportunities.

## III. Summary of the Company's Business Plan for 2018:

### (I) Operating Strategies

With the help of the Internet, the booming Chinese baking market continues to show all kinds of new forms and orientations. Western-style bakeries and bread and cake stores of various grades are springing up successively like bamboo shoots after the rain. However, chain, large-scale, and composite stores have reduced the living space of traditional Western-style bakeries, showing a trend of development towards the integration of baking and catering. In addition to the market share of the Chinese baking market, the Company will leverage its own technology and channel advantages to continue to expand into different markets and business areas. The development of the food service equipment will be one of the relevant industries that the Company wants to enter, although the difficulty of entering a mature market such as food service equipment is not easy. However, by taking advantage of the good reputation accumulated in baking equipment products, it is expected to open up more market space for the future operation of the Company. We will continue to pay attention to market changes to formulate countermeasures and strive to implement and complete each breakthrough. Combining with the strength accumulated in the baking industry to continue to achieve better outcome for food equipment market.

### Market development plan

1. Expand the new retail supermarket market, develop new customers, and promote the baking and cooling equipment.
2. Cooperate with market customers to upgrade and transform the trend, promote the entire set of baking equipment, including refrigeration equipment, and the new portfolio assembly and the high-end over series.
3. Follow up the trend of long-term products, transforming to short-term products in the wholesale market, integrate the equipment manufacturers of strategic partners, establish and improve the automated production line of various products, and promote the sales of automated equipment and production lines to customers.
4. Establish cooperation with bakery training institutions in other places, explore new store inquiries and develop emerging market businesses related to personal studios, DIY classrooms, training schools, etc.
5. Continue to promote sales of washing and refrigeration equipment.

### (II) Expected sales volume and basis

The Company's main products are the food machinery equipment. According to the expected growth rate of the food market and the estimated production capacity, it will continue to expand new customers and develop new products this year, other than sticking to the original market share and sales volume, and will continue to expand India, Southeast Asia, Japan, Brazil, Africa markets. The company's sales volume is still expected to grow.

### (III) Production and sales strategies

1. Strengthen production process improvement and quality management, strive to adjust the cost structure, control material loss and improve internal processes, production efficiency and capacity, and reduce production costs.
2. In addition to providing equipment services, we actively provide supporting services for factory planning and layout, optimize existing production lines, assist customers to optimize factory layout, and provide reference for store layout.
3. Enhance the technical capabilities of the maintenance team and respond quickly to the maintenance requirements of the customers, and provide customers with high-quality and fast-moving after-sales services.
4. Develop the market for large-scale automation equipment and food service equipment.
5. Promote sales of pizza equipment.

(IV) Impact of external competition, laws and regulations, and the general business environment

Although the economic growth in China has slowed down in recent years due to factors of policy adjustment and economic structure direction, there is still growth potential in the bakery market. In 2019, it is estimated that under the uncertainty of Sino-US trade, China and even global economic growth will face downside risks, and the rapid industrial changes and heated competition among peers will also pose challenges to the leading position of Sinmag Equipment Corporation in the China market. Faced with such competitive pressures, Sinmag Equipment Corporation still adheres to the concept of innovation and with the degree of customer satisfaction in mind to continuously invest in research and development energy and service quality, so it can continue to maintain the leading position and brand advantage in the industry; At present, for the new baking equipment used in the China market, Sinmag is still the leading manufacturers with the most customers and the highest overall degree of satisfaction, so regardless of the changes of market conditions and customer needs, Sinmag still adheres to the “customer-centric” service concept, providing professional, efficient and friendly service, and continuously providing customers with the best quality service, investing in after-sales service and accumulate baking technology value-added services in addition to continuous innovation of product lines to better meet the overall needs of customers and become the best partner in the baking industry.

Chairman: Hsieh, Shun-ho

Manager: Lue, Guo-horng

Accounting Manager: Huang, Yu-tung

【Attachment 2】

Sinmag Equipment Corporation  
Audit Committee's Review Report

Hereby approved

The Board of Directors has submitted the 2018 Business Report, Financial Statements and Earnings Distribution Proposal of the Company. The financial statements have been audited by CPAs Chen, Chiang-hsun and Chen, Chao-mei of Deloitte & Touche, and audit report has been issued. The above-mentioned business report, financial statements and surplus distribution proposal have been reviewed and approved by the Audit Committee. All members believe that there is no disagreement. The above documents have been reported according to Article 14 (4) of the Securities Exchange Law and Article 219 of the Company Law. Please kindly check.

Sincerely,

Annual Shareholders' Meeting of Sinmag Equipment Corporation (2018)

Sinmag Equipment Corporation

Convener of the Audit Committee

March 14, 2019

**【 Attachment 3 】**  
**INDEPENDENT AUDITORS' REPORT**

The Board of Directors and Shareholders  
Sinmag Equipment Corporation

**Opinion**

We have audited the accompanying financial statements of Sinmag Equipment Corporation (the “Company”), which comprise the balance sheets as of December 31, 2018 and 2017, the statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the report of other auditors (please refer to the Other Matter paragraph), the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2018 and 2017, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

**Basis for Opinion**

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

**Key Audit Matters**

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

The key audit matter of the Company’s financial statements for the year ended December 31, 2018 are stated as follows:

**Key Audit Matter - Recognition of Revenue from Main Customers**

The operating revenue from the main customers of the Company accounted for approximately 37% of the total operating revenue. There is also a significant difference between the change in operating revenue growth (decline) of the main customers and the change in overall operating revenue growth (decline) of the Company, resulting in a significant impact on the financial performance of the Company. Therefore, we

deemed the validity of occurrence of sales revenue from the main customers as a key audit matter. The revenue recognition accounting policy is disclosed in Note 4 (1) to the financial statements.

We performed the following audit procedures in response to the above-mentioned key audit matter:

1. We understood the design and implementation of the internal controls related to the recognition of sales revenue, and designed the appropriate audit procedures on internal controls related to the validity of occurrence of sales revenue, in order to confirm and evaluate the effectiveness of the Company's internal control over sales revenue.

2. We selected samples from sales transactions, and reviewed sales orders, invoices and receipts, in order to confirm the validity of occurrence of sales.

3. We compared the changes in sales revenue, gross profit margin, trade receivables turnover rate and credit conditions of the main customers, between the current and previous year and evaluated the reasonableness of the changes.

### **Other Matter**

We did not audit the financial statements of LBC Bakery Equipment Inc., a subsidiary included in the financial statements of the Company, but such financial statements were prepared using a different financial reporting framework and audited by other auditors. We have applied audit procedures on the conversion adjustments to the financial statements of LBC Bakery Equipment Inc., which conform to the Regulations Governing the Preparation of Financial Reports by Securities Issuers. Our opinion, insofar as it relates to the amounts included for LBC Bakery Equipment Inc. prior to these conversion adjustments, is based solely on the report of other auditors and additional audit procedures to meet the relevant requirements of the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. The investments accounted for using the equity method of LBC Bakery Equipment Inc. constituted 7% (NT\$188,743 thousand) and 6% (NT\$154,156 thousand), respectively, of total assets as of December 31, 2018 and 2017, and share of profit or loss of subsidiaries constituted 4% (NT\$22,467 thousand) and 4% (NT\$22,837 thousand), respectively, of profit before income tax from continuing operations for the years then ended.

### **Responsibilities of Management and Those Charged with Governance for the Financial Statements**

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

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

Those charged with governance, including the audit committee, are responsible for overseeing the Company's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted

in accordance with the auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Company to express an opinion on the 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 financial statements for the year ended December 31, 2018 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



The engagement partners on the audit resulting in this independent auditors' report are Chen, Chiang-hsun and Chen, Chao-mei.

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

March 14, 2019

Notice to Readers

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

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

## Sinmag Equipment Corporation

### BALANCE SHEETS

DECEMBER 31, 2018 AND 2017

(In Thousands of New Taiwan Dollars)

ASSETS	2018		2017	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash (Notes 4 and 6)	\$ 56,184	2	\$ 66,964	3
Notes receivable (Notes 4, 7 and 18)	46,139	2	39,990	2
Trade receivables (Notes 4, 7 and 18)	126,717	5	131,829	5
Trade receivables from related parties (Notes 4, 18 and 27)	41,291	2	93,152	4
Other receivables (Notes 4 and 7)	1,441	-	1,383	-
Current tax assets (Note 20)	10,616	-	9,786	-
Inventories (Notes 4 and 8)	100,457	4	68,914	3
Prepayments	<u>1,728</u>	<u>-</u>	<u>12,205</u>	<u>-</u>
Total current assets	<u>384,573</u>	<u>15</u>	<u>424,223</u>	<u>17</u>
NON-CURRENT ASSETS				
Investments accounted for using the equity method (Notes 4, 9 and 27)	2,030,490	79	1,931,189	77
Property, plant and equipment (Notes 4, 10 and 28)	118,988	5	122,917	5
Other intangible assets (Notes 4 and 11)	486	-	846	-
Deferred tax assets (Notes 4 and 20)	20,713	1	16,365	1
Other financial assets - non-current (Notes 12 and 28)	64	-	63	-
Other non-current assets (Note 12)	<u>391</u>	<u>-</u>	<u>750</u>	<u>-</u>
Total non-current assets	<u>2,171,132</u>	<u>85</u>	<u>2,072,130</u>	<u>83</u>
TOTAL	<u>\$ 2,555,705</u>	<u>100</u>	<u>\$ 2,496,353</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Notes 13 and 28)	\$ 150,000	6	\$ 90,000	4
Contract liabilities - current (Notes 3, 4 and 18)	8,893	1	-	-
Notes payable	27,566	1	37,114	2
Notes payable to related parties (Note 27)	973	-	893	-
Trade payables	5,217	-	5,807	-
Trade payables to related parties (Note 27)	155,543	6	186,827	7
Other payables (Note 14)	54,496	2	54,956	2
Current tax liabilities (Notes 4 and 20)	-	-	15,737	1
Provisions - current (Notes 4 and 15)	131	-	131	-
Advance receipts	<u>-</u>	<u>-</u>	<u>5,689</u>	<u>-</u>
Total current liabilities	<u>402,819</u>	<u>16</u>	<u>397,154</u>	<u>16</u>
NON-CURRENT LIABILITIES				
Deferred tax liabilities (Notes 4 and 20)	87,298	3	91,236	3
Net defined benefit liabilities - non-current (Notes 4 and 16)	<u>2,909</u>	<u>-</u>	<u>20,019</u>	<u>1</u>
Total non-current liabilities	<u>90,207</u>	<u>3</u>	<u>111,255</u>	<u>4</u>
Total liabilities	<u>493,026</u>	<u>19</u>	<u>508,409</u>	<u>20</u>
EQUITY (Notes 4 and 17)				
Share capital				
Ordinary shares	<u>502,302</u>	<u>20</u>	<u>485,316</u>	<u>19</u>
Capital surplus	<u>75,738</u>	<u>3</u>	<u>74,943</u>	<u>3</u>
Retained earnings				
Legal reserve	455,057	18	401,642	16
Special reserve	84,646	3	70,718	3
Unappropriated earnings	<u>1,046,591</u>	<u>41</u>	<u>1,039,971</u>	<u>42</u>
Total retained earnings	<u>1,586,294</u>	<u>62</u>	<u>1,512,331</u>	<u>61</u>
Other equity	<u>(101,655)</u>	<u>(4)</u>	<u>(84,646)</u>	<u>(3)</u>
Total equity	<u>2,062,679</u>	<u>81</u>	<u>1,987,944</u>	<u>80</u>
TOTAL	<u>\$ 2,555,705</u>	<u>100</u>	<u>\$ 2,496,353</u>	<u>100</u>

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

(With Deloitte & Touche auditors' report dated March 14, 2019)

# Sinmag Equipment Corporation

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

	2018		2017	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4, 18 and 27)				
Sales	\$ 925,896	98	\$ 1,107,255	98
Service revenue	<u>21,430</u>	<u>2</u>	<u>26,908</u>	<u>2</u>
Total operating revenue	<u>947,326</u>	<u>100</u>	<u>1,134,163</u>	<u>100</u>
OPERATING COSTS				
Cost of goods sold (Notes 8, 19 and 27)	(798,757)	(84)	(943,826)	(83)
Service cost	<u>(2,609)</u>	<u>-</u>	<u>(2,767)</u>	<u>-</u>
Total operating costs	<u>(801,366)</u>	<u>(84)</u>	<u>(946,593)</u>	<u>(83)</u>
GROSS PROFIT	145,960	16	187,570	17
UNREALIZED GAIN ON TRANSACTIONS WITH SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES (Note 4)	(11,433)	(1)	(12,997)	(1)
REALIZED GAIN ON TRANSACTIONS WITH SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES (Note 4)	<u>12,997</u>	<u>1</u>	<u>13,067</u>	<u>1</u>
REALIZED GROSS PROFIT	<u>147,524</u>	<u>16</u>	<u>187,640</u>	<u>17</u>
OPERATING EXPENSES (Notes 4, 19 and 27)				
Selling and marketing expenses	(58,589)	(6)	(62,772)	(6)
General and administrative expenses	(71,275)	(8)	(81,323)	(7)
Research and development expenses	(9,094)	(1)	(8,958)	(1)
Gain on reversal of expected credit loss	<u>9,564</u>	<u>1</u>	<u>-</u>	<u>-</u>
Total operating expenses	<u>(129,394)</u>	<u>(14)</u>	<u>(153,053)</u>	<u>(14)</u>
PROFIT FROM OPERATIONS	<u>18,130</u>	<u>2</u>	<u>34,587</u>	<u>3</u>
NON-OPERATING INCOME AND EXPENSES				
Other income (Notes 4 and 19)	1,011	-	623	-
Other gains and losses (Notes 4 and 19)	6,889	-	(5,135)	-
Finance costs (Notes 4 and 19)	(940)	-	(751)	-
Share of profit or loss of subsidiaries, associates and joint ventures (Note 4)	<u>490,610</u>	<u>52</u>	<u>547,228</u>	<u>48</u>
Total non-operating income and expenses	<u>497,570</u>	<u>52</u>	<u>541,965</u>	<u>48</u>

(Continued)

# Sinmag Equipment Corporation

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

	2018		2017	
	Amount	%	Amount	%
PROFIT BEFORE INCOME TAX FROM CONTINUING OPERATIONS	515,700	54	576,552	51
INCOME TAX EXPENSE (Notes 4 and 20)	<u>(42,087)</u>	<u>(4)</u>	<u>(42,399)</u>	<u>(4)</u>
NET PROFIT FOR THE YEAR	<u>473,613</u>	<u>50</u>	<u>534,153</u>	<u>47</u>
OTHER COMPREHENSIVE INCOME (LOSS) (Notes 4, 16, 17 and 20)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	6,120	1	(2,471)	-
Income tax relating to items that will not be reclassified subsequently to profit or loss	<u>(531)</u>	<u>-</u>	<u>420</u>	<u>-</u>
	<u>5,589</u>	<u>1</u>	<u>(2,051)</u>	<u>-</u>
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating the financial statements of foreign operations	(22,333)	(2)	(16,782)	(1)
Income tax relating to items that may be reclassified subsequently to profit or loss	<u>5,324</u>	<u>-</u>	<u>2,854</u>	<u>-</u>
	<u>(17,009)</u>	<u>(2)</u>	<u>(13,928)</u>	<u>(1)</u>
Other comprehensive loss for the year, net of income tax	<u>(11,420)</u>	<u>(1)</u>	<u>(15,979)</u>	<u>(1)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 462,193</u>	<u>49</u>	<u>\$ 518,174</u>	<u>46</u>
EARNINGS PER SHARE (Note 21)				
From continuing operations				
Basic	<u>\$ 9.43</u>		<u>\$ 10.63</u>	
Diluted	<u>\$ 9.39</u>		<u>\$ 10.60</u>	

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

(With Deloitte & Touche auditors' report dated March 14, 2019)

(Concluded)

# Sinmag Equipment Corporation

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

			Retained Earnings			Other Equity Exchange Differences on Translating the Financial Statements of Foreign Operations	Total Equity
	Share Capital	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings		
BALANCE AT JANUARY 1, 2017	\$ 485,316	\$ 74,943	\$ 346,956	\$ 54,501	\$ 991,291	\$ (70,718)	\$ 1,882,289
Appropriation of 2016 earnings (Note 17)							
Legal reserve	-	-	54,686	-	(54,686)	-	-
Special reserve	-	-	-	16,217	(16,217)	-	-
Cash dividends distributed by the Company	-	-	-	-	(412,519)	-	(412,519)
Net profit for the year ended December 31, 2017	-	-	-	-	534,153	-	534,153
Other comprehensive loss for the year ended December 31, 2017, net of income tax	-	-	-	-	(2,051)	(13,928)	(15,979)
Total comprehensive income for the year ended December 31, 2017	-	-	-	-	532,102	(13,928)	518,174
BALANCE AT DECEMBER 31, 2017	485,316	74,943	401,642	70,718	1,039,971	(84,646)	1,987,944
Appropriation of 2017 earnings (Note 17)							
Legal reserve	-	-	53,415	-	(53,415)	-	-
Special reserve	-	-	-	13,928	(13,928)	-	-
Cash dividends distributed by the Company	-	-	-	-	(388,253)	-	(388,253)
Share dividends distributed by the Company	16,986	-	-	-	(16,986)	-	-
Difference between actual acquisition price and carrying amount on acquisition of interests in subsidiaries (Note 17)	-	795	-	-	-	-	795
Net profit for the year ended December 31, 2018	-	-	-	-	473,613	-	473,613
Other comprehensive income (loss) for the year ended December 31, 2018, net of income tax	-	-	-	-	5,589	(17,009)	(11,420)
Total comprehensive income for the year ended December 31, 2018	-	-	-	-	479,202	(17,009)	462,193
BALANCE AT DECEMBER 31, 2018	<u>\$ 502,302</u>	<u>\$ 75,738</u>	<u>\$ 455,057</u>	<u>\$ 84,646</u>	<u>\$ 1,046,591</u>	<u>\$ (101,655)</u>	<u>\$ 2,062,679</u>

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

(With Deloitte & Touche auditors' report dated March 14, 2019)

# Sinmag Equipment Corporation

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

	2018	2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	\$ 515,700	\$ 576,552
Adjustments for:		
Gain on reversal of expected credit loss of trade receivables	(9,564)	-
Impairment loss recognized on trade receivables	-	11,225
Depreciation expenses	6,508	3,913
Amortization expenses	360	446
Finance costs	940	751
Share of profit of subsidiaries, associates and joint ventures	(490,610)	(547,228)
Interest income	(178)	(117)
Write-downs of inventories	3,914	808
Loss on disposal of property, plant and equipment	-	36
Unrealized gain on the transactions with subsidiaries, associates and joint ventures	11,433	12,997
Realized gain on the transactions with subsidiaries associates and joint ventures	(12,997)	(13,067)
Net (gain) loss on foreign currency exchange	(2,051)	2,154
Changes in operating assets and liabilities		
Notes receivable	(6,155)	(2,025)
Trade receivables	14,525	12,915
Trade receivables from related parties	51,761	(10,286)
Other receivables	(58)	(608)
Inventories	(35,457)	(2,458)
Prepayments	10,477	(10,477)
Notes payable	(9,548)	10,091
Notes payable from related parties	80	(141)
Trade payables	(572)	(2,982)
Trade payables from related parties	(30,294)	(18,349)
Other payables	(503)	(4,878)
Contract liabilities - current	3,510	-
Advance receipts	(306)	(2,359)
Net defined benefit liabilities	(10,990)	(2,862)
Cash generated from operations	9,925	14,051
Interest received	178	117
Income tax paid	(62,147)	(43,848)
Net cash used in operating activities	(52,044)	(29,680)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of investments accounted for using the equity method	-	(16,438)
Payments for property, plant and equipment	(2,579)	(17,899)
Payments for intangible assets	-	(235)
Proceeds from disposal of property, plant and equipment	-	12
Dividends received from subsidiaries	376,987	465,474
Increase in other financial assets	(1)	-

(Continued)

# Sinmag Equipment Corporation

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

	2018	2017
Decrease in other financial assets	-	38
Increase in other non-current assets	-	(110)
Decrease in other non-current assets	<u>359</u>	<u>-</u>
Net cash generated from investing activities	<u>374,766</u>	<u>430,842</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from short-term borrowings	60,000	-
Repayments of short-term borrowings	-	(35,000)
Dividends paid to owners of the Company	(388,253)	(412,519)
Acquisition of additional interest in subsidiaries	(5,652)	-
Interest paid	<u>(897)</u>	<u>(742)</u>
Net cash used in financing activities	<u>(334,802)</u>	<u>(448,261)</u>
<b>EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES</b>	<u>1,300</u>	<u>(2,234)</u>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	(10,780)	(49,333)
<b>CASH AT THE BEGINNING OF THE YEAR</b>	<u>66,964</u>	<u>116,297</u>
<b>CASH AT THE END OF THE YEAR</b>	<u>\$ 56,184</u>	<u>\$ 66,964</u>

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

(With Deloitte & Touche auditors' report dated March 14, 2019)

(Concluded)

## **INDEPENDENT AUDITORS' REPORT**

The Board of Directors and Shareholders  
Sinmag Equipment Corporation

### **Opinion**

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

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

### **Basis for Opinion**

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

### **Key Audit Matters**

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



The key audit matter of the Group's financial statements for the year ended December 31, 2018 is stated as follows:

#### Key Audit Matter - Recognition of Revenue from Main Customers

The consolidated operating revenue from the main customers of the Group accounted for approximately 21% of the total consolidated operating revenue. There is also a significant difference between the change in operating revenue growth (decline) of the main customers and the change in overall consolidated operating revenue growth (decline) of the Group, resulting in a significant impact on the financial performance of the Group. Therefore, we deemed the validity of occurrence of sales revenue from the main customers as a key audit matter. The revenue recognition accounting policy is disclosed in Note 4 (n) to the consolidated financial statements.

We performed the following audit procedures in response to the above-mentioned key audit matter:

1. We understood the design and implementation of the internal controls related to the recognition of sales revenue, and designed the appropriate audit procedures on internal controls related to the validity of occurrence of sales revenue, in order to confirm and evaluate the effectiveness of the Group's internal control over sales revenue.
2. We selected samples from sales transactions, and reviewed sales orders, invoices and receipts, in order to confirm validity of the occurrence of sales.
3. We compared the changes in sales revenue, gross profit margin, trade receivables turnover rate and credit conditions of the main customers between the current and previous year, and evaluated the reasonableness of the changes.

#### **Other Matter**

We did not audit the financial statements of LBC Bakery Equipment Inc., a subsidiary included in the consolidated financial statements of the Group, but such financial statements were prepared using a different financial reporting framework and audited by other auditors. We have applied audit procedures on the conversion adjustments to the financial statements of LBC Bakery Equipment Inc., which conform to the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our opinion, insofar as it relates to the amounts included for LBC Bakery Equipment Inc. prior to these conversion adjustments, is based solely on the report of other auditors and additional audit procedures to meet the relevant requirements of the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. The total assets of LBC Bakery Equipment Inc. constituted 11% (NT\$356,975 thousand) and 11% (NT\$363,781 thousand), respectively, of consolidated total assets as of December 31, 2018 and 2017, and total revenues constituted 12% (NT\$501,596 thousand) and 12% (NT\$567,736 thousand), respectively, of consolidated total revenues for the years then ended.

We have also audited the parent company only financial statements of Sinmag Equipment Corporation Company as of and for the years ended December 31, 2018 and 2017 on which we have issued an unmodified opinion with an other matter paragraph.

#### **Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC

Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or 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.

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

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

As part of an audit in accordance with the auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2018 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Chen, Chiang-hsun and Chen, Chao-mei.

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

March 14, 2019

#### Notice to Readers

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

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

## Sinmag Equipment Corporation AND SUBSIDIARIES

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

ASSETS	2018		2017	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	\$ 807,198	25	\$ 828,127	25
Notes receivable (Notes 4, 7 and 21)	53,816	2	49,410	2
Trade receivables (Notes 4, 7 and 21)	611,712	19	727,270	22
Trade receivables from related parties (Notes 4, 21 and 30)	368	-	1,685	-
Other receivables (Notes 4, 7 and 26)	19,892	-	45,023	1
Current tax assets (Notes 4 and 23)	10,616	-	9,786	-
Inventories (Notes 4 and 8)	669,144	21	703,672	21
Prepayments (Notes 14 and 31)	27,833	1	40,993	1
Other financial assets (Notes 4, 15 and 31)	9,237	-	20,077	1
Total current assets	2,209,816	68	2,426,043	73
NON-CURRENT ASSETS				
Property, plant and equipment (Notes 4, 11 and 31)	843,929	26	736,700	23
Other intangible assets (Notes 4 and 13)	2,947	-	3,752	-
Goodwill (Notes 4 and 12)	3,254	-	3,254	-
Deferred tax assets (Notes 4 and 23)	26,156	1	21,240	1
Other financial assets - non-current (Notes 4, 15 and 31)	64	-	63	-
Long-term prepayments for leases (Notes 14 and 31)	85,876	3	41,248	1
Other non-current assets (Notes 4 and 15)	59,925	2	72,631	2
Total non-current assets	1,022,151	32	878,888	27
TOTAL	\$ 3,231,967	100	\$ 3,304,931	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Notes 16 and 31)	\$ 150,000	5	\$ 209,314	7
Contract liabilities - current (Notes 3, 4 and 21)	82,284	2	-	-
Notes payable	27,566	1	37,114	1
Notes payable to related parties (Note 30)	973	-	893	-
Trade payables	257,649	8	297,382	9
Trade payables to related parties (Note 30)	9,579	-	10,760	-
Other payables (Notes 17)	258,506	8	256,556	8
Current tax liabilities (Notes 4 and 23)	115,731	4	138,802	4
Provisions - current (Notes 4 and 18)	25,261	1	25,385	1
Advance receipts	-	-	73,187	2
Current portion of long-term borrowings and bonds payable (Notes 16 and 31)	6,121	-	5,968	-
Total current liabilities	933,670	29	1,055,361	32
NON-CURRENT LIABILITIES				
Long-term borrowings (Notes 16 and 31)	89,615	3	93,659	3
Deferred tax liabilities (Notes 4 and 23)	87,298	2	91,240	3
Net defined benefit liabilities - non-current (Notes 4 and 19)	2,909	-	20,019	-
Total non-current liabilities	179,822	5	204,918	6
Total liabilities	1,113,492	34	1,260,279	38
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Notes 4 and 20)				
Share capital				
Ordinary shares	502,302	16	485,316	15
Capital surplus	75,738	2	74,943	2
Retained earnings				
Legal reserve	455,057	14	401,642	12
Special reserve	84,646	3	70,718	2
Unappropriated earnings	1,046,591	32	1,039,971	32
Total retained earnings	1,586,294	49	1,512,331	46
Other equity	(101,655)	(3)	(84,646)	(3)
Total equity attributable to owners of the Company	2,062,679	64	1,987,944	60
NON-CONTROLLING INTERESTS (Note 20)	55,796	2	56,708	2
Total equity	2,118,475	66	2,044,652	62
TOTAL	\$ 3,231,967	100	\$ 3,304,931	100

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

(With Deloitte & Touche auditors' report dated March 14, 2019)

# Sinmag Equipment Corporation AND SUBSIDIARIES

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

	2018		2017	
	Amount	%	Amount	%
OPERATING REVENUE				
Sales (Notes 4, 21 and 30)	\$ 4,290,585	100	\$ 4,587,324	99
Service revenue (Note 4)	<u>21,430</u>	<u>-</u>	<u>26,909</u>	<u>1</u>
Total operating revenue	<u>4,312,015</u>	<u>100</u>	<u>4,614,233</u>	<u>100</u>
OPERATING COSTS				
Cost of goods sold (Notes 8, 22 and 30)	(2,591,100)	(60)	(2,713,721)	(59)
Service cost	<u>(2,609)</u>	<u>-</u>	<u>(2,767)</u>	<u>-</u>
Total operating costs	<u>(2,593,709)</u>	<u>(60)</u>	<u>(2,716,488)</u>	<u>(59)</u>
GROSS PROFIT	<u>1,718,306</u>	<u>40</u>	<u>1,897,745</u>	<u>41</u>
OPERATING EXPENSES (Notes 22 and 30)				
Selling and marketing expenses	(626,705)	(15)	(616,612)	(13)
General and administrative expenses	(277,929)	(6)	(288,550)	(6)
Research and development expenses	(163,455)	(4)	(164,385)	(4)
Gain on reversal of expected credit loss (Notes 4 and 7)	<u>7,083</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total operating expenses	<u>(1,061,006)</u>	<u>(25)</u>	<u>(1,069,547)</u>	<u>(23)</u>
PROFIT FROM OPERATIONS	<u>657,300</u>	<u>15</u>	<u>828,198</u>	<u>18</u>
NON-OPERATING INCOME AND EXPENSES (Notes 4 and 22)				
Other income	26,822	1	32,481	1
Other gains and losses	13,829	-	(47,107)	(1)
Finance costs	(8,690)	-	(6,795)	-
Share of profit or loss of associates and joint ventures (Notes 10)	<u>-</u>	<u>-</u>	<u>(16,541)</u>	<u>(1)</u>
Total non-operating income and expenses	<u>31,961</u>	<u>1</u>	<u>(37,962)</u>	<u>(1)</u>
PROFIT BEFORE INCOME TAX FROM CONTINUING OPERATIONS	689,261	16	790,236	17
INCOME TAX EXPENSE (Notes 4 and 23)	<u>(204,029)</u>	<u>(5)</u>	<u>(243,113)</u>	<u>(5)</u>
NET PROFIT FOR THE YEAR	<u>485,232</u>	<u>11</u>	<u>547,123</u>	<u>12</u>

(Continued)

# Sinmag Equipment Corporation AND SUBSIDIARIES

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

	2018		2017	
	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME (LOSS)				
(Notes 4, 19, 20 and 23)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	6,120	-	(2,471)	-
Income tax relating to items that will not be reclassified subsequently to profit or loss	(531)	-	420	-
	<u>5,589</u>	<u>-</u>	<u>(2,051)</u>	<u>-</u>
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating the financial statements of foreign operations	(21,076)	-	(20,203)	(1)
Income tax relating to items that may be reclassified subsequently to profit or loss	5,324	-	2,854	-
	<u>(15,752)</u>	<u>-</u>	<u>(17,349)</u>	<u>(1)</u>
Other comprehensive loss for the year, net of income tax	<u>(10,163)</u>	<u>-</u>	<u>(19,400)</u>	<u>(1)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 475,069</u>	<u>11</u>	<u>\$ 527,723</u>	<u>11</u>
NET PROFIT ATTRIBUTABLE TO:				
Owners of the Company	\$ 473,613	11	\$ 534,153	12
Non-controlling interests	<u>11,619</u>	<u>-</u>	<u>12,970</u>	<u>-</u>
	<u>\$ 485,232</u>	<u>11</u>	<u>\$ 547,123</u>	<u>12</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the Company	\$ 462,193	11	\$ 518,174	11
Non-controlling interests	<u>12,876</u>	<u>-</u>	<u>9,549</u>	<u>-</u>
	<u>\$ 475,069</u>	<u>11</u>	<u>\$ 527,723</u>	<u>11</u>
EARNINGS PER SHARE (Note 24)				
From continuing operations				
Basic	<u>\$ 9.43</u>		<u>\$ 11.01</u>	
Diluted	<u>\$ 9.39</u>		<u>\$ 10.96</u>	

The accompanying notes are an integral part of the consolidated financial statements.  
(With Deloitte & Touche auditors' report dated March 14, 2019)

(Concluded)

## Sinmag Equipment Corporation AND SUBSIDIARIES

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

	Equity Attributable to Owners of the Company						Other Equity Exchange Differences on Translating the Financial Statements of Foreign Operations	Total	Non-controlling Interests	Total Equity
	Share Capital	Capital Surplus	Retained Earnings			Unappropriated Earnings				
			Legal Reserve	Special Reserve						
BALANCE AT JANUARY 1, 2017	\$ 485,316	\$ 74,943	\$ 346,956	\$ 54,501	\$ 991,291	\$ (70,718)	\$ 1,882,289	\$ 53,694	\$ 1,935,983	
Appropriation of 2016 earnings (Note 20)										
Legal reserve	-	-	54,686	-	(54,686)	-	-	-	-	
Special reserve	-	-	-	16,217	(16,217)	-	-	-	-	
Cash dividends distributed by the Company	-	-	-	-	(412,519)	-	(412,519)	-	(412,519)	
Net profit for the year ended December 31, 2017	-	-	-	-	534,153	-	534,153	12,970	547,123	
Other comprehensive loss for the year ended December 31, 2017, net of income tax	-	-	-	-	(2,051)	(13,928)	(15,979)	(3,421)	(19,400)	
Total comprehensive income (loss) for the year ended December 31, 2017	-	-	-	-	532,102	(13,928)	518,174	9,549	527,723	
Cash dividends distributed by subsidiaries (Note 20)	-	-	-	-	-	-	-	(6,535)	(6,535)	
BALANCE AT DECEMBER 31, 2017	485,316	74,943	401,642	70,718	1,039,971	(84,646)	1,987,944	56,708	2,044,652	
Appropriation of 2017 earnings (Note 20)										
Legal reserve	-	-	53,415	-	(53,415)	-	-	-	-	
Special reserve	-	-	-	13,928	(13,928)	-	-	-	-	
Cash dividends distributed by the Company	-	-	-	-	(388,253)	-	(388,253)	-	(388,253)	
Share dividends distributed by the Company	16,986	-	-	-	(16,986)	-	-	-	-	
Difference between actual acquisition price and carrying amount on acquisition of interests in subsidiaries (Note 25)	-	795	-	-	-	-	795	(6,447)	(5,652)	
Net profit for the year ended December 31, 2018	-	-	-	-	473,613	-	473,613	11,619	485,232	
Other comprehensive loss for the year ended December 31, 2018, net of income tax	-	-	-	-	5,589	(17,009)	(11,420)	1,257	(10,163)	
Total comprehensive income (loss) for the year ended December 31, 2018	-	-	-	-	479,202	(17,009)	462,193	12,876	475,069	
Cash dividends distributed by subsidiaries (Note 20)	-	-	-	-	-	-	-	(7,341)	(7,341)	
BALANCE AT DECEMBER 31, 2018	\$ 502,302	\$ 75,738	\$ 455,057	\$ 84,646	\$ 1,046,591	\$ (101,655)	\$ 2,062,679	\$ 55,796	\$ 2,118,475	

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

(With Deloitte & Touche auditors' report dated March 14, 2019)

# Sinmag Equipment Corporation AND SUBSIDIARIES

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

	2018	2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	\$ 689,261	\$ 790,236
Adjustments for:		
Impairment loss recognized on trade receivables	-	12,938
Gain on reversal of expected credit loss of trade receivables	(7,084)	-
Depreciation expenses	64,965	60,111
Amortization expenses	1,563	1,613
Share of loss of associates and joint ventures	-	16,541
Amortization of prepayments for leases	1,598	769
Loss on disposal of associates	-	19,605
Write-downs of inventories	8,427	3,999
Finance costs	8,690	6,795
Interest income	(16,172)	(16,329)
Loss on disposal of property, plant and equipment	1,698	1,774
Net (gain) loss on foreign currency exchange	(4,181)	13,907
Changes in operating assets and liabilities		
Notes receivable	(4,301)	(2,874)
Trade receivables	115,514	(51,990)
Trade receivables from related parties	1,307	(1,246)
Other receivables	(1,590)	(1,142)
Inventories	19,279	(92,174)
Prepayments	12,091	(11,466)
Notes payable	(9,548)	10,091
Notes payable from related parties	80	(141)
Trade payables	(34,861)	21,041
Trade payables from related parties	(1,034)	1,547
Other payables	6,017	(21,051)
Contract liabilities - current	10,898	-
Advance receipts	(306)	(3,112)
Net defined benefit liabilities	(10,990)	(2,862)
Cash generated from operations	851,321	756,580
Interest received	16,172	16,329
Income tax paid	(230,171)	(242,461)
Net cash generated from operating activities	<u>637,322</u>	<u>530,448</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of associates	-	(16,438)
Net cash inflow on disposal of associates	25,641	-
Payments for property, plant and equipment	(149,717)	(51,908)
Proceeds from disposal of property, plant and equipment	1,096	3,960
Payments for intangible assets	(810)	(1,489)
Increase in prepayments for leases	(48,918)	(20,443)
Increase in other financial assets	-	(5,344)
Decrease in other financial assets	10,111	-

(Continued)



# Sinmag Equipment Corporation AND SUBSIDIARIES

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

	2018	2017
Increase in other non-current assets	<u>(19,360)</u>	<u>(42,432)</u>
Net cash used in investing activities	<u>(181,957)</u>	<u>(134,094)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from short-term borrowings	60,000	119,046
Repayments of short-term borrowings	(119,184)	(35,000)
Proceeds from long-term borrowings	-	39,547
Repayments of long-term borrowings	(6,013)	(1,599)
Dividends paid to owners of the Company	(388,253)	(412,519)
Interests paid	(9,334)	(6,099)
Dividends paid to non-controlling interests	(7,341)	(6,535)
Acquisition of subsidiaries	<u>(5,652)</u>	<u>-</u>
Net cash used in financing activities	<u>(475,777)</u>	<u>(303,159)</u>
<b>EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES</b>	<u>(517)</u>	<u>(20,685)</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(20,929)	72,510
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>	<u>828,127</u>	<u>755,617</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	<u>\$ 807,198</u>	<u>\$ 828,127</u>

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

(With Deloitte & Touche auditors' report dated March 14, 2019)

(Concluded)

【Attachment 4】

Sinmag Equipment Corporation

Comparison Table for the Articles of Incorporation Before and After Revision

Article No.	Articles before the amendments	Articles after the amendments	Amendment Note
Article 29	<p>If the Company has gained any profit for the year, 2% to 10% of it shall be allocated as employee bonus. The Board of Directors shall decide to distribute it by stock or cash. The employees of the subordinate companies that meet certain conditions may be granted such compensation; The Board of Directors can determine by meeting resolution to appropriate no more than 5% of the above mentioned profit as bonus to directors. Proposals for employee bonus and directors' bonus shall be reported to the shareholders' meeting. However, the Company shall reserve the amount of compensations in advance if there is cumulative deficiency before appropriating employees and directors' bonus in accordance with the aforementioned percentage.</p> <p><u>Before the establishment of the Company's audit committee, the supervisor's remuneration and the bonus to directors shall be appropriated at no more than 5% of the profit, and this article shall apply.</u></p>	<p>The company shall appropriate 2% to 10% of the net income before tax of the fiscal year as employees' compensation and no more than 5% of the bonus to director from the current pre-tax profit before the appropriation of employee bonus and directors' bonus. The employees' shares compensation will be distributed in shares or cash by the resolution of the board of directors. the employees of the subordinate companies that meet certain conditions <u>set by the Board of Directors</u> may be granted such compensation. <u>Directors compensation shall be paid in cash.</u> <u>The preceding two paragraphs shall be determined by the resolution of Board of Directors and reported to the shareholders' meeting. Where the Board of Directors has decided to reward employees in the form of shares, the same resolution may decide whether it will be made by issuing new shares or by buying off one's own shares.</u></p> <p>However, the Company shall reserve the amount of compensations in advance if there is cumulative deficiency before appropriating employees and directors bonus in accordance with the aforementioned percentage.</p>	Amendment of text specifying the definition of profit.
Article 29 (1)	<p>If there is any surplus in the Company's annual accounts, the Company shall pay taxes according to law and make up for the</p>	<p>If there is a net profit after tax in the Company's annual final accounts, they shall be first appropriated to make up for the accumulated losses</p>	Amendment of text specifying the definition of profit.

Article No.	Articles before the amendments	Articles after the amendments	Amendment Note
	<p>accumulated losses, and then 10% of the legal capital reserve shall be appropriated. However, when the legal capital reserve has reached the Company's paid-in capital, it may not be appropriated any more, and the rest may be appropriated or transferred to the special capital reserve according to the law. If there is any remaining balance and accumulated undistributed surplus, the Board of Directors shall prepare a proposal on appropriation of net income and submit it to the board of shareholders for resolution on the appropriation of dividends and bonuses to shareholders.</p> <p>The company's dividend policy is that, based on the current and future development plans, considering the investment environment, capital needs and domestic and international competition, and taking into account the interests of shareholders, etc., the annual appropriation of available surplus for dividends appropriated to shareholders shall not be less than 20%. When dividends are appropriated to shareholders, they can be paid in cash or stock, and the cash dividends shall not be less than 20% of the total dividends.</p>	<p>(including adjusting the retained surplus amount), and then appropriate 10% as legal capital reserve according to law, unless the legal capital reserve has reached the paid-up capital of the Company. Then, the Company shall set aside or reverse special reserve according to the regulations or the competent authority; the remaining surplus, together with the opening retained surplus (including adjustment of the retained surplus amount), shall be proposed by the Board of Directors with a surplus distribution proposal, and the shareholders' meeting shall propose the resolution of appropriation of the dividends of the shareholders.</p> <p>The company's dividend policy is that, based on the current and future development plans, considering the investment environment, capital needs and domestic and international competition, and taking into account the interests of shareholders, etc., the annual appropriation of available surplus for dividends appropriated to shareholders shall not be less than 20%. When dividends are appropriated to shareholders, they can be paid in cash or stock, and the cash dividends shall not be less than 20% of the total dividends.</p>	
Article 32	<p>The first amendment was made on September 15, 1983.</p> <p>.....</p> <p>The sixteenth amendment was made on June 17, 2010.</p> <p><u>The seventeenth amendment was made on June 17, 2010.</u></p>	<p>The first amendment was made on September 15, 1983.</p> <p>.....</p> <p>The sixteenth amendment was made on June 17, 2010.</p>	Amend the number of amendments to the articles of association over the years and add the

Article No.	Articles before the amendments	Articles after the amendments	Amendment Note
	<p>The <u>eighteenth</u> amendment was made on June 19, 2012.</p> <p>The <u>nineteenth</u> amendment was made on June 28, 2013.</p> <p>The <u>twentieth</u> amendment was made on June 23, 2014.</p> <p>The <u>twenty-first</u> amendment was made on June 30, 2015.</p> <p>The <u>twenty-second</u> amendment was made on June 6, 2016.</p> <p>The <u>twenty-third</u> amendment was made on June 19, 2017.</p> <p>The <u>twenty-fourth</u> amendment was made on June 13, 2018.</p>	<p>The <u>seventeenth</u> amendment was made on June 19, 2012.</p> <p>The <u>eighteenth</u> amendment was made on June 28, 2013.</p> <p>The <u>nineteenth</u> amendment was made on June 23, 2014.</p> <p>The <u>twentieth</u> amendment was made on June 30, 2015.</p> <p>The <u>twenty-first</u> amendment was made on June 6, 2016.</p> <p>The <u>twenty-second</u> amendment was made on June 19, 2017.</p> <p>The <u>twenty-third</u> amendment was made on June 13, 2018.</p> <p><u>The twenty-fourth amendment was made on June 14, 2019.</u></p>	date and number of this amendments.

【 Attachment 5 】

Sinmag Equipment Corporation

Comparison Table for the Procedures for Acquisition or Disposal of Assets Before and After  
Revision

Article No.	Articles before the amendments	Articles after the amendments	Amendment Note
Article 3	<p>Scope of Assets</p> <p>I. (Omitted)</p> <p>II. Property (including land, housing and building, investment property, <u>land use rights</u>, inventory of construction enterprise) and equipment.</p> <p>III ~ IV (Omitted)</p> <p>V. <u>Claims of financial institutions (including receivables, buying exchange discount and loans, and overdue receivables).</u></p> <p>VI. Derivative products</p> <p>VII. Assets acquired or disposed of by merger, demerger, acquisition or transfer of shares according to the law.</p> <p>VIII. Other important assets.</p>	<p>Scope of Assets</p> <p>I. (Omitted)</p> <p>II. Real estate (including land, housing and building, investment property, inventory of construction enterprise) and equipment.</p> <p>III ~ IV (Omitted)</p> <p>V. <u>Right-of-use assets.</u></p> <p>VI. Derivative products</p> <p>VII. Assets acquired or disposed of by merger, demerger, acquisition or transfer of shares according to the law.</p> <p>VIII. Other important assets.</p>	<p>The amendments are made simultaneously in accordance with the revision of the regulations of the competent authorities.</p>
Article 4	<p>Definition</p> <p>I. Derivative goods: refer to the forward contracts, option contracts, futures contracts, leverage contracts, swap contracts, <u>and the combination of the above commodities,</u> whose value are derived from <u>such commodities as assets, interest rates, exchange rates, indexes or other interests.</u> The term “forward contract” does not include insurance contracts, performance contracts, after-sales service contracts, long-term lease contracts and long-term import and sales contracts.</p>	<p>Definition</p> <p>I. Derivative goods: refer to forward contracts, option contracts, futures contracts, leverage contracts, or swap contracts whose values are derived from <u>specific interest rates, financial instrument prices, commodity prices, exchange rates, price or rate indices, credit ratings, or credit indices, or other variables. A leveraged margin contract, an exchange contract, a combination of the above-mentioned contracts, or a combined contract or structured</u></p>	<p>The amendments are made simultaneously in accordance with the revision of the regulations of the competent authorities.</p>

Article No.	Articles before the amendments	Articles after the amendments	Amendment Note
	<p>II. Assets acquired or disposed of by merger, demerger, acquisition or transfer of shares according to the law refer to assets acquired or disposed of by merger, demerger or acquisition in accordance with the merger law, financial holding company law, financial institution merger law or other laws, or transferee of the Company shares issued in accordance with the provisions of Article 156(8) of the Company Law.</p> <p>III.~VI. (Omitted)</p> <p>VII. The term “within one year” <u>refers to one year from the date of acquisition or disposal of assets, without reckoning in the announced part.</u></p> <p>VIII. The term “most recent financial statements” refers to the <u>financial statements that are publicly announced and attested by a CPA before the acquisition or disposal of assets.</u></p>	<p><u>commodity in which derivative goods are embedded.</u> The term “forward contract” does not include insurance contracts, performance contracts, after-sales service contracts, long-term lease contracts and long-term import and sales contracts.</p> <p>II. Assets acquired or disposed of by merger, demerger, acquisition or transfer of shares according to the law refer to assets acquired or disposed of by merger, demerger or acquisition in accordance with the merger law, financial holding company law, financial institution merger law or other laws, or transferee of the Company shares issued in accordance with the provisions of Article 156(3) of the Company Law.</p> <p>III.~VI. (Omitted)</p>	

Article No.	Articles before the amendments	Articles after the amendments	Amendment Note
Article 5	<p><u>Article 5</u>  <u>The company and its individual subsidiaries' investment quota for non-business real estate and marketable securities is set as follows:</u></p> <p>I. The total amount of non-operating property for business use shall not exceed 15% of the net value.</p> <p>II. The total amount of investment in securities shall not exceed 70% of the net value.</p> <p>III. The amount of investment in individual securities shall not exceed 50% of the net value.</p>	<p><u>Article 7</u>  <u>The total amount of real estate and its right-of-use assets or securities of non-operating use and the amount of individual securities obtained by the Company and its subsidiaries are as follows:</u></p> <p>I. The total amount of non-operating property for business use <u>and right-of-use asset</u> shall not exceed 15% of the net value.</p> <p>II. The total amount of investment in securities shall not exceed 70% of the net value.</p> <p>III. The amount of investment in individual securities shall not exceed 50% of the net value.</p>	The amendments are made simultaneously in accordance with the revision of the regulations of the competent authorities.
Article 6	<p><u>Article 6</u>  The professional appraiser and appraisal personnel, independent auditor, lawyer or the securities underwriter who provides the appraisal report for opinions of the Company shall <u>not be the company's related party.</u></p>	<p><u>Article 5</u>  The professional appraiser and appraisal personnel, independent auditor, lawyer or the securities underwriter who provides the appraisal report or opinions for the Company shall <u>meet the following requirements:</u></p> <p>I. <u>Not being sentenced to fixed-term imprisonment of more than one year because of violating this Law, Company Law, Banking Law, Insurance Law, Financial Holding Company Law or Commercial Accounting Law, or committing the crime of fraud, breach of trust, embezzlement, forgery of documents or other business crime. However, those whose execution is completed, probation period has expired or the pardon has been completed for three years are excluded.</u></p> <p>II. <u>The transaction party shall not</u></p>	The amendments are made simultaneously in accordance with the revision of the regulations of the competent authorities.

Article No.	Articles before the amendments	Articles after the amendments	Amendment Note
		<p><u>be a related party or a substantial related party.</u></p> <p><u>III. If the Company need to obtain appraisal reports from two or more professional appraisers, the different professional appraisers or appraisal personnel shall not be related parties to each other or have substantial relationship with each other.</u></p> <p><u>When issuing the appraisal report or opinion, the personnel in the preceding paragraph shall follow the following procedures:</u></p> <p><u>I. They shall carefully assess their professional capabilities, practical experience and independence before accepting cases.</u></p> <p><u>II. When auditing the cases, appropriate operational procedures shall be planned and implemented to form the conclusion and issue a report or advice; and complete the procedures, data collected and conclusion. The detailed procedures for the implementation of the work, data collected and conclusion shall be recorded in the case working papers.</u></p> <p><u>III. The completeness, correctness and reasonableness of the data sources, parameters and information used shall be assessed one by one as the basis for issuing appraisal reports or opinions.</u></p> <p><u>IV. IV. Matters to be declared shall include the professionalism and</u></p>	



Article No.	Articles before the amendments	Articles after the amendments	Amendment Note
		<u>independence of relevant personnel, the reasonableness and correctness of the information used and the compliance with relevant laws and regulations.</u>	
<u>Article 6-1</u>	<p><u>Article 6-1</u></p> <p>If a director expresses an objection to the procedures of acquisition or disposal of assets or other legal requirements that should be approved by the Board of Directors, and has a record or written statement, the Company shall also send the director's objection information to the audit committee.</p> <p>When the acquisition or disposal of assets are submitted to the Board of Directors for discussion in accordance with the preceding paragraph, the Company shall take into full consideration each independent director's opinions. If an independent director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the Board of Directors' meeting.</p> <p>The company's major assets or derivative commodity transactions shall be approved by more than half of all members of the Audit Committee and shall be submitted to the Board of Directors for resolution. If there is no consent of more than half of the members of the Committee, it shall obtain the consent of more than two-thirds of the directors.</p>	<p><u>Article 8</u></p> <p>If a director expresses an objection to the procedures of acquisition or disposal of assets or other legal requirements that should be approved by the Board of Directors, and has a record or written statement, the Company should also send the director's objection information to the audit committee.</p> <p>When the acquisition or disposal of assets are submitted to the Board of Directors for discussion in accordance with the preceding paragraph, the Company shall take into full consideration each independent director's opinions. If an independent director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the Board of Directors' meeting.</p> <p>The company's major assets or derivative commodity transactions shall be approved by more than half of all members of the Audit Committee and shall be submitted to the Board of Directors for resolution. If there is no consent of more than half of the members of the Committee, it shall obtain the consent of more than two-thirds of the directors, <u>and the resolutions of the audit committee shall be stated in the proceedings of the Board of Directors.</u> The terms "all Audit</p>	The amendments are made simultaneously in accordance with the revision of the regulations of the competent authorities.

Article No.	Articles before the amendments	Articles after the amendments	Amendment Note
		<u>Committee members” and “all directors” stated herein shall be actual incumbents.</u>	
Article 6-2	Article 6-2 If the Company acquires or disposes of assets through the court auction process, the appraisal report or accountant’s opinion shall be replaced by the certification documents issued by the court.	Article 13 If the Company acquires or disposes of assets through the court auction process, the appraisal report or accountant’s opinion shall be replaced by the certification documents issued by the court.	Some text and article No. are amended
Article 6-3	Article 6-3 The company shall not waive its capital contribution to the Lucky Union Limited in the future years; Lucky Union Limited shall not waive its capital contribution to Sinmag Limited in the future years; Sinmag Limited shall not waive its capital contribution to Sinmag Bakery Equipment Sdn. Bhd. (Malaysia), Sinmag Equipment ( <u>Wuxi</u> ) Co., Ltd., Wuxi New Order Control Co., Ltd., <u>and Lipang Mixing Equipment (Wuxi) Co., Ltd.</u>	Article 6 The company shall not waive its capital contribution to the Lucky Union Limited in the future years; Lucky Union Limited shall not waive its capital contribution to Sinmag Limited in the future years; Sinmag Limited shall not waive its capital contribution to Sinmag Bakery Equipment Sdn. Bhd. (Malaysia), Sinmag Equipment ( <u>China</u> ) Co., Ltd., and Wuxi New Order Control Co., Ltd.	Article amendment and amendment of subsidiary name.
Article 7	Article 7 Procedures for Acquisition or Disposal of Real Property <u>or</u> Equipment I. Appraisal and operating procedures The company’s acquisition or disposal of real property <u>and</u> equipment shall be conducted in accordance with the Company’s internal control system and the <u>fixed assets</u> processing procedures. II. Procedures for determining trading conditions and authorization limits (I) In acquiring or disposing of	Article 9 Procedures for acquisition or disposal of property, equipment <u>or its right-of-use asset</u> I. Appraisal and operating procedures The company’s acquisition or disposal of real property, equipment, <u>or its right-of-use asset</u> shall be conducted in accordance with the Company’s internal control system, the <u>property, plant and equipment</u> processing procedures. II. Procedures for determining trading conditions and authorized amounts. (I) In acquiring or disposing of	The amendments are made simultaneously in accordance with the revision of the regulations of the competent authorities.

Article No.	Articles before the amendments	Articles after the amendments	Amendment Note
	<p>assets, the Company shall take publicly-announced current value, appraisal value, and real transaction price of nearby real estate into consideration for the transaction criteria and price. The above information shall be compiled into an analysis report and submitted to the chairman. For transaction whose amount is no more than NT\$ 20 million, the transaction shall be submitted to the chairman for approval and reported and recorded in the most recent Board of Directors' meeting on an after-event basis. For those exceeding NT\$ 20 million, the transaction shall be approved by both the audit committee and the board of director.</p> <p>(II) Acquisition or disposal of equipment shall be made by inquiry, price comparison, price bargaining or bidding. If the amount is less than NT\$ 10 million (inclusive), the amount of the acquisition or disposal shall be approved by the general manager; if the amount is between NT\$ 10 and NT\$ 30 million (inclusive), it shall be submitted to the chairman for approval and reported and recorded in the most recent Board of</p>	<p>assets, the Company shall take publicly-announced current value, appraisal value, and real transaction price of nearby real estate into consideration for the transaction criteria and price. The above information shall be compiled into an analysis report and submitted to the chairman. For transaction whose amount is no more than NT\$ 20 million (inclusive), the transaction shall be submitted to the chairman for approval and reported and recorded in the most recent Board of Directors' Meeting on an after-event basis. For those exceeding NT\$ 20 million, the transaction shall be approved by both the audit committee and the Board of Directors.</p> <p>(II) Acquisition or disposal of equipment <u>or its right-of-use asset</u> shall be made by inquiry, price comparison, price bargaining or bidding. If the amount is less than NT\$10 million (inclusive), the amount of the acquisition or disposal shall be approved by the general manager; if the amount is between NT\$10 and NT\$ 30 million (inclusive), it shall be submitted to the chairman for approval and reported and recorded in the</p>	

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	<p>Directors' meeting on an after-event basis. For those exceeding NT\$ 30 million, the transaction shall be approved by both the audit committee and the Board of Directors.</p> <p>III. Execution Unit The acquisition or disposal of real property, equipment or right-of-use assets shall be submitted for approval pursuant to the preceding paragraph, and then executed by the use department, the procurement department and the relevant authority and responsibility department.</p> <p>IV. Appraisal Report on Real Property or Equipment For the company's acquisition or disposal of real estate or equipment, excluding transactions with government agencies, construction of local land, construction of land leases, or acquisition or disposal of equipment for business use, if the transaction amount reaches 20% of the Company's paid-in capital or more than NT\$ 300 million, the appraisal report issued by the professional appraiser shall be obtained before the date of the fact, and the following procedures shall be followed:</p> <p>(I) When a fixed price, a specific price or a special</p>	<p>most recent Board of Directors' meeting on an after-event basis. For those exceeding NT\$ 30 million, the transaction shall be approved by both the audit committee and the Board of Directors.</p> <p>III. Execution Unit The acquisition or disposal of real property, <u>equipment or right-of-use assets</u> shall be submitted for approval pursuant to the preceding paragraph, and then be executed by the use department, the procurement department and the relevant authority and responsibility department.</p> <p>IV. Appraisal Report on Real Estate, Equipment <u>or its Right-of-Use Asset</u> For the Company's acquisition or disposal of real estate or equipment, excluding transactions with domestic government agencies, construction of local land, construction of land leases, or acquisition or disposal of equipment for business use, if the transaction amount reaches 20% of the Company's paid-in capital or more than NT\$300 million, the appraisal report issued by the professional appraiser shall be obtained before the date of the fact, and the following procedures shall be followed:</p> <p>(I) When a fixed price, a specific price or a special</p>	

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	<p>price is required as the basis of reference for the transaction price for special reasons, the transaction shall be first approved by the audit committee and approved by the Board of Directors. If there is any change in the future trading conditions, the said transaction shall be handled in accordance with the above-mentioned procedures.</p> <p>(II)~(IV) (Omitted)</p> <p>(V) <u>The calculation of the above mentioned transaction amount shall be conducted according to Article 14 paragraph 1, Subparagraph 5, and the term “within one year” refers to one year from the date of acquisition or disposal of assets, without reckoning in the announced part.</u></p>	<p>price is required as the basis of reference for the transaction price for special reasons, the transaction shall be first approved by the audit committee and approved by the Board of Directors. If there is any change in the future trading conditions, the said transaction shall be handled in accordance with the above-mentioned procedures.</p> <p>(II)~(IV) (Omitted)</p>	
Article 8	<p><u>Article 8</u></p> <p>I.~III. (Omitted)</p> <p>IV. Acquisition of expert opinions For the Company’s acquisition or disposal of marketable securities, it shall take the latest financial statements of the underlying company which have been checked by CPC before the facts occur as a reference for evaluating the transaction price. If the transaction amount reaches 20% of the Company’s paid-in capital or more than NT\$300 million, it shall consult the</p>	<p><u>Article 10</u></p> <p>I.~III. (Omitted)</p> <p>IV. Acquisition of expert opinions For the Company’s acquisition or disposal of marketable securities, it shall take the latest financial statements of the underlying company which have been checked by CPC before the facts occur as a reference for evaluating the transaction price. If the transaction amount reaches 20% of the Company’s paid-in capital or more than NT\$300 million, it shall consult</p>	<p>The amendments are made simultaneously in accordance with the revision of the regulations of the competent authorities.</p>

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	<p>accountant before the facts occur to express its views on the reasonableness of the transaction price. If an accountant needs to use an expert reporter, it should be handled in accordance with the stipulations No. 20 of the Auditing Standards Bulletin issued by the Republic of China Accounting Research and Development Foundation. However, this restriction does not apply to any marketable securities with quoted prices in an active market or as otherwise provided by the Financial Supervisory Commission.</p> <p><u>The calculation of the amount of transactions above shall be conducted in accordance with Article 14-1(5), and the term “within one year” refers to one year from the date of acquisition or disposal of assets, without reckoning in the announced part.</u></p>	<p>the accountant before the facts occur to express its views on the reasonableness of the transaction price. If an accountant needs to use an expert reporter, it should be handled in accordance with the stipulations No. 20 of the Auditing Standards Bulletin issued by the Republic of China Accounting Research and Development Foundation. However, this restriction does not apply to any marketable securities with quoted prices in an active market or as otherwise provided by the Financial Supervisory Commission.</p>	
Article 9	<p><u>Article 9</u> Procedures for Acquisition or Disposal of <u>Memberships or Intangible Assets</u></p> <p>I. Appraisal and operating procedures The Company’s acquisition or disposal of <u>memberships or intangible assets</u> shall be conducted in accordance with the Company’s internal control system and <u>the fixed assets processing procedures</u>.</p> <p>II. Procedures for determining trading conditions and</p>	<p><u>Article 11</u> Procedures for acquisition or disposal of intangible assets <u>or the right-of-use assets or the memberships</u> .</p> <p>I. Evaluation and operating procedures The company’s acquisition or disposal of intangible assets <u>or its right-of-use asset or memberships</u> shall be conducted in accordance with the Company’s internal control system and <u>the property, plant and equipment procedure</u>.</p> <p>II. Procedures for determining trading conditions and</p>	The amendments are made simultaneously in accordance with the revision of the regulations of the competent authorities.

Article No.	Articles before the amendments	Articles after the amendments	Amendment Note
	<p>authorization limits</p> <p>(I) (Omitted)</p> <p>(II) In acquiring or disposing of intangible assets, the Company shall refer expert appraisal report, fair market value, make resolution of trading conditions and transaction price, and compile them into an analysis report and submit them to the chairman. For transaction whose amount is no more than 10% of the Company's paid-in capital or NT\$ 20 million, the transaction shall be submitted to the Chairman for approval and reported and recorded in the most recent Board of Director meeting on an after-event basis. For those exceeding NT\$ 20 million, the transaction shall be approved by both Audit Committee and the Board of Directors.</p> <p>III. Execution Unit The Company's acquisition or disposal of membership or intangible assets shall be executed by the user department and relevant authorities and responsible departments after the approval according to the aforementioned jurisdiction.</p> <p>IV. Appraisal Report of <u>Membership Card or Intangible Asset</u></p>	<p>authorization limits</p> <p>(I) (Omitted)</p> <p>(II) In acquiring or disposing of intangible assets <u>or their right-of-use asset</u>, the Company shall refer to expert appraisal report and fair market value, make resolution of trading conditions and transaction price, and compile them into an analysis report and submit them to the chairman. For transaction whose amount is no more than 10% of the Company's paid-in capital or NT\$ 20 million (inclusive), the transaction shall be submitted to the chairman for approval and reported and recorded in the most recent Board of Directors' Meeting on an after-event basis. For those exceeding NT\$ 20 million, the transaction shall be approved by both the Audit Committee and the Board of Directors.</p> <p>III. Execution Unit The company's acquisition or disposal of membership, intangible assets <u>or right-of-use assets</u> shall be executed by the user department and relevant authorities and responsible departments after the approval according to the aforementioned jurisdiction.</p> <p>IV. <u>Intangible assets or their right-of-use assets or memberships'</u></p>	

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	<p>Except for transactions with government institutions, transaction amounts that reach 20% of the Company's paid-in capital or NT\$ 300 million or more shall require an accountant's opinion on the reasonableness of the transaction prices before the date of the actual event. The accountant shall comply with Rule No. 20 of the International Financial Reporting Standards announced by the ARDF.</p> <p>V. <u>The calculation of the amount of transactions above shall be conducted in accordance with Article 14-1(5), and the term "within one year" refers to one year from the date of acquisition or disposal of assets, without reckoning in the announced part.</u></p>	<p>expert appraisal report</p> <p>Except for transactions with government institutions, the transactions, whose amounts reach 20% of the Company's paid-in capital or NT\$ 300 million or more, shall require an accountant's opinion on the reasonableness of the transaction prices before the date of the actual event. The accountant shall comply with Rule No. 20 of the International Financial Reporting Standards announced by the ARDF.</p>	
Article 10	<p><u>Article 10</u>  <u>Procedures for related party transaction</u></p> <p>I. In acquiring or disposing of assets, the Company and its related parties shall, in addition to handling relevant resolution procedures and assessing the reasonableness of the transaction conditions in accordance with the provisions of <u>article 7, article 8 and article 9</u>, obtain the appraisal report or CPA's opinion from the professional appraisers if the transaction amount reaches 10% or more of the Company's total assets. The transaction amount shall be calculated in accordance with <u>the following methods</u>:</p> <p>1. <u>The amount of each</u></p>	<p><u>Article 14</u></p> <p>When acquiring or disposing of assets, in addition to dealing with relevant procedures for resolutions and evaluating the reasonableness of the transaction conditions as stipulated in <u>Article 10, Article 11, Article 12, Article 13, Article 14, Article 15, Article 16, Article 17 and Article 18</u> of this Standards, the Company and its related parties shall also obtain the appraisal report or CPA's opinion issued by the professional appraiser according to the regulations when the transaction amount reaches more than 10% of the Company's total assets. The transaction amounts shall be</p>	The amendments are made simultaneously in accordance with the revision of the regulations of the competent authorities.



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	<p><u>transaction.</u></p> <p>2. <u>The cumulative transaction amount of acquisitions and disposals of the same type of underlying asset with the same counterparty within one year.</u></p> <p>3. <u>The cumulative transaction amount of real property acquisitions and disposals (cumulative acquisitions and disposals, respectively) within the same development project within one year.</u></p> <p>4. <u>The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of the same security within one year.</u></p> <p><u>The term “within one year” refers to one year before the date of occurrence of the current transaction.</u></p> <p><u>The period when an appraisal report or CPA’s opinion is obtained from professional appraisers according to the procedures shall not be reckoned in.</u></p> <p><u>In addition, when judging whether the transaction object is a related party, the substantive relationship should be considered in addition to paying attention to its legal form.</u></p> <p><u>Added Article</u></p> <p><u>II. Appraisal and operating procedures</u></p> <p><u>When the Company acquires or disposes of real property from a related party, or acquires or disposes of other assets except the real property with the related</u></p>	<p>conducted in accordance with <u>Article 31 (2).</u></p> <p><u>In addition, when judging whether the transaction object is a related party, the substantive relationship should be considered in addition to paying attention to its legal form.</u></p> <p><u>Article 15</u></p> <p><u>When the Company intends to acquire or dispose of real property or right-of-use assets thereof from or to a related party, or when it intends to acquire or dispose of assets other</u></p>	

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	<p>party, if the transaction amount reaches 20% of the Company's paid-in capital and 10% of the total assets or NT\$ 300 million, except the sale and purchase of government bond, bonds with redemption and back-selling conditions, purchase or redemption of money market funds issued by domestic securities investment trusts, the following data shall be submitted to the Audit Committee and consented by more than half of Audit Committee members, and then submitted to the Board of Directors for resolution . If there is no consent of more than half of all members of the Audit Committee, it shall obtain the consent of more than two-thirds of all Directors before signing the transaction contract and making payment, and the resolution of the Audit Committee shall be stated in the minutes of the Board of Directors' Meeting.</p> <p>The terms "all Audit Committee members" and "all Directors" as stated herein shall be counted as the actual number of persons currently holding those positions.</p> <p><u>(I)</u> The purpose, necessity and anticipated benefits of acquisition or disposal of assets.</p> <p><u>(II)</u> The reason for choosing a related party as a transaction object.</p>	<p>than real property <u>or right-of-use assets</u> thereof from or to a related party and the transaction amount reaches 20% or more of paid-in capital, 10 % or more of the Company's total assets, or NT\$300 million or more, except in trading of <u>domestic</u> government bonds or bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises, the following information and materials shall be submitted to the audit committee and Board of Directors for approval before the contract is signed or payments made. If there is no consent of more than half of all members of the Audit Committee, it shall obtain the consent of more than two-thirds of all Directors before signing the transaction contract and making payment, and the resolution of the Audit Committee shall be stated in the minutes of the Board of Directors' Meeting.</p> <p>The terms "all Audit Committee members" and "all Directors" as stated herein shall be counted as the actual number of persons currently holding those positions.</p> <p><u>I.</u> The purpose, necessity and anticipated benefits of the acquisition or disposal of assets.</p> <p><u>II.</u> The reason for choosing a related party as a transaction object.</p>	

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	<p><u>(III)</u> When acquiring real property from related parties, relevant information for assessing the reasonableness of the predetermined transaction conditions shall be in accordance with <u>paragraph 3 of this article.</u></p> <p><u>(IV)~(V)</u> (omitted)</p> <p><u>(VI)</u> An appraisal report issued by the professional appraiser obtained in accordance with the provisions of <u>the first paragraph of this article</u>, or the opinion of the CPA.</p> <p><u>(VII)</u> (Omitted)</p> <p>The calculation of the amount of transactions mentioned in the preceding paragraph shall be conducted in accordance with <u>paragraph 1 of this article</u>. The term “within one year” as used in the preceding paragraph shall be calculated as a basis for the year preceding the date of occurrence of the current transaction. The part of transaction submitted to the audit committee and approved by the Board of Directors in accordance with the provisions of this Procedure shall not be reckoned in.</p> <p>In the case of <u>obtaining or disposing of equipment for business use between the Company and its parent company or its subsidiaries</u>, the Board of Directors shall authorize the Chairman to make</p>	<p><u>III.</u> The relevant materials for appraising the reasonableness of the predetermined transaction conditions in accordance with <u>Articles 16 and 17</u> when acquiring the real estate <u>or its right to use assets</u> from the related parties.</p> <p><u>IV.~V.</u> (Omitted)</p> <p><u>VI.</u> Appraisal report from professional appraisers or CPA’s opinion obtained pursuant to <u>Article 14.</u></p> <p><u>VII.</u> (Omitted)</p> <p>The calculation of the amount of transactions mentioned in the preceding paragraph shall be conducted in accordance with <u>Article 31(2)</u>, and the term “within the preceding year” as used in the preceding paragraph shall be calculated as a basis for the year preceding the date of occurrence of the current transaction. The part of transaction submitted to the audit committee and approved by the Board of Directors in accordance with the provisions of this Procedure shall not be reckoned in.</p> <p>When <u>the Company and its subsidiaries or their subsidiaries that directly or indirectly hold 100% of the issued shares or total capital are engaged in the acquisition or disposal of equipment for use in business or their right-of-use assets or real estate</u></p>	

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	<p>a decision in the amount between NT\$ 10 million and NT\$ 30 million, and then reported to the most recent Board of Directors for subsequent ratification.</p> <p>When a matter is reported to the Board of Directors, the opinions of each Independent Director shall be taken into full consideration. If an Independent Director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the Board of Directors' Meeting.</p>	<p><u>use rights assets</u>, the Board of Directors shall authorize the chairman to make the decision first in the amount between NT\$10 million and NT\$30 million, and then submitted to the most recent <u>audit committee</u> and Board of Directors for ratification.</p> <p>When a matter is reported to the Board of Directors, the opinions of each Independent Director shall be taken into full consideration. If an Independent Director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the Board of Directors' Meeting.</p> <p><u>Matters subject to the approval of the audit committee shall be approved by more than one-half of all members of the audit committee and shall be submitted to the Board of Directors for resolution. If there is no consent of more than one-half of all members of the audit committee, it shall obtain the consents of more than two-thirds of all directors before execution. The resolution of the audit committee shall be recorded in the minutes of the Board of Directors' meeting. The terms "all Audit Committee members" and "all directors" as stated herein shall be counted as the actual number of persons currently holding those positions.</u></p>	
	<p><u>Added Article</u></p> <p><u>III. Assessment of the reasonableness of transaction costs</u></p> <p>(I) The company shall evaluate the reasonableness of transaction costs to</p>	<p><u>Article 16</u></p> <p>When the Company acquires real estate <u>or its right-of-use</u> assets from related parties, the reasonableness of</p>	

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	<p>related parties in acquiring real property from a related party:</p> <p>I-II. (omitted)</p> <p>(II) In the case of the combined purchase of land and premises of the same subject matter, the transaction costs shall be assessed in accordance with any of the methods listed in the preceding paragraph.</p> <p>(III) Where the Company acquires real property from a related party, the Company shall appraise the cost of real property according to <u>III (I) and (II)</u> of this Article and shall entrust a CPA to review the appraisal and render specific opinions.</p> <p>(IV) Where the Company acquires real property from a related party, the Company shall operate in accordance with <u>the relevant appraisal and operating procedures of provision II of this Article</u>, other than the appraisal provisions of <u>III (I), (II) and (III)</u> of this article on the reasonableness of the transaction costs:</p> <p><u>1.</u> Related parties' acquisition of real estate by inheritance or bestowal</p> <p><u>2.</u> More than five years will have elapsed from</p>	<p>transaction costs should be assessed as follows:</p> <p><u>1~2</u> (Omitted)</p> <p>Where the same land and housing are purchased <u>or leased</u> jointly under as same subject matter, the transaction costs shall be assessed in accordance with any of the methods listed in the preceding paragraph.</p> <p>When the Company acquires real estate <u>or its right-of-use assets</u> from its related parties, it shall assess the cost of the real property <u>or its right-of-use assets</u> in accordance with <u>the preceding two provisions</u>, and shall also entrust an accountant to perform the review and render specific opinions.</p> <p>When the Company acquires real estate <u>or its right to use assets</u> from related parties, it shall be handled in accordance with the provisions of the preceding article if one of the following circumstances occurs. <u>The first three provisions</u> shall not apply:</p> <p><u>I.</u> The related party acquires real property <u>or right-of-use asset</u> from inheritance or as a gift.</p> <p><u>II.</u> More than 5 years will have elapsed from the time the</p>	

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	<p>the time the Related Party signed the contract to obtain the real property to the signing date for the current transaction.</p> <p><u>3.</u> The real property is acquired through signing of a joint development contract with the Related Party, or through engaging a Related Party to build real property, either on the Company's own land or on leased land.</p> <p><u>Added Article</u></p> <p>(V) In the Company's acquisition of real property from a related party, if the appraisal results conducted both in accordance with <u>III (I) and (II) of this Article</u> are lower than the transaction price, it shall be conducted in accordance with <u>III (VI) and (VII) of this Article</u>. However, this restriction does not apply to the following circumstances where objective evidence is raised and the specific opinions of real estate appraisers and CPAs on the reasonability are obtained:</p> <p><u>1.</u> Where the related party</p>	<p>related party signed the contract to obtain the real property <u>or right-of-use assets</u> thereof to the signing date for the current transaction.</p> <p><u>III.</u> The real property is acquired through signing of a joint development contract with the Related Party, or through engaging a Related Party to build real property, either on the Company's own land or on leased land.</p> <p><u>IV.</u> <u>The company acquires the right-of-use asset for use in the business from its subsidiaries, or subsidiaries it directly or indirectly holds 100% of the total issued shares or capital.</u></p> <p><u>Article 17</u></p> <p>When the results of the appraisal conducted by the Company in accordance with <u>the preceding item 1 and 2</u> are lower than the transactions price, It shall perform in accordance with <u>article 18</u>: However, this restriction does not apply to the following circumstances where objective evidence are raised and the specific opinions of real estate appraisers and CPAs on the reasonability are obtained:</p> <p><u>I.</u> Where the related party acquires</p>	

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	<p>is someone who acquired undeveloped land or leased land, it may submit a proof of compliance with one of the following conditions:</p> <p><u>(1)</u> The undeveloped land shall be appraised according to the method prescribed in the preceding article, and the appraisal of the house is based on the construction cost of the related parties plus the reasonable construction profit, which is more than the actual transaction price. The term “reasonable construction profit” shall be based on the average gross operating profit margin of the related party’s construction department for the recent three years or the gross profit margin of the construction industry in the most recent period announced by the Ministry of Finance, whichever</p>	<p>undeveloped land or leased land, it shall submit a proof of compliance with one of the following conditions:</p> <p><u>(I)</u> The undeveloped land shall be appraised according to the method prescribed in the preceding article, and the appraisal of the house is based on the construction cost of the related parties plus the reasonable construction profit, which is more than the actual transaction price. The term “reasonable construction profit” shall be based on the average gross operating profit margin of the related party’s construction department for the recent three years or the gross profit margin of the construction industry in the most recent period announced by the Ministry of Finance, whichever is lower.</p>	

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	<p>is lower.</p> <p>(2) There is case transaction of other floors of the same subject building or in neighboring areas within one year, provided that the area and condition are equivalent according to the reasonable appraisal of real estate.</p> <p>(3) <u>In the case of other non-related lease cases within one year on other floors of the same property, the transaction terms are estimated to be equivalent based on reasonable floor price differences in accordance with the practice of real estate lease.</u></p> <p>2. The company provides evidences to prove that the transaction conditions of the real estate purchased from the related parties are the same as the transaction cases of other non-related parties in the neighboring areas within one year and the area is similar.</p> <p>Completed transactions</p>	<p>(II) There is case transaction of other floors of the same subject-matter building or in neighboring areas within one year, provide that the area and condition are equivalent according to the reasonable appraisal of real estate.</p> <p>II. Where the Company acquiring real property or obtaining real property <u>right-of-use assets</u> through leasing or from a related party provides evidence that the terms of the transaction are similar to the terms of completed transactions involving neighboring or closely valued parcels of land of a similar size by unrelated parties within the preceding year.</p> <p>Completed transactions</p>	



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	<p>involving neighboring or closely valued parcels of land in the preceding paragraph in principle refers to parcels on the same or an adjacent block and within a distance of no more than 500 meters or parcels close in publicly announced current value; transactions involving similarly sized parcels in principle refers to transactions completed by unrelated parties for parcels with a land area of no less than 50% of the property in the planned transaction; within the preceding year refers to the year preceding the date of occurrence of the acquisition of the real property or obtainment of the right-of-use assets thereof.</p> <p><u>Added Article</u></p> <p><u>(VI)</u> When the Company acquire real property from the related party, if the appraisal result is lower than the transaction price according to <u>provision III (I) to (V) of this article</u>, the following matters shall be dealt with.</p> <p><u>1.</u> The company shall appropriate a special capital reserve in</p>	<p>involving neighboring or closely valued parcels of land in the preceding paragraph in principle refers to parcels on the same or an adjacent block and within a distance of no more than 500 meters or parcels close in publicly announced current value; transactions involving similarly sized parcels in principle refers to transactions completed by unrelated parties for parcels with a land area of no less than 50% of the property in the planned transaction; within the preceding year refers to the year preceding the date of occurrence of the acquisition of the real property or obtainment of <u>the right-of-use assets</u> thereof.</p> <p><u>Article 18</u></p> <p>When the Company acquires real property <u>right-of-use assets</u> from a related party or its right-of-use asset, the Company shall carry out the following matters if the appraisal results in the <u>preceding two articles</u> are lower than the transaction price.</p> <p><u>I.</u> A special reserve shall be set aside in accordance with Article 41-1 of the Securities and</p>	

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	<p>accordance with Article 41(1) of the Securities and Exchange Act for the difference between the transaction price and the appraised cost, and shall not be distributed or used for capital increase. For the Company's investment in the equity method, the Company shall set aside special reserve in proportion to the amount set aside for the said amount in accordance with Article 41(I) of the Securities and Exchange Act.</p> <p>2. The audit committee shall comply with Article 218 of the Company Act.</p> <p>3. The handling of the Company's <u>items 1 and 2</u> shall be reported to the Shareholders' Meeting and the details of the transaction shall be disclosed in the annual report and the prospectus.</p> <p>When the Company appropriates a special surplus reserve by the foregoing provisions, the assets purchased at a high price shall be recognized as a loss or</p>	<p>Exchange Act against the difference between the real estate or <u>right-of-use assets</u> transaction price and the appraised cost, and may not be distributed or used for capital increase. For the Company's investment in the equity method, the Company shall set aside special reserve in proportion to the amount set aside for the said amount in accordance with Article 41(I) of the Securities and Exchange Act.</p> <p>II. The Audit Committee shall comply with Article 218 of the Company Act.</p> <p>III. The handling of the handling of the <u>preceding two subparagraphs</u> shall be reported to the shareholders' meeting and the details of the transaction shall be disclosed in the annual report and the prospectus.</p> <p>When the Company appropriates a special surplus reserve by the foregoing provisions, the assets purchased <u>or leased</u> at a high price shall be recognized as a loss or disposition or appropriate compensation or reinstatement, or</p>	

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	<p>disposition or appropriate compensation or reinstatement, or have other evidence proving reasonableness, and approved by the Financial Supervision and Administration Commission before the special surplus reserve is used.</p> <p>(VII) The company shall also comply with <u>III (VI) of this article</u> if there is other evidence indicating that the acquisition of real property from a related party was not an arm's length transaction.</p>	<p>have no other evidence proving irrationality and be approved by the Financial Supervision and Administration Commission before the special surplus reserve is used.</p> <p>The company shall obtain real property or <u>right-of-use assets</u> from a related party. If there is other evidence indicating that the transaction is not a business irregular regular, the Company shall also comply with the preceding two paragraphs.</p>	
	<u>Added new articles</u>	<p><u>Article 12</u></p> <p><u>The calculation of the transaction amount of the first three transactions shall be carried out in accordance with Article 31(2), and the term “within the preceding year” as used in the preceding paragraph shall be calculated as a basis for the year preceding the date of occurrence of the current transaction. The part of transaction submitted to the audit committee and approved by the Board of Directors in accordance with the provisions of this Procedure shall not be reckoned in.</u></p>	Article amendment .

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Article 11	<p><u>Article 11</u>  <u>Procedures for Acquisition or Disposal of Claims of Financial Institutions</u>  <u>In principle, the Company does not engage in the transaction of acquiring or disposing of the creditor's rights of financial institutions. If it later intends to engage in the transaction of acquiring or disposing of the creditor's rights of financial institutions, it shall be subject to the approval of the audit committee and the approval of the Board of Directors before formulating its evaluation and operational procedures.</u></p>	<u>Deleted.</u>	The provisions of this article are deleted from the Company's practice.
Article 12	<p><u>Article 12</u>  <u>Procedures for Acquisition or Disposal of Derivative Products</u>  <u>I. Principles and Policies</u>  <u>(I) Transaction type</u>  <u>1. The derivative financial products engaged by the Company refer to transaction contracts whose value is derived from commodities such as assets, interest rates, exchange rates, indices or other interests (for example, forward contracts, options, futures, interest rates or exchange rates, exchanges, and a combination contract of the above products, etc.).</u>  <u>2. Matters related to bond guarantee transactions shall be handled in accordance with the</u></p>	<p><u>Article 19</u>  <u>Principles and Guidelines for Transaction of Derivative products</u></p>	The amendments are made simultaneously in accordance with the revision of the regulations of the competent authorities.

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	<p><u>relevant provisions of the Procedures. The bond transactions with repurchase conditions are not applicable to the procedures.</u></p> <p><u>(II) Operation (Hedging) Strategies</u>  The derivative financial products traded by the Company shall be for the purpose of hedging, and the traded goods shall be selected to avoid the risks arising from the business operations of the Company. The currency held shall be consistent with the foreign currency demand of the Company's actual import and export transactions, and based on the principle that the Company's overall internal positions (only foreign currency income and expenses) are squared off to reduce the Company's overall foreign exchange risk and foreign exchange operating costs. Transactions for other specific purposes shall be made only after careful evaluation, approval of the audit committee and approval of the Board of Directors.</p> <p><u>(III) Powers and responsibilities</u>  1. Finance Department  <u>(1) Traders</u>  A. Responsible for the formulation of the</p>	<p><u>I. Operation (Hedging) Strategies</u>  The derivative financial products traded by the Company shall be for the purpose of hedging, and the traded goods shall be selected to avoid the risks arising from the business operations of the Company. The currency held shall be consistent with the foreign currency demand of the Company's actual import and export transactions, and based on the principle that the Company's overall internal positions (only foreign currency income and expenses) are squared off to reduce the Company's overall foreign exchange risk and foreign exchange operating costs. Transactions for other specific purposes shall be made only after careful evaluation, approval of the audit committee and approval of the Board of Directors.</p> <p><u>II. Powers and responsibilities</u>  1. Finance Department  <u>1. Traders</u>  A. Responsible for the formulation of the</p>	

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	<p>Company's financial product transactions.</p> <p>B. Traders shall regularly calculate positions, collect market information, make trend judgment and risk assessment, and formulate operational strategies which can be basis for transactions after approval.</p> <p>C. The transaction shall be executed in accordance with the authorization authority and the established strategy.</p> <p>D. If there is a major change in the financial market and the trading staff judges that the established strategy is not applicable, the appraisal report shall be submitted at any time, and the strategy will be re-formulated and approved by the general manager as the basis for trading.</p> <p><u>(2)</u> Accountant</p> <p>A. Confirmation of transaction execution.</p>	<p>Company's financial product transactions.</p> <p>B. Traders shall regularly calculate positions, collect market information, make trend judgment and risk assessment, and formulate operational strategies which can be basis for transactions after approval.</p> <p>C. The transaction shall be executed in accordance with the authorization authority and the established strategy.</p> <p>D. If there is a major change in the financial market and the trading staff judges that the established strategy is not applicable, the appraisal report shall be submitted at any time, and the strategy will be re-formulated and approved by the general manager as the basis for trading.</p> <p><u>2.</u> Accountants</p> <p>A. Confirmation of transaction execution.</p>	

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	<p>B. Review whether the transaction has been conducted in accordance with the authorized rights and the formulated strategies.</p> <p>C. Evaluate monthly and submit the appraisal report to the general manager.</p> <p>D. Accounting Processing.</p> <p>E. Reporting and announcement in accordance with the regulations of the Securities and Futures Bureau of the Financial Supervisory Commission.</p> <p><u>(3)</u> Deliverers, who execute the delivery tasks.</p> <p><u>(4)</u> Review and resolution authority of derivative products A.(Omitted) B.(Omitted)</p> <p><u>2.</u> Auditing Department Responsible for understanding the appropriateness of internal control in derivative commodity transactions and checking the compliance of the trading department with</p>	<p>B. Review whether the transaction has been conducted in accordance with the authorized rights and the formulated strategies.</p> <p>C. Evaluate monthly and submit the appraisal report to the general manager.</p> <p>D. Accounting Processing.</p> <p>E. Reporting and announcement in accordance with the regulations of the Securities and Futures Bureau of the Financial Supervisory Commission.</p> <p><u>3.</u> Deliverers, who execute the delivery tasks.</p> <p><u>4.</u> Review and resolution authority of derivative products A.(Omitted) B.(Omitted)</p> <p><u>(II)</u> Audit Department Responsible for understanding the appropriateness of internal control in derivative commodity transactions and checking the compliance of the trading department with the</p>	

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	<p>the operating procedures, analyzing the transaction cycle, making an audit report, and submitting it to the audit committee for inspection before delivery at the end of the month after the completion of the audit project; in addition, if the internal auditors find serious irregularities or that the Company is at risk of heavy losses, they should immediately make a report and submit it for review, and inform the audit committee.</p> <p><u>3.</u> Performance Evaluation</p> <p><u>(1)</u> Hedging transactions</p> <p>A. The company's profit and loss generated from the exchange rate of its financial assets and derivatives shall be the basis of performance appraisal.</p> <p>B. To fully grasp and express the evaluation risk of transactions, the Company adopts monthly evaluation method to evaluate profit and loss.</p> <p>C. The financial department shall provide foreign exchange position evaluation and</p>	<p>operating procedures, analyzing the transaction cycle, making an audit report, and submitting it to the audit committee for inspection before delivery at the end of the month after the completion of the audit project; in addition, if the internal auditors find serious irregularities or that the Company is at risk of heavy losses, they should immediately make a report and submit it for review, and inform the audit committee.</p> <p><u>III.</u> Performance appraisal</p> <p><u>(I)</u> Hedging transactions</p> <p>A. The company's profit and loss generated from the exchange rate of its financial assets and derivatives shall be the basis of performance appraisal.</p> <p>B. To fully grasp and express the evaluation risk of transactions, the Company adopts monthly evaluation method to evaluate profit and loss.</p> <p>C. The financial department shall provide foreign exchange position evaluation and foreign exchange market trends</p>	



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	<p>foreign exchange market trends and market analysis to the general manager as a management reference and instructions.</p> <p><u>(2)</u> Special-purpose transaction The actual profit and loss is used as the performance evaluation basis, and the accountants shall regularly report the position to management for reference.</p> <p><u>4.</u> Setting up of the total contract amount and loss limit</p> <p><u>(1)</u> Total contract amount A. Hedging trading quota The Finance Department shall grasp the overall position of the Company to avoid transaction risks. The amount of hedging transactions shall not exceed two-thirds of the Company's net position, such as that if more than two-thirds of the total positions are submitted to the general manager,</p>	<p>and market analysis to the general manager as a management reference and instructions.</p> <p><u>(II)</u> Special-purpose transaction The actual profit and loss is used as the performance evaluation basis, and the accountants shall regularly report the position to management for reference.</p> <p><u>IV.</u> Setting up of the total contract amount and loss limit</p> <p><u>(I)</u> Total contract amount A. Hedging trading quota  The Finance Department shall grasp the overall position of the Company to avoid transaction risks. The amount of hedging transactions shall not exceed two-thirds of the Company's net position, such as that if more than two-thirds of the total positions are submitted to the general manager, they shall be reported to the general manager for approval.</p>	

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	<p>they shall be reported to the general manager for approval.</p> <p>B. Specific use transactions</p> <p>Based on the prediction on the market changes, the Finance Department shall formulate strategies and report to the audit committee for approval, and after approval by the Board of Directors, it can be used.</p> <p><u>(2)</u> Setting up of the loss limits</p> <p>A. Hedging transaction is avoiding risks, so there is no need to set a limit for losses.</p> <p>B. If a transaction is for a specific purpose, after the setting up of a position, a stop-loss point shall be set to prevent from the loss. The stop-loss point shall be set at an upper limit of 10% of the transaction contract amount. If the loss amount exceeds 10% of the transaction amount,</p>	<p>B. Specific use transactions</p> <p>Based on the prediction on the market changes, the Finance Department shall formulate strategies and report to the audit committee for approval, and after approval by the Board of Directors, it can be used.</p> <p><u>(II)</u> Setting up of the loss limits</p> <p>A. Hedging transaction is avoiding risks, so there is no need to set a limit for losses.</p> <p>B. If a transaction is for a specific purpose, after the setting up of a position, a stop-loss point shall be set to prevent from the loss. The stop-loss point shall be set at an upper limit of 10% of the transaction contract amount. If the loss amount exceeds 10% of the transaction amount, it shall be reported immediately to the manager and then to the</p>	

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	<p>it shall be reported immediately to the manager and then to the Board of Directors for discussion of the necessary countermeasures.</p> <p>C. The maximum amount of loss for individual contract losses is not more than US\$20,000 or 5% of the contract amount, which is lower.</p> <p>D. The maximum annual loss for the Company's specific purpose of trading operations is US\$300,000.</p> <p><u>Added Article</u></p> <p>II. Risk management measures</p> <p><u>(I)~(IV)</u> (Omitted)</p> <p><u>(V)</u> Operational Risk Management</p> <p><u>1.~3.</u> (omitted)</p> <p><u>4.</u> Positions held in derivatives trading shall be assessed at least once a week. If it is a hedging transaction for business purpose, it shall be evaluated at least twice a month, and its evaluation report shall be submitted to the senior executive authorized by the Board of Directors.</p>	<p>Board of Directors for discussion of the necessary countermeasures.</p> <p>C. The maximum amount of loss for individual contract losses is not more than US\$20,000 or 5% of the contract amount, which is lower.</p> <p>D. The maximum annual loss for the Company's specific purpose of trading operations is US\$300,000.</p> <p><u>Article 20</u></p> <p><u>The following risk management measures shall be adopted:</u></p> <p><u>I.~IV.</u> (Omitted)</p> <p>V. Operational Risk Management</p> <p><u>(I)~(III)</u> (Omitted)</p> <p><u>(IV)</u> Positions held in derivatives transactions shall be assessed at least once weekly. If the hedging transaction is conducted for business needs, the assessment report shall be performed twice a month. The assessment report shall be submitted to senior managers authorized by</p>	

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	<p>(VI)~(VII) (Omitted)</p> <p><u>III. Internal Audit System</u></p> <p>(I) The internal auditor shall regularly review the appropriateness of the internal control of derivatives trading, and check the compliance of the trading department with the transaction procedures for derivative commodity transactions on a monthly basis and analyze the trading cycle and make an audit report. If major violations are discovered, the audit committee shall be notified in writing.</p> <p>(II) The internal auditor shall declare the audit report and the annual audit of the internal audit operation according to the provisions of the Financial Supervision and Administration Commission before the end of February of the following year. The improvement status of the abnormality shall be declared for the future reference in accordance with the provisions of the Financial Supervision and Management Commission no later than the end of May of the next year.</p> <p><u>IV. Regular Evaluation Methods</u></p>	<p>the Board of Directors.</p> <p>VI.~VII. (Omitted)</p> <p><u>VIII. Internal audit system for derivatives product transaction</u></p> <p>(I) The internal auditor shall regularly review the appropriateness of the internal control of derivatives trading, and check the compliance of the trading department with the transaction procedures for derivative commodity transactions on a monthly basis and analyze the trading cycle and make an audit report. If major violations are discovered, the audit committee shall be notified in writing.</p> <p>(II) The internal auditor shall declare the audit report and the annual audit of the internal audit operation according to the provisions of the Financial Supervision and Administration Commission before the end of February of the following year. The improvement status of the abnormality shall be declared for the future reference in accordance with the provisions of the Financial Supervision and Management Commission no later than the end of May of the next year.</p> <p><u>IX. Regular evaluation methods and abnormal situation handling in derivative commodity</u></p>	

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	<p>(I) The Board of Directors shall authorize the senior executives to regularly supervise and evaluate whether the transactions in the derivative commodities are actually handled in accordance with the trading procedures set by the Company, and whether the risks assumed are within the scope of the allowable undertaking. When there is an abnormal situation in the market price assessment report (if the holding position has exceeded the loss), it shall be immediately reported to the Board of Directors and take the appropriate measures.</p> <p>(II) Positions held in derivatives trading shall be assessed at least once weekly. If the hedging transaction is conducted for business needs, the assessment report shall be performed twice a month. The assessment report shall be submitted to senior managers authorized by the Board of Directors.</p> <p><u>Added Article</u></p> <p><u>V. The supervision and management principles of the Board of Directors when engaging in derivative commodity transactions</u></p> <p>(I) <u>The Board of Directors shall appoint high-level supervisors to pay attention</u></p>	<p><u>transactions.</u></p> <p>(I) The Board of Directors shall authorize the senior executives to regularly supervise and evaluate whether the transactions in the derivative commodities are actually handled in accordance with the trading procedures set by the Company, and whether the risks assumed are within the scope of the allowable undertaking. When there is an abnormal situation in the market price assessment report (if the holding position has exceeded the loss), it shall be immediately reported to the Board of Directors and take the appropriate measures.</p> <p>(II) Positions held in derivatives trading shall be assessed at least once weekly. If the hedging transaction is conducted for business needs, the assessment report shall be performed twice a month. The assessment report shall be submitted to senior managers authorized by the Board of Directors.</p> <p><u>Article 21</u></p> <p>When engaging in the trading of derivative commodities, the Board of Directors shall strictly supervise and manage <u>according to the following principles:</u></p> <p><u>I. Designate senior managers to pay attention to the supervision and</u></p>	

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	<p>to the supervision and control of the risk of derivative commodity transactions at any time. The management principles are as follows:</p> <p><u>1.</u> Periodically evaluate whether the risk management measures currently used are appropriate and faithfully implemented according to the “Standards for the Processing of Assets Acquisition or Disposal by the Publicly Owned Corporation” and the Processing Procedures for Transactions of Derivative Goods formulated by the Company.</p> <p><u>2.</u> Supervise transactions and profit and loss situations. In case of any abnormality, the necessary countermeasures shall be taken and the report shall be immediately submitted to the audit committee and the Board of Directors. The opinions of the independent directors shall be fully considered</p>	<p>control the risks of derivatives product transaction at all times.</p> <p><u>II.</u> Regularly evaluate whether the performance of derivatives product transaction meets the established operational strategies and whether the risks are within the Company’s permitted scope. <u>Senior executives authorized by the Board of Directors shall manage transactions in accordance with the following principles:</u></p> <p><u>I.</u> Periodically evaluate whether the risk management measures currently used are appropriate and faithfully implemented according to the “Standards for the Processing of Assets Acquisition or Disposal by the Publicly Owned Corporation” and the Processing Procedures for Transactions of Derivative Goods formulated by the Company.</p> <p><u>II.</u> Supervise transactions and profit and loss situations. In case of any abnormality, the necessary countermeasures shall be taken and the report shall be immediately submitted to the audit committee and the Board of Directors. The opinions of the independent directors shall be fully considered when submitting to the Board of Directors for resolutions, and the reasons for their consent or objection shall be</p>	

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	<p>when submitting the resolutions of the Board of Directors, and the reasons for their consent or objection shall be included in the Board of Directors' meeting records.</p> <p><u>(II) Regularly evaluate whether the performance of derivatives product transaction meets the established operational strategies and whether the risks are within the Company's permitted scope.</u></p> <p><u>(III)</u> When the Company engages in derivative trading, the Company shall authorize the relevant personnel to handle the transaction according to the procedures for engaging in derivative product, and then reports shall be submitted to the most recent Board of Directors' meeting.</p> <p><u>Added Article</u></p> <p><u>(IV)</u> When the Company engages in derivative product transaction, it shall establish a memorandum book. The type and amount of the derivative commodity transaction, the date of adoption by the Board of Directors, and the matters to be carefully assessed according to the <u>IV (II) and V (I) and (II) of this article</u> shall be</p>	<p>included in the board's records.</p> <p>When the Company engages in derivative trading, the Company shall authorize the relevant personnel to handle the transaction according to the procedures for engaging in derivative product, and then reports shall be submitted to the most recent Board of Directors' meeting.</p> <p><u>Article 22</u></p> <p>When the Company engages in derivative product transaction, it shall establish a memorandum book. The type and amount of the derivative commodity transaction, the date of adoption by the Board of Directors, and the matters to be carefully assessed according to the <u>Article 20-5 (4) and Article 21-1 (2) and 2 (2)</u> shall be recorded in details in the memorandum book for reference.</p>	

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	recorded in details in the memorandum book for reference.		
Article 13	<p><u>Processing procedures for merger, demerger, acquisition or transfer of shares</u></p> <p><u>I. Appraisal and operating procedures</u></p> <p><u>Added Article</u></p> <p>(I) For the merger, demerger, acquisition or transfer of shares, before the resolution of the Board of Directors is convened, the Company shall invite accountants, lawyers or securities underwriters to express their opinions on the rationality of the share exchange ratio, the purchase price or the cash or other property of the allotted shareholders, and submit them to the audit committee and the Board of Directors for discussion and approval. However, if the Company merges its subsidiaries directly or indirectly holding 100% of the issued shares or total capital, or merges between its subsidiaries directly or indirectly holding 100% of the issued shares or total capital, the reasonable opinions of the experts are not necessary.</p> <p><u>Added Article</u></p> <p>(II) The company shall prepare an open document for the important agreed contents and related matters regarding merger, demerger or acquisition before the</p>	<p><u>Article 23</u></p> <p>For the merger, demerger, acquisition or transfer of shares, before the resolution of the Board of Directors is convened, the Company shall invite accountants, lawyers or securities underwriters to express their opinions on the rationality of the share exchange ratio, the purchase price or the cash or other property of the allotted shareholders, and submit them to the audit committee and the Board of Directors for discussion and approval. However, if the Company merges its subsidiaries directly or indirectly holding 100% of the issued shares or total capital, or merges between its subsidiaries directly or indirectly holding 100% of the issued shares or total capital, the reasonable opinions of the experts are not necessary.</p> <p><u>Article 24</u></p> <p><u>In participating in the merger, demerger or acquisition,</u> the Company shall prepare an open document to the shareholders before the meeting of the shareholders' meeting, and submit it together with</p>	The amendments are made simultaneously in accordance with the revision of the regulations of the competent authorities.



Article No.	Articles before the amendments	Articles after the amendments	Amendment Note
	<p>shareholders 'meeting, submit it together with the expert opinions according to <u>I (1) of this Article</u> and the notice of the shareholders' meeting to the shareholders for their reference as to whether they agree to the merger, demerger or acquisition. However, this restriction shall not apply to those who, according to other laws, are exempted from holding shareholders' meetings to decide on merger, demerger or acquisition matters. In addition, if the shareholders' meeting of a company participating in merger, demerger or acquisition is unable to convene, resolve or reject a proposal due to insufficient attendance, voting rights or other legal restrictions, the Company participating in merger, demerger or acquisition shall immediately make public the reasons for the occurrence, subsequent processing operations and the expected date of holding the shareholders' meeting.</p> <p><u>Added Article</u>  <u>II. Other precautions</u>  <u>(I) Date of Board of Directors' meeting:</u> A company participating in merger, demerger or acquisition shall hold a meeting of the Board of Directors and shareholders</p>	<p>the expert opinions according to the <u>Article 23(1)</u> and the notice of the meeting of the shareholders' meeting to the shareholders for their reference, so as to provide a reference for whether to agree to the merger, demerger or acquisition. However, this restriction shall not apply to those who, according to other laws, are exempted from holding shareholders' meetings to decide on merger, demerger or acquisition matters.</p> <p>In addition, if the shareholders' meeting of a company participating in merger, demerger or acquisition is unable to convene, resolve or reject a proposal due to insufficient attendance, voting rights or other legal restrictions, the Company participating in merger, demerger or acquisition shall immediately make public the reasons for the occurrence, subsequent processing operations and the expected date of holding the shareholders' meeting.</p> <p><u>Article 25</u></p> <p>The company participating in the merger, demerger or acquisition of the Company shall hold a Board of Directors' meeting and shareholders' meeting on the same day to resolve matters related to the merger,</p>	

Article No.	Articles before the amendments	Articles after the amendments	Amendment Note
	<p>on the same day to decide on matters relating to merger, demerger or acquisition, unless otherwise stipulated by law or with the prior consent of the Financial Regulatory Commission due to special factors.</p> <p><u>(II)</u> The company shall convene a Board of Directors' meeting on the day of the transaction, unless another act provides otherwise or is notified of the financial supervisory commission to be approved by the Financial Supervisory Commission.</p> <p><u>(III)</u> The company participating in the merger, demerger, acquisition or share transfer of the listed company or the stock trading in the securities firm's business premises shall make the following information in full written record and keep it for five years for verification.</p> <p><u>1.</u> Personnel basic information: including the title, name and identity No. (for foreigners, passport number) of all persons involved in the merger, demerger, acquisition or transfer of shares or the implementation of the plan before the disclosure of the information.</p>	<p>demerger or acquisition, unless otherwise stipulated by other laws or subject to special factors that have been reported to the Financial Supervisory and Commission for approval in advance.</p> <p>The company shall convene a Board of Directors' meeting on the day of the transfer of shares, unless otherwise stipulated by law or if special factors have been reported to the Financial Supervisory Commission in advance for consent.</p> <p>The company shall prepare a full written record of the following information for a company listed on the Stock Exchange or traded over the counter to participate in the merger, demerger, acquisition, or transfer of shares, and shall prepare a full written record for the following five years:</p> <p><u>I.</u> Personnel basic information: including the title, name and identity No. (for foreigners, passport number) of all persons involved in the merger, demerger, acquisition or transfer of shares or the implementation of the plan before the disclosure of the information.</p>	

Article No.	Articles before the amendments	Articles after the amendments	Amendment Note
	<p><u>2.</u> Date of important matters: Including the date of signing letter of intent or memorandum, entrusting financial or legal adviser, signing contract and Board of Directors, etc.</p> <p><u>3.</u> Important documents and proceedings: Including merger, demerger, acquisition, or transfer of shares, letter of intent or memorandum of understanding, important contracts and board proceedings.</p> <p><u>(IV)</u> The company that participates in <u>the listing of</u> mergers, segmentation, acquisitions or transfers of shares or the trading of shares <u>in the business premises of a securities firm</u> shall, within two days from the date of the adoption of the resolution of the Board of Directors, report the information of <u>item 1 (basic personnel information) and item 2 (date of important matters)</u> of this article to the competent authority in accordance with the prescribed format in the Internet Information System for reference.</p> <p><u>(V)</u> Where the Company involved in the merger, demerger, acquisition or transfer of shares, if there is</p>	<p><u>II.</u> Date of important matters: Including the date of signing letter of intent or memorandum, entrusting financial or legal adviser, signing contract and Board of Directors, etc.</p> <p><u>III.</u> Important documents and proceedings: Including merger, demerger, acquisition, or transfer of shares, letter of intent or memorandum of understanding, important contracts and board proceedings.</p> <p>The company participating in the merger, demerger, acquisition, or transfer of shares, and shall within 2 days from the date of the resolution of the Board of Directors, report the first and second year information of the preceding paragraph, and file the information in the prescribed format via an online information system to file the competent authority for reference.</p> <p>When the Company participates in a merger, demerger, acquisition or transfer of shares, the Company shall sign an agreement with it and comply</p>	

Article No.	Articles before the amendments	Articles after the amendments	Amendment Note
	<p>a company that is not listed or whose shares are traded in the business premises of a securities firm, the Company shall sign an agreement with the Company and deal with it in accordance with the provisions 3 and 4 of this article.</p> <p><u>Added Article</u>  <u>(VI) Confidentiality commitments:</u> All participants involved in the merger, demerger, acquisition, or transfer of shares shall be required to issue a written letter of confidentiality to commit not to disclose the contents of the plan before the information is made public, nor do they use their own names or under the names of other people to buy or sell shares and other marketable securities with equity property of all the companies related to the merger, demerger, acquisition, or transfer of shares of.</p> <p><u>Added Article</u>  <u>(VII) Principles for determining and changing the share exchange ratio or acquisition price:</u> in the participation in merger, demerger, acquisition or transfer of shares, the share exchange ratio or acquisition price shall not</p>	<p>with the provisions of the preceding two paragraphs.</p> <p><u>Article 26</u>  All participants involved in the merger, demerger, acquisition, or transfer of shares shall be required to issue a written letter of confidentiality to commit not to disclose the contents of the plan before the information is made public, nor do they use their own names or under the names of other people to buy or sell shares and other marketable securities with equity property of all the companies related to the merger, demerger, acquisition, or transfer of shares of.</p> <p><u>Article 27</u>  The company participating in a merger, demerger, acquisition, or transfer of shares may not arbitrarily alter the share exchange ratio or acquisition price unless under the below-listed circumstances, and shall stipulate the circumstances permitting alteration in the contract for the merger, demerger, acquisition,</p>	

Article No.	Articles before the amendments	Articles after the amendments	Amendment Note
	<p>be arbitrarily changed except in the following circumstances, and changes shall be stimulated in the contract of merger, demerger, acquisition or transfer of shares:</p> <p><u>1.</u> Cash capital increase, issuance of corporate bonds, distribution of shares, issuance of corporate bonds, preferred shares with warrants, stock warrants, and other equity-based securities.</p> <p><u>2.</u> disposal the Company's major assets and other activities that affect the Company's financial business.</p> <p><u>3.</u> Major disasters, major technological changes and other events affecting the rights and interests of shareholders or securities prices.</p> <p><u>4.</u> Any adjustment to the Company's stock repurchase by any party participating in the merger, demerger, acquisition, or transfer of shares.</p> <p><u>5.</u> Changes in the number of entities or companies participating in the merger, demerger, acquisition, or transfer of shares.</p> <p><u>6.</u> Other conditions</p>	<p>or transfer of shares:</p> <p><u>I.</u> Cash capital increase, issuance of corporate bonds, distribution of shares, issuance of corporate bonds, preferred shares with warrants, stock warrants, and other equity-based securities.</p> <p><u>II.</u> Disposal the Company's major assets and other activities that affect the Company's financial business.</p> <p><u>III.</u> Major disasters, major technological changes and other events affecting the rights and interests of shareholders or securities prices.</p> <p><u>IV.</u> Any adjustment to the Company's stock repurchase by any party participating in the merger, demerger, acquisition, or transfer of shares.</p> <p><u>V.</u> Changes in the number of entities or companies participating in the merger, demerger, acquisition, or transfer of shares.</p> <p><u>VI.</u> Other conditions stipulated in the</p>	

Article No.	Articles before the amendments	Articles after the amendments	Amendment Note
	<p>stipulated in the contract change and have been disclosed publicly.</p> <p><u>Added Article</u></p> <p><u>(VIII) The contract shall contain the following contents:</u></p> <p>the contract of merger, demerger, acquisition or transfer of shares shall specify the rights and obligations of participating in merger, acquisition or transfer of shares, and shall specify the following matters:</p> <ol style="list-style-type: none"> <li><u>1.</u> Handling of breach of contract</li> <li><u>2.</u> Principles for handling equity-type securities previously issued or treasury stock previously bought back by a company that is extinguished in a merger or through a merger basis.</li> <li><u>3.</u> The number of treasury stock that shall be repurchased according to the law after calculating the base date of the exchange calculation ratio and their principles of disposal.</li> <li><u>4.</u> The method of handling changes in the number of participating entities or companies.</li> <li><u>5.</u> Expected execution progress and expected completion schedule.</li> <li><u>6.</u> The relevant procedures</li> </ol>	<p>contract change and have been disclosed publicly.</p> <p><u>Article 28</u></p> <p>The company shall participate in the merger, demerger, acquisition, or transfer of shares, and shall specify the rights and obligations for participating in the merger, demerger, acquisition, or transfer of shares, and shall also include the following:</p> <ol style="list-style-type: none"> <li><u>I.</u> Handling of breach of contract</li> <li><u>II.</u> Principles for handling equity-type securities previously issued or treasury stock previously bought back by a company that is extinguished in a merger or through a merger basis.</li> <li><u>III.</u> The number of treasury stock that shall be repurchased according to the law after calculating the base date of the exchange calculation ratio and their principles of disposal.</li> <li><u>IV.</u> The method of handling changes in the number of participating entities or companies.</li> <li><u>V.</u> Expected execution progress and expected completion schedule.</li> <li><u>VI.</u> The relevant procedures of the</li> </ol>	

Article No.	Articles before the amendments	Articles after the amendments	Amendment Note
	<p>of the expected convening dates of shareholders' meeting based on laws when a plan is overdue and still undone.</p> <p><u>Added Article</u></p> <p><u>(IX)</u> After public disclosure of the information, if any company participating in a merger, demerger, acquisition, or transfer of shares intends further to carry out another merger, demerger, acquisition, or transfer of shares with another company, any procedure or legal action already completed for the original merger, split, acquisition, or transfer of shares shall be carried out anew, with exceptions for cases where the number of participating companies is decreased, and where the shareholders' meeting resolved to authorize the Board of Directors to alter the limits of authority, this company shall be exempt from reconvening of shareholders' meeting to generate another resolution.</p> <p><u>Added Article</u></p> <p><u>(X)</u> If a company participating in a merger, demerger, acquisition, or transfer of a company is not a publicly owned company, the Company shall sign an agreement with its</p>	<p>expected convening dates of shareholders' meeting based on laws when a plan is overdue and still undone</p> <p><u>Article 29</u></p> <p>After public disclosure of the information, if any company participating in a merger, demerger, acquisition, or transfer of shares intends further to carry out another merger, demerger, acquisition, or transfer of shares with another company, any procedure or legal action already completed for the original merger, split, acquisition, or transfer of shares shall be carried out anew, with exceptions for cases where the number of participating companies is decreased, and where the shareholders' meeting resolved to authorize the Board of Directors to alter the limits of authority, this company shall be exempt from reconvening of shareholders' meeting to generate another resolution.</p> <p><u>Article 30</u></p> <p>If a company participating in the merger, demerger, acquisition or transfer of shares is not a publicly-issued company, the Company shall sign an agreement with it and handle it in accordance with <u>Articles 25, 26 and 29.</u></p>	

Article No.	Articles before the amendments	Articles after the amendments	Amendment Note
	signatures and shall comply with the provisions of <u>this article (2)</u> .		
<u>Article 14</u>	<p><u>Added Article</u>  <u>Information Disclosure Procedures</u>  <u>I.</u> If the Company acquires or disposes of assets in the following circumstances, it shall, by nature and in accordance with the prescribed format, declare the relevant information by public notice within 2 days from the date of the occurrence of the facts:</p> <p><u>(I)</u> Acquiring or disposing of immovable property from the related party, or acquiring or disposing of other assets other than the real property with the related person, and the transaction amount reaches 20% of the Company's paid-in capital, 10% of the total assets or more than NT\$300 million. However, this restriction does not apply to trading of <u>government bonds</u>, bonds under repurchase and resale agreements, or to issue or repurchase domestic money market funds issued by domestic securities investment trust enterprises.</p> <p><u>(II)</u> Merger, demerger, acquisition, or transfer of shares.</p> <p><u>(III)</u> The loss of transaction in derivative goods has reached the maximum amount of all or individual contract losses specified in</p>	<p><u>Article 31</u>  If the Company acquires or disposes of assets in the following circumstances, it shall, by nature and in accordance with the prescribed format, declare the relevant information by public notice within 2 days from the date of the occurrence of the facts:</p> <p><u>I.</u> Acquiring or disposing of immovable property from the related party, or acquiring or disposing of other assets other than the real property with the related person, and the transaction amount reaches 20% of the Company's paid-up capital, 10% of the total assets or more than NT\$300 million. However, this restriction does not apply to trading of government bonds, bonds under repurchase and resale agreements, or to issue or repurchase domestic money market funds issued by domestic securities investment trust enterprises.</p> <p><u>II.</u> Merger, demerger, acquisition, or transfer of shares.</p> <p><u>III.</u> The loss of transaction in derivative goods has reached the maximum amount of all or individual contract losses specified in the processing</p>	The amendments are made simultaneously in accordance with the revision of the regulations of the competent authorities.



Article No.	Articles before the amendments	Articles after the amendments	Amendment Note
	<p>the processing procedures.</p> <p><u>(IV)</u> Where the type of asset acquired or disposed is equipment for business use, the transaction object is not a related party, and the transaction amount reaches NT\$500 million.</p> <p><u>(V)</u> Acquisition of real estate property by 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, in which the amount the Company is expected to invest is NT\$500 million or above.</p> <p><u>(VI)</u> Assets transactions, claims disposed of by a financial institution, or investment in a subsidiary in the Mainland China, where the transaction amount reaches 20% or more of the Company's paid-in capital or NT\$300 million. However, this does not apply to the following circumstances:</p> <ol style="list-style-type: none"> <li>1. Trading of government bonds.</li> <li>2. <u>Securities trading in the domestic and overseas securities exchange or the</u></li> </ol>	<p>procedures.</p> <p><u>IV.</u> Where the type of asset acquired or disposed is equipment for business use, the transaction object is not a related party, and the transaction amount reaches NT\$500 million.</p> <p><u>V.</u> Acquisition of real property by 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, in which the amount the Company is expected to invest is NT\$500 million or above.</p> <p><u>VI.</u> Assets transactions, claims disposed of by a financial institution, or investment in a subsidiary in the Mainland China, where the transaction amount reaches 20% or more of the Company's paid-in capital or more than NT\$300 million. However, this does not apply to the following circumstances:</p> <p style="padding-left: 40px;"><u>(I)</u> Trading of government bonds.</p>	

Article No.	Articles before the amendments	Articles after the amendments	Amendment Note
	<p><u>business premise of the securities exchange, or subscription of ordinary corporate bonds or of general bank debentures without equity characteristics that are offered and issued in the domestic primary market.</u></p> <p>3. Trading of bonds under repurchase and resale agreements, or subscription or redemption of domestic money market funds issued by domestic securities investment trust enterprises.</p> <p>The amounts of transactions mentioned in the preceding paragraph shall be calculated as follows:</p> <p>1. The amount of each transaction.</p> <p>2. The cumulative transaction amount of acquisitions and disposals of the same type of underlying asset with the same counterparty within one year.</p> <p>3. The cumulative transaction amount of real property acquisitions and disposals (cumulative acquisitions and disposals, respectively) within the same development project within one year.</p> <p>4. The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of the same</p>	<p>(II) Trading of bonds under repurchase and resale agreements, or subscription or redemption of domestic money market funds issued by domestic securities investment trust enterprises.</p> <p>The amounts of transactions mentioned in the preceding paragraph shall be calculated as follows:</p> <p>I. The amount of each transaction.</p> <p>II. The cumulative transaction amount of acquisitions and disposals of the same type of underlying asset with the same counterparty within the preceding year.</p> <p>III. The cumulative transaction amount of real property acquisition and disposal (cumulative acquisitions and disposals, respectively) within the same development project within the preceding year.</p> <p>IV. The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of the same</p>	

Article No.	Articles before the amendments	Articles after the amendments	Amendment Note
	<p>security within one year.</p> <p>The term “within the preceding year” as used in the preceding paragraph shall be calculated as a basis for the year preceding the date of occurrence of the current transaction. The period when announcement has been made in accordance with the regulations shall be exempted from re-counting.</p> <p><u>II. The time limit for handling announcements and declarations</u>  <u>The company’s acquisition or disposal of assets shall be made public if the transaction amount reaches the standards for reporting purposes, and shall be announced within 2 days counting from the date of occurrence of the event.</u></p> <p><u>Added new articles</u></p> <p><u>III. Announcement and declaration procedures</u></p> <p><u>(I)</u> The company shall, on a monthly basis, input the information of the Company and its non-domestic publicly issued subsidiaries engaging in derivative product transactions as of the end of last month into the information reporting website designated by the financial regulatory commission before the tenth day of each month in accordance with the prescribed format.</p> <p><u>(II)</u> When the Company is required to announce the</p>	<p>securities within the preceding year.</p> <p>The term “within the preceding year” as used in the preceding paragraph shall be calculated as a basis for the year preceding the date of occurrence of the current transaction. The period when announcement has been made in accordance with the regulations shall be exempted from re-counting.</p> <p><u>Article 32</u>  Announcement and Declaration Procedures</p> <p>The company shall, on a monthly basis, input the information of the Company and its non-domestic publicly issued subsidiaries engaging in derivative product transactions as of the end of last month into the information reporting website designated by the financial regulatory commission before the tenth day of each month in accordance with the prescribed format.</p> <p>When the Company is required to announce the project according to the</p>	

Article No.	Articles before the amendments	Articles after the amendments	Amendment Note
	<p>project according to the regulations, if there is any error or omission at the time of the announcement, All items shall be re-announced and declared within 2 days from the date of notification.</p> <p><u>(III)</u> In the acquiring or disposing of its assets, the Company shall keep the relevant contracts, minute book, memorandum book, appraisal report, opinions of accountants, lawyers or securities underwriters in the Company for at least five years, unless otherwise stipulated by law.</p> <p><u>IV.</u> After the transaction announcement and declaration by the Company in accordance with the provisions of the preceding paragraph, if one of the following circumstances occurs, the relevant information shall be submitted to the website designated by the Financial Supervisory Commission for public announcement within 2 days from the date of the occurrence of the facts:</p> <p><u>1.</u> There are changes, terminations or rescission of relevant contracts signed in the original transaction.</p> <p><u>2.</u> The merger, demerger, acquisition, or transfer of shares is not completed by the scheduled date set forth in the contract.</p> <p><u>3.</u> There are changes in contents of the declaration in the</p>	<p>regulations, if there is any error or omission at the time of the announcement, all items shall be re-announced and declared within 2 days from the date of notification.</p> <p>In the acquiring or disposing of its assets, the Company shall keep the relevant contracts, minute book, memorandum book, appraisal report, opinions of accountants, lawyers or securities underwriters in the Company for at least five years, unless otherwise stipulated by law.</p> <p>After the transaction announcement and declaration by the Company in accordance with the provisions of the preceding paragraph, if one of the following circumstances occurs, the relevant information shall be submitted to the website designated by the Financial Supervision and Administration Commission for public announcement within 2 days from the date of the occurrence of the facts:</p> <p><u>I.</u> There are changes, terminations or rescission of relevant contracts signed in the original transaction.</p> <p><u>II.</u> The merger, demerger, acquisition, or transfer of shares is not completed by the scheduled date set forth in the contract.</p> <p><u>III.</u> There are changes in contents of the declaration in the original</p>	



Article No.	Articles before the amendments	Articles after the amendments	Amendment Note
	<u>If the Company's shares have no nominal amount or the denomination per share is not NT\$10, the transaction amount of 20% of paid-in capital shall be set out in the Procedures shall be calculated based on 10% of the equity vested in the owner of the parent company.</u>		revision of the regulations of the competent authorities.
<u>Article 16</u>	<u>Article 16</u> Penalty provision <u>If the employees of the Company are committed to the disposal of assets and disposal of assets, the Company shall regularly report the compliance with the Procedures for the Handling of Assets and Liabilities and penalties imposed on the Employee's Manual according to the severity of the regulations.</u>	<u>Article 35</u> Penalty provision <u>If it is verified that the employees of the Company engaging in the acquiring or disposing of assets violate the provisions of this procedure, they shall be punished according to the personnel management measures and related measures of the Company, depending on the seriousness of the circumstances.</u>	Article amendment .
<u>Article 17</u>	<u>Article 17</u> (Omitted)	<u>Article 36</u> (Omitted)	Article amendment .
<u>Article 18</u>	<u>Article 18</u> (Omitted)	<u>Article 37</u> (Omitted)	Article amendment .

【Attachment 6】

Sinmag Equipment Corporation

Comparison Table for the Procedures for Loaning of Funds Before and After Revision

Article No.	Articles before the amendments	Articles after the amendments	Amendment Note
Article 2	<p>The Object of Capital Loaning</p> <p>In accordance with the Company Law, the funds of the Company shall not be loaned to shareholders or any person except for the following circumstances.</p> <p><u>1.</u> A subsidiary which the Company holds 50% of voting shares directly and indirectly having business transactions or having the necessity of short-term financing.</p> <p>The term “short-term” as used in the preceding paragraph refers to one year. However, when the Company’s business cycle is longer than one year, the business cycle shall prevail.</p> <p><u>2.</u> A foreign company which the Company holds 100% of voting shares directly and indirectly has business or short-term financing requirement.</p>	<p>The Object of Capital Loaning</p> <p>In accordance with the Company Law, the funds of the Company shall not be loaned to shareholders or any person except for the following circumstances.</p> <p><u>I.</u> A subsidiary which the Company holds 50% of voting shares directly and indirectly having business transactions or having the necessity of short-term financing. <u>The amount of financing shall not exceed 40% of the net value according to the Company’s latest CPA audited or reviewed financial statements.</u></p> <p>The term “short-term” as used in the preceding paragraph refers to one year. However, when the Company’s business cycle is longer than one year, the business cycle shall prevail.</p> <p><u>II.</u> A foreign company which the Company holds 100% of voting shares directly and indirectly having business transactions or having the necessity of short-term financing.</p> <p><u>III.</u> <u>A foreign company which the Company holds 100% of voting shares directly and indirectly that is necessary to the Company.</u></p> <p><u>When the person in charge of the Company violates the provisions I, he/she shall be jointly responsible for the return of the loan with the borrower; if the Company suffers damage, he/she shall also be liable for damages.</u></p>	Amendments made in accordance with the Law and actual needs.

Article No.	Articles before the amendments	Articles after the amendments	Amendment Note
Article 3	<p>Total amount of <u>funds</u> and the limit of amount loaned to individual objects</p> <p>I. <u>When the Company's funds are loaned to a company with business dealings</u>, the total loaning amount shall not exceed 40% of the net value according to the most recent financial statements audited or reviewed by the CPA; the amounts of individual loans shall not exceed the amount of the transaction business amount between the two parties in the most recent year. The amount of business transaction refers to the amount of purchase or sales between the two parties in the most recent year, whichever is higher.</p> <p>II. <u>When the Company's funds are loaned to a company for short-term financing, which is necessary for the Company, the individual loans and the total amount of loans shall not exceed 40% of net value according to company's most recent CPA audit or reviewed financial statements.</u></p> <p>III. When the Company loan funds to a foreign company which the Company directly and</p>	<p>Total amount of <u>funds loaned</u> and the limit of amount loaned to individual objects</p> <p>I. <u>When the Company's funds are loaned to a subsidiary which the Company directly and indirectly holds 50% of the voting shares with business dealings</u>, the total loaning amount shall not exceed 40% of the net value according to the most recent financial statements audited or reviewed by the Company's accountants; the amounts of individual loans shall not exceed the amount of the transaction business between the two parties in the most recent year. The amount of business transaction refers to the amount of purchase or sales between the two parties in the most recent year, whichever is higher.</p> <p>II. <u>When the Company's funds are loaned to a subsidiary which the Company directly and indirectly holds 50% of the voting shares with business dealings and has short-term financing requirement, the total loaning amount shall not exceed 40% of the net value according to the most recent financial statements audited or reviewed by the Company's accountants; the amounts of individual loans shall not exceed the amount of the transaction business between the two parties in the most recent year.</u></p> <p>III. When the Company loan funds to a foreign company which the Company directly and indirectly</p>	Amendments made in accordance with the Law and actual needs.



Article No.	Articles before the amendments	Articles after the amendments	Amendment Note
	indirectly holds 100% of the voting shares, the amount shall not exceed 60% of the net value according to company's most recent financial statements audited by accountants.	holds 100% of the voting shares, the amount shall not exceed 60% of the net value according to company's most recent financial statements audited by accountants. IV. <u>When the Company borrows funds from a foreign company which the Company directly and indirectly holds 100% of the voting shares, the amount shall not exceed 60% of the net value according to company's most recent CPA audited or reviewed financial statements.</u> <u>The amount of financing refers to the accumulated balance of the Company's short-term financing.</u> <u>The subsidiaries and parent company in this operating procedure shall be identified in accordance with the provisions of the financial reporting standards for securities issuers.</u> <u>The net value in this operating procedures refers to the equity attributable to the owners of the parent company as stated in the financial reporting standards for securities issuers.</u>	
Article 5	Reviewing Procedures I.~II. (Omitted) III. <u>In addition to the subsidiary which the Company holds 50% of the voting shares, the promissory notes or collateral of same amount shall be provided. The provided collateral shall be set up as mortgages to ensure the Company's creditor's rights.</u> IV. <u>The collateral, except the land and marketable securities, shall be insured against fire. The</u>	Reviewing Procedures I.~II. (Omitted) III. <u>A subsidiary of which the Company directly or indirectly holds 50% of the voting shares, does not need to provide collateral.</u> IV. Deleted	Amendments made in accordance with the Law and actual needs.

Article No.	Articles before the amendments	Articles after the amendments	Amendment Note
	<p><u>amount of insurance shall be no less than the replacement cost value of the collateral; The company shall be added as the beneficiary in the insurance policy. The subject matter, name, quantity, place of deposit and conditions stated in the insurance policy shall be in conformity with conditions for granting loans of the Company.</u></p>		
	<p><u>V.</u> Before loaning funds to others, the Company shall carefully assess whether it conforms to the “Guidelines for the Processing of Funds loaning and Endorsement Guarantee of Publicly owned corporation” stimulated by the securities authorities and the provisions of this operating procedure. Together with the appraisal results according to Article 5(2), it shall be approved by more than half of the members of audit committee, and be submitted to the Board of Directors for resolution. Without the approval of more than one-half of all the members of the board of auditors, the approval of more than two-thirds of all the directors shall be obtained, and no other person shall be authorized to make a decision.</p>	<p><u>IV.</u> Before loaning funds to others, the Company shall carefully assess whether it conforms to the “Guidelines for the Processing of Funds loaning and Endorsement Guarantee of Publicly owned corporation” stimulated by the securities authorities and the provisions of this operating procedure. Together with the appraisal results according to Article V (2), it shall be approved by more than half of the members of Audit Committee, and be submitted to the Board of Directors for resolution. Without the approval of more than one-half of all the members of the Board of Auditors, the approval of more than two-thirds of all the directors shall be obtained, and no other person shall be authorized to make a decision.</p>	
	<p><u>VI.</u> The loaning between the Company and its subsidiaries, or between subsidiaries, shall be approved by the audit committee and resolved by the Board of Directors. The</p>	<p><u>V.</u> The loaning between the Company and its subsidiaries, or between subsidiaries, shall be approved by the audit committee and resolved by the Board of Directors. The chairman of the</p>	

Article No.	Articles before the amendments	Articles after the amendments	Amendment Note
	<p>chairman of the Board shall be authorized to appropriate sub-loans or revolving transfers to the same loaning object within a period not exceeding one year. Except for no limit of authorized amount for the funds loaning between the foreign companies which the Company directly and indirectly hold 100% of the voting shares, the authorized amount of loaning fund of the Company or its subsidiaries to an individual enterprise shall not exceed 10% of the net value according to the most recent CPA audited or reviewed financial statements.</p> <p><u>VII.</u> (Omitted)</p> <p><u>VIII.</u> When the Company intend to loan funds to others, the opinions of the independent directors shall be fully considered. If the independent directors have objections or reservations, they shall be set forth in the minutes of the Board of Directors' meeting.</p> <p><u>IX.</u> When the loan is not in conformity with the object of the "Guidelines for the Handling of Capital Loaning and Endorsement Guarantee of Publicly Owned Corporation" or when the amount exceeds the limit, the Company shall formulate an improvement plan and send the relevant improvement plan to the audit committee, and conduct the improvement plan according to schedule.</p>	<p>board shall be authorized to appropriate sub-loans or revolving transfers to the same loaning object within a period not exceeding one year. Except for no limit of authorized amount for the funds loaning between the foreign companies, of which the Company directly or indirectly hold 100% of the voting shares, the authorized amount of loaning fund of the Company or its subsidiaries to an individual enterprise shall not exceed 10% of the net value according to the most recent CPA audited or reviewed financial statements.</p> <p><u>VI.</u> (Omitted)</p> <p><u>VII.</u> When the Company intend to loan funds to others, the opinions of the independent directors shall be fully considered. If the independent directors have objections or reservations, they shall be set forth in the minutes of the Board of Directors' meeting.</p> <p><u>VIII.</u> When the loaning is not in conformity with the object of the "Guidelines for the Handling of Capital Loaning and Endorsement Guarantee of Publicly Owned Corporation" or when the amount exceeds the limit, the Company shall formulate an improvement plan and send the relevant improvement plan to the audit committee, and conduct the improvement according to the plan.</p>	

Article No.	Articles before the amendments	Articles after the amendments	Amendment Note
Article 9	<p>Declaration and announcement Procedures</p> <p>1~2 (Omitted)</p> <p>Date of occurrence of an event, refers to the date of signing of the transaction signing date, date of payment, date of Board of Directors meeting, or other date that can confirm the transaction object and amount of transaction.</p>	<p>Declaration and announcement Procedures</p> <p>1~2 (Omitted)</p> <p>“Date of occurrence” in these Regulations means the date of contract signing, date of payment, dates of boards of directors resolutions, or other date that can confirm the loaning object and amount of the transaction, whichever date is earlier.</p>	Amendments made in accordance with the Law and actual needs.
Article 12	<p>Article 12</p> <p>Implementation and Amendment</p> <p>The formulation of this operating procedure shall be approved by more than one-half of all members of the audit committee, and shall be submitted to the Board of Directors for resolution and then submitted to the shareholders’ meeting for approval before implementation. If it is not approved by more than one-half of the members of the audit committee, it shall be approved by more than two-thirds of all the directors, and shall be implemented after the resolution of the audit committee is stated in the minutes of the Board of Directors’ meeting and approved in the shareholders’ meeting. If a director expresses his objection and has a record or written statement, the Company shall submit his objection to the shareholders’ meeting for discussion. The same procedures shall be followed for amendments.</p> <p>When it is discussed in the Board of Directors’ meeting, the opinions of each independent director shall be fully considered and the specific</p>	<p>Article 12</p> <p>Implementation and Amendment</p> <p>The formulation of this operating procedure shall be approved by more than one-half of all members of the audit committee, and shall be submitted to the Board of Directors for resolution and then submitted to the shareholders’ meeting for approval before implementation. If it is not approved by more than one-half of the members of the audit committee, it shall be approved by more than two-thirds of all the directors, and shall be implemented after the resolution of the audit committee is stated in the minutes of the Board of Directors and approved in the shareholders’ meeting. If a director expresses his objection and has a record or written statement, the Company shall submit his objection to the shareholders’ meeting for discussion. The same procedures shall be followed for amendments.</p> <p>When it is discussed in the Board of Directors’ meeting, the opinions of each independent director shall be fully considered and the specific</p>	Amendments made in accordance with the Law and actual needs.

Article No.	Articles before the amendments	Articles after the amendments	Amendment Note
	opinions and reasons for assent or dissent and assent or dissent and their reasons for dissent shall be included in the minutes of the Board of Directors' meeting.	opinions and reasons for assent or dissent and assent or dissent and their reasons for dissent shall be included in the minutes of the Board of Directors' meeting.	

【Attachment 7】

Sinmag Equipment Corporation

Comparison Table for Procedures for Endorsements and Guarantees Before and After  
Revision

Article No.	Articles before the amendments	Articles after the amendments	Amendment Note
Article 2	<p>Scope of Application</p> <p>The endorsement guarantees referred to in this operating procedure include financing endorsement guarantees, customs endorsement guarantees and other endorsement guarantees.</p> <p>I. <u>Financing endorsement/guarantee shall refer to the bill discount financing, the endorsement or guarantee for the purpose of financing the other companies, and the guarantee for non-financial undertakings by issuing bill for the purpose of financing for the Company.</u></p> <p>II.~III. (Omitted)</p> <p>When the Company provides the movable property and real estate as pledge and mortgage for the guarantee of other companies' loaning, it shall also be handled in accordance with the provisions of this operating procedure.</p>	<p>Scope of Application</p> <p>The endorsement guarantees referred to in this operating procedure include financing endorsement guarantees, customs endorsement guarantees and other endorsement guarantees.</p> <p>I. <u>Financing endorsement/guarantee, including:</u>  <u>(I) bill discount financing</u>  <u>(II) The endorsement or guarantee for the purpose of financing for the other companies.</u>  <u>(III) The guarantee for non-financial undertakings by issuing bill for the purpose of financing for the Company.</u></p> <p>II.~III. (Omitted)</p> <p>When the Company provides the movable property and real estate as pledge and mortgage for the guarantee of other companies' loaning, it shall also be handled in accordance with the provisions of this operating procedure.</p>	<p>Amendments are made in accordance with Laws and actual needs.</p>
Article 3	<p>Endorsement Object</p> <p>I. The company shall make endorsements or guarantees for the following companies:</p> <p>1. A company with 50% or more of the voting shares held by the Company directly and indirectly.</p> <p>2. Endorsements and guarantees</p>	<p>Endorsement Object</p> <p>The company shall make endorsements or guarantees for the following companies:</p> <p>1. Subsidiaries in which the Company directly or indirectly holds more than 50% of the voting shares.</p> <p>2. Endorsements and guarantees</p>	<p>Amendments are made in accordance with Laws and actual needs.</p>

Article No.	Articles before the amendments	Articles after the amendments	Amendment Note
	<p>shall be made to companies with 90% or more of the voting shares held by the Company directly and indirectly. However, before the endorsements and guarantees are made, the Company shall report to <u>the Board of Directors of the Company for approval</u>. The amount shall not exceed 10% of the Company's net value according to the most recent CPA audit or reviewed financial statements. However, this does not apply to the endorsements or guarantees for companies with 100% or more of the voting shares held by the Company directly and indirectly.</p> <p>II. (Omitted)</p>	<p>shall be made for companies with 90% or more of the voting shares are held by the Company directly and indirectly. However, before the endorsements and guarantees are made, the Company shall report to <u>the Board of Directors and the audit committee of the Company for approval</u>. The amount shall not exceed 10% of the Company's net value according to the most recent CPA audit or reviewed financial statements. However, this does not apply to the endorsements or guarantees for companies with 100% or more of the voting shares held by the Company directly and indirectly.</p> <p>II. (Omitted)</p> <p><u>The subsidiaries and parent company in this operating procedure shall be identified in accordance with the provisions of the financial reporting standards for securities issuers.</u></p>	
Article 4	<p>Amount of endorsement</p> <p>I. The total amount of endorsement/guarantee provided by the Company shall not exceed 50% of the Company's net value as stated in the latest CPA's audit or reviewed financial statements.</p> <p>II. The amount of the Company's endorsement/guarantee for a single enterprise shall not exceed 50% of the Company's net value as stated in the latest CPA's audit or reviewed financial statements.</p>	<p>Amount of endorsement</p> <p>I. The total amount of endorsement/guarantee provided by the Company shall not exceed 50% of the Company's net worth as stated in the latest CPA's audit or reviewed financial statements.</p> <p>II. The amount of endorsement/guarantee provided to a single enterprise shall not exceed 50% of the Company's net value as stated in the latest CPA's audit or</p>	Amendments are made in accordance with Laws and actual needs.

Article No.	Articles before the amendments	Articles after the amendments	Amendment Note
	<p>III. <u>When undertaking endorsement guarantees due to business relations, the endorsement guarantees of the Company for a single enterprise shall be limited to the amount of business transactions between the two parties in the latest year. The amount of business transaction refers to the amount of purchase or sales between the two parties in the most recent year, whichever is higher.</u></p> <p>IV. The total amount of endorsement/guarantee provided by the Company and its subsidiaries shall not exceed 50% of the Company's net value as stated in the latest CPA's audit or reviewed financial statements. The amount of endorsement/guarantee provided to a single enterprise shall not exceed 50% of the Company's net value as stated in the latest CPA's audit or reviewed financial statements.</p>	<p>reviewed financial statements.</p> <p>III. <u>Deleted</u></p> <p>III. The total amount of endorsement/guarantee provided by the Company and its subsidiaries shall not exceed 50% of the Company's net value as stated in the latest CPA's audit or reviewed financial statements. The amount of endorsement/guarantee provided to a single enterprise shall not exceed 50% of the Company's net value as stated in the latest CPA's audit or reviewed financial statements. <u>The net value in this operating procedures refers to the equity attributable to the owners of the parent company as stated in the financial reporting standards for securities issuers.</u></p>	
Article 5	<p>Hierarchy of decision-making authority and delegation thereof</p> <p>I. When the Company provides endorsement for a guaranteed company, the appraisal results according to Article 7(2) shall be approved by more than half of all</p>	<p>Hierarchy of decision-making authority and delegation thereof</p> <p>I. When the Company provides endorsement for a guaranteed company, the appraisal results according to Article 7(2) shall be approved by more than half</p>	Amendments are made in accordance with Laws and actual needs.



Article No.	Articles before the amendments	Articles after the amendments	Amendment Note
	<p>members of the audit committee and shall be submitted to the Board of Directors for resolution. If there is no consent of more than half of the members of the committee, it shall obtain the consent of more than two-thirds of the directors, and the resolutions of the audit committee shall be stated in the proceedings of the Board of Directors' meeting. If the Company considers it necessary, the Board of Directors may authorize the chairman to decide on the matter within NT\$200 million. After the Board of Directors concludes the matter, it shall be ratified by the Board of Directors and submitted to the next annual shareholders' meeting for future reference.</p> <p>II. (Omitted)</p>	<p>of all members of the audit committee and shall be submitted to the Board of Directors for resolution. If there is no consent of more than half of the members of the committee, it shall obtain the consent of more than two-thirds of the directors, and the resolutions of the audit committee shall be stated in the proceedings of the Board of Directors' meeting. If the Company deems it necessary, the Board of Directors may authorize the chairman to make a decision within NT\$200 million, which shall be approved by <u>the audit committee and the Board of Directors</u> afterwards, and the case shall be reported to the next annual shareholders' meeting for review.</p> <p>II. (Omitted)</p>	
Article 7	<p>Endorsement Procedures</p> <p>I. (Omitted)</p> <p>II. Review procedures include:</p> <ol style="list-style-type: none"> <li>1. The necessity and reasonableness of endorsement/guarantee</li> <li>2. Credit investigation and risk assessment of the endorsed object.</li> <li>3. Impact on the Company's operational risks, financial conditions and shareholders' equity.</li> <li>4. Whether the collateral and the value evaluation of the collateral shall be obtained.</li> </ol> <p>The collateral is not necessary for the</p>	<p>Endorsement Procedures</p> <p>I. (Omitted)</p> <p>II. Review procedures include:</p> <ol style="list-style-type: none"> <li>1. The necessity and reasonableness of endorsement/guarantee</li> <li>2. Credit investigation and risk assessment of the endorsed object.</li> <li>3. Impact on the Company's operational risks, financial conditions and shareholders' equity.</li> <li>4. Whether the collateral and the value evaluation of the collateral shall be obtained.</li> </ol> <p>The collateral is not necessary for</p>	<p>Amendments are made in accordance with Laws and actual needs.</p>

Article No.	Articles before the amendments	Articles after the amendments	Amendment Note
	<p>purpose of providing endorsements and guarantees for the subsidiaries whose 50% or more of the voting shares are held by the Company directly or indirectly.</p> <p>III.~V. (Omitted)</p> <p>VI. When the endorsed object is not in conformity with the object of the “Guidelines for the Handling of Capital Loaning and Endorsement Guarantee of Publicly Owned Corporation” or when the amount exceeds the limit, the Company shall formulate an improvement plan and send the relevant improvement plan to supervisors, and conduct the improvement according to the plan.</p> <p>VII. When the Company or its subsidiary company endorses a guarantee for a subsidiary company whose net value is less than one-half of the paid-in capital, in addition to the provisions of the preceding paragraph, the internal auditors of the Company shall at least quarterly audit procedures for endorsement guarantee and its implementation, and make written records. If significant irregularities are found, the audit committee and the Board of Directors shall be notified in writing.</p>	<p>the purpose of providing endorsements and guarantees for the subsidiaries whose 50% or more of the voting shares are held by the Company directly or indirectly.</p> <p>III.~V. (Omitted)</p> <p>VI. When the endorsed object is not in conformity with the object of the “Guidelines for the Handling of Capital Loaning and Endorsement Guarantee of Publicly Owned Corporation” due to the changes in the Company or when the amount exceeds the limit, the Company shall formulate an improvement plan and send the relevant improvement plan to supervisors, and conduct the improvement according to the plan.</p> <p>VII. When the Company or its subsidiary company endorses a guarantee for a subsidiary company whose net value is less than one-half of the paid-in capital, in addition to the provisions of the preceding paragraph, the internal auditors of the Company shall at least quarterly audit procedures for endorsement guarantee and its implementation, and make written records. If significant irregularities are found, the audit committee and the Board of Directors shall be notified in writing.</p>	
Article 9	<p>Announcement and Declaration Procedures</p> <p>I. The company shall announce the balance of endorsement</p>	<p>Announcement and Declaration Procedures</p> <p>I. The company shall announce the balance of endorsement</p>	Amendments are made in accordance with Laws

Article No.	Articles before the amendments	Articles after the amendments	Amendment Note
	<p>guarantees of the Company and its subsidiaries in accordance with the relevant provisions of the competent authority. In addition, if the balance of endorsement guarantees reaches one of the following criteria, the Company shall make a declaration within two days from the date of occurrence of the facts:</p> <ol style="list-style-type: none"> <li>1. The balance of endorsement and guarantee of the Company and its subsidiaries reaches 50 % or more of the Company's <u>net value as stated in the latest financial statements.</u></li> <li>2. The balance of endorsements and guarantees made by the Company and its subsidiaries to a single enterprise reaches 20% or more of the Company's <u>net value as stated in the latest financial statements.</u></li> <li>3. The balance of endorsements and guarantees made by the Company and its subsidiaries to a single enterprise reaches NT\$10 million <u>and the total balance of endorsement and guarantee, long-term investment, and capital lending of the Company</u></li> </ol>	<p>guarantees of the Company and its subsidiaries in accordance with the relevant provisions of the competent authority. In addition, if the balance of endorsement guarantees reaches one of the following criteria, the Company shall make a declaration within two days from the date of occurrence of the facts:</p> <ol style="list-style-type: none"> <li>1. The balance of endorsements and guarantees of the Company and its subsidiaries reaches 50% or more of the Company's <u>net worth as stated in the latest audited financial statements.</u></li> <li>2. The balance of endorsements and guarantees made by the Company and its subsidiaries to a single enterprise reaches 20% or more of the Company's <u>net value as stated in the latest CPA's audit or reviewed financial statements.</u></li> <li>3. The balance of endorsements and guarantees made by the Company and its subsidiaries to a single enterprise reaches NT\$10 million <u>or more and the aggregate amount of carrying amount of the investments accounted for using equity method and</u></li> </ol>	and actual needs.

Article No.	Articles before the amendments	Articles after the amendments	Amendment Note
	<p><u>reaches 30% or more of the Company's net value as stated in the latest financial statements.</u></p> <p>4. The added amount of endorsement/guarantee made by the Company or its subsidiaries reaches NT\$30 million and reaches 5% of the Company's <u>net value in the most recent financial statements.</u></p> <p>II. (Omitted)</p>	<p><u>balance of fund loaning more than 30% of the Company's net value as stated in the latest CPA's audit or reviewed financial statements.</u></p> <p>4. The amount of endorsement/guarantee made by the Company or its subsidiaries reaches NT\$30 million and reaches 5% of the Company's <u>net value as audited by the CPA or stated in the reviewed financial statements.</u></p> <p>II. (Omitted)</p>	
Article 13	<p>Implementation and Amendment</p> <p>The formulation of this operating procedure shall be approved by more than one-half of all members of the audit committee, and shall be submitted to the Board of Directors for resolution and then submitted to the shareholders' meeting for approval before implementation. If it is not approved by more than one-half of the members of the audit committee, it shall be approved by more than two-thirds of all the directors, and shall be implemented after the resolution of the audit committee is stated in the minutes of the Board of Directors' meeting and approved in the shareholders' meeting. If a director expresses his objection and has a record or written statement, the Company shall submit his objection to the shareholders' meeting for discussion. The same procedures shall be followed for amendments.</p>	<p>Implementation and Amendment</p> <p>The formulation of this operating procedure shall be approved by more than one-half of all members of the audit committee, and shall be submitted to the Board of Directors for resolution and then submitted to the shareholders' meeting for approval before implementation. If it is not approved by more than one-half of the members of the audit committee, it shall be approved by more than two-thirds of all the directors, and shall be implemented after the resolution of the audit committee is stated in the minutes of the Board of Directors' meeting and approved in the shareholders' meeting. If a director expresses his objection and has a record or written statement, the Company shall submit his objection to the shareholders' meeting for discussion. The same procedures shall be followed for amendments.</p>	Amendments are made in accordance with Laws and actual needs.

Article No.	Articles before the amendments	Articles after the amendments	Amendment Note
	When it is discussed in the Board of Directors' meeting, the opinions of each independent director shall be fully considered and the specific opinions and reasons for assent or dissent and assent or dissent and their reasons for dissent shall be included in the minutes of the Board of Directors' meeting.	When it is discussed in the Board of Directors' meeting, the opinions of each independent director shall be fully considered and the specific opinions and reasons for assent or dissent and assent or dissent and their reasons for dissent shall be included in the minutes of the Board of Directors' meeting.	

Sinmag Equipment Corporation

Articles of Incorporation

**Chapter 1**

**General Provisions**

- Article 1 The Company is organized in accordance with the provisions of the Company Act, and is named as Sinmag Equipment Corporation.
- Article 2 The Company's businesses are as follows:
1. F113010: Wholesale of Machinery
  2. F213080: Retail Sale of Machinery and Equipment
  3. CB01010: Machinery and Equipment Manufacturing
  4. F401010: International Trade
  5. ZZ99999: All business items that are not prohibited or restricted by law, except those that are subject to special approval.
- Article 3 The company has its head office in New Taipei City. If necessary, it may set up branches in Taiwan and abroad after the resolution of the Board of Directors and the approval of the competent authority.
- Article 4 The announcement method of the Company shall be made in accordance with the provisions of the Company Law and the competent authority.
- Article 5 The company may act as a guarantor for other party upon the Board of Directors' resolution if necessary for its operations.
- Article 6 The total foreign investment of the Company is not subjected to the limit of 40% of the paid-in capital as stipulated in Article 13 of the Company Act, and the Board of Directors is authorized to execute.
- Article 6-1 When a public issue of shares is proposed to be revoked, the Company shall propose to the shareholders' meeting for resolution and this article shall not be changed during listing period.

**Chapter II**

**Shares**

- Article 7 The total capital of the Company is NT\$600,000,000, divided into 60,000,000 shares, at NT\$10 each. The Board of Directors is authorized to issue the Company's shares in installments according to the business of the Company. Within the aforementioned capital, NT\$21,000,000 divided into 2,100,000 shares at a par value NT\$10, is for employee stock options.
- Article 7-1 According to Article 56-1 of Regulations Governing the Offering and Issuance of Securities by Securities Issuers and Article 10-1 of Regulations Governing Share Repurchase by Exchange-Listed and OTC-Listed Companies, the Company shall issue the employee's executive stock option at the price lower than the closing price of the Company's common stock in the issuing date and repurchase the treasury stock at an average price lower than average price of the actual share redemption price, and transfers it to the employee, with the consent of more than two-thirds of

the voting rights of the shareholders present in the shareholders' meeting by shareholders representing more than half of total number of voting shares.

Article 8 The company's shares are registered, and shall be signed or stamped by three or more directors, and shall be affixed with the logo and number of the Company, and shall be issued upon signing by competent authority or the issuing agency approved by the competent authority according to the Law.

When the Company issues new shares, it is exempted from printing stocks, but it should be registered with the securities centralized depository institutions. The same procedures shall be followed for other securities.

Article 9 Administration of shareholder service shall be in accordance with Regulations Governing the Administration of Shareholder Service of Public Companies and relevant laws and regulations issued by the competent authority.

Article 10 Registration for transfer of shares shall be suspended 60 days before the date of regular shareholders' meeting, within 30 days before the date of extraordinary shareholders' meeting or within 5 days before the record dates for distribution of dividends, bonuses or other benefits of the Company.

## **Chapter 2 Shareholders' Meeting**

Article 11 The shareholders' meeting of the Company shall be of two types, namely extraordinary meeting and temporary meeting. The regular meeting is held once a year and within six months after the end of each fiscal year. The extraordinary meeting shall be convened in accordance with the relevant laws when necessary.

Article 12 The shareholders' meeting shall be convened by the Board of Directors and chaired by the chairman. When the chairman is absent, the chairman shall designate one director as his representative. If no representative is designated, the directors shall elect one director to act as chairman. When a meeting is convened by any other person having convening right, the chairman shall be the convener. If the conveners have one or more persons, the chairman shall be elected among themselves.

Article 13 The date, place and cause of the meeting shall be notified to the shareholders 30 days before the date of the shareholders' meeting, and 15 days before the date of the extraordinary shareholders' meeting.

The notice of the convening of the shareholders' meeting may be delivered in electronic transmission after obtaining consent from the recipients.

For the shareholders holding less than 1,000 shares of registered shares, the convening notice of the shareholders' meeting may be notice by announcing on Market Observation Post System.

Article 14 A shareholder who is unable to attend a shareholders' meeting, he/she may appoint a proxy to attend the meeting by providing a power of attorney printed by the Company specifying the scope of authorization, or by electronic means. In addition to the provisions of the Company Act, the procedure for proxy for attendance of the shareholders shall be in accordance with Regulations Governing the Use of Proxies

for Attendance at Shareholder Meetings of Public Company promulgated by the competent authority.

Article 15 The shareholders' meeting of the Company shall be in accordance with the "Rules of Procedures for Shareholders' Meetings" unless otherwise stipulated by law.

Article 16 Shareholders of the Company have one vote per share and may be exercised in writing or electronically. However, this restriction does not apply to any non-voting shares having a restricted right or those with non-voting right under Article 179-2 of the Company Act.

Article 17 Resolution at a shareholder's meeting shall, unless otherwise provided for in the Company Act, be adopted by a majority vote of shareholders present, who represent more than one-half of total number of voting shares.

Article 18 The resolution of the shareholders' meeting shall be recorded in the minute. The minute shall be made in accordance with Article 183 of the Company Act.

#### **Chapter IV Directors and Audit Committee**

Article 19 The company shall be seven to nine directors, who shall be elected by the shareholders' meeting from among the persons with disposing capacity, with a term of three years. They shall be eligible for re-election. The election of directors of the Company adopts a cumulative voting system. Each share has the same voting rights as the number of directors to be elected. One person may be collectively elected, or several persons may be allocated for election. The person represented by more votes will be elected as directors.

Article 19-1 The company shall , appoint independent directors in the abovementioned directors in accordance with Article 14-2 of the Securities and Exchange Act. Independent directors shall not be less than three in numbers, and not less than one-fifth of the number of directors.

The election and appointment of directors of the Company shall be subject to the system of nomination of candidates under Article 192(1) of the Company Law, and directors shall be elected by shareholders on the list of candidates for directors. The matters to be complied with in relation to the independent directors shall be handled in accordance with the provisions of the Company Act and the securities competent authority.

Article 19-2 The company shall establish an audit committee, which shall consist of all independent directors in accordance with Article 14-4 of the Securities and Exchange Act. The audit committee is responsible for the implementation of the functions and powers of the supervisor stipulated in the Company Act, the Securities and Exchange Act and other laws. The audit committee shall be composed of all independent directors and the relevant organizational rules are determined by the resolutions of the Board of Directors.

Article 20 When the vacancy of positions of directors reaches one third, the Board of Directors shall convene an extraordinary shareholders' meeting within 60 days for a by-



election, and the term of office shall be limited to the period of replenishment of the original term.

Article 21 When a director's term expires and another director cannot be elected in time, he or she shall extend his or her duties until the re-elected director takes office.

Article 22 The Board of Directors' meeting is organized by the directors and shall be attended by more than two-thirds of the directors, among whom the chairman of the board shall be elected with the consents of more than one-half of the directors. The chairman of the Board of Directors represents the Company.

Article 23 Except for the first meeting of each term of the Board of Directors shall be convened in accordance with Article 203 of the Company Act, any meeting of the Board of Directors shall be convened by the Chairman who also serves as chairman of the Board of Directors' meeting. Except as otherwise stipulated in the Company Act, the resolutions of the Board of Directors shall be attended by more than half of all the directors shall obtain the consents of more than half of the directors present. If a director is unavailable to attend the Board of Directors' meeting in person for some reasons, he/she may issue a power of attorney to entrust other director to attend the meeting on his/her behalf in accordance with Article 205 of the Company Act. However, the proxy may only be entrusted by one person.

When the Board of Directors' meeting is in the form of a video conference, the directors attending the meeting by video are deemed to be present in person.

When convening of the Board of Directors' meeting of the Company, the reasons shall be stated and the directors shall be notified seven days before the meeting.

However, in the event of an emergency, the meeting may be convened at any time.

When convening of the Board of Directors' meeting of the Company, the directors shall be notified in writing, e-mail or fax.

Article 24 When the chairman of the Board of Directors asks for leave or fails to perform his duties for any reason, the chairman of the Board of Directors shall appoint one of the directors to be the proxy. If the chairman does not appoint a proxy, the directors shall recommend a director as the chairman.

Article 24-1 The remuneration of all directors shall be determined by the Board of Directors according to the degree of directors' participation in the operation of the Company and their contribution, and shall be determined by reference to the standard of the industry.

Article 24-2 The company shall purchase directors and officers liability insurance for its directors during their term.

Article 25 The board of directors' functions and responsibilities are as follows:

- I. Examination and review of operational policy and medium-term and long-term development plans.
- II. Review and supervision of the annual business plan.
- III. Review of the budget and final accounts.

- IV. Review of capital increase/decrease plans.
- V. Examinations of earnings distribution or deficit compensation.
- VI. Review and approval of important external contracts.
- VII. Review of the Company's Articles of Incorporation or its amendments.
- VIII. Review of the Company's organizational rules and important business rules.
- IX. Review and approve the branch's establishment, reorganization or dissolution.
- X. Approval of major capital expenditure plans.
- XI. Appointment and discharge of general manager.
- XII. Implementation of resolutions of the shareholders' meeting.
- XIII. Review of matters submitted by general manager.
- XIV. Convening of shareholders' meetings and preparing business reports.
- XV. Other business that shall be handled according to the law.

Article 26 Deleted.

## **Chapter 5 Manager**

Article 27 The company has a general manager whose appointment, discharge and remuneration shall be in accordance with Article 29 of the Company Act.

## **Chapter VI Accounting**

Article 28 The company's fiscal year begins on January 1st and ends on December 31st. After fiscal year, the Board of Directors shall prepare the following reports and submit to the regular meeting of shareholders for audit and approval in accordance with legal procedures.

I. Business Report

II. Financial Statements

III. Proposal for Earnings Distribution and Deficit Compensation

Article 29 The company shall allocate 2% to 10% of the profit of the fiscal year as employees' compensation if profit in the year. The employees' compensation will be distributed in share or cash by the resolution of the Board of Directors. The employees of the subordinate company that meet certain conditions may be granted such compensation. The Board of Directors can determine by resolution to allocate no more than 5% of the above mentioned profit as directors' compensation. Proposals for employees' and directors' shall be reported to the shareholders' meeting.

The company shall reserve the amount of compensations in advance if there is cumulative deficiency before appropriating employees' and directors' compensation in accordance with the aforementioned percentage.

Before the establishment of the Company's audit committee, the supervisor's remuneration and the bonus to directors shall be appropriated no more than 5% of the profit of the fiscal year, and this article shall apply.

Article 29(1 ) If there is earning of the fiscal year, the Company shall pay taxes according to law and make up for the accumulated losses, and then aside 10% of the profit as legal

reserve. However, when the legal capital reserve has reached the Company's paid-in capital, it may not be appropriated any more, and the Company shall appropriate or reverse the special reserve in accordance with the law. If there is any remaining balance and accumulated undistributed surplus, the Board of Directors shall prepare a proposal for earning distribution and propose to the shareholders meeting for resolution for distributing dividends and bonuses to shareholders.

The company's dividend policy shall be determined pursuant to factors, based on the current and future development plans, the investment environment, capital needs and domestic and international competitive situation, and the interests of shareholders, etc., The company shall appropriate no less than 20% of the retained earnings available for distribution. The dividends may be paid in cash or stock, and the cash dividends shall not be less than 20% of the total dividends.

## **Chapter 7**

### **Supplementary Provisions**

#### **Article 30**

The company's organizational rules and regulations shall be stipulated separately by the Board of Directors.

#### **Article 31**

Matters not specified in the Articles of Incorporation shall be handled in accordance with the provisions of the Company Act and the relevant laws and regulations.

#### **Article 32**

The first amendment was made on September 15, 1983

The second amendment was made on October 8, 1984

The third amendment was made on September 12, 1985

The fourth amendment was made on September 17, 1991

The fifth amendment was made on July 9, 1995

The sixth amendment was made on February 18, 1997

The seventh amendment was made on May 14, 1997

The eighth amendment was made on March 29, 2002

The ninth amendment was made on November 20, 2003

The tenth amendment was made on June 16, 2004

The eleventh amendment was made on June 25, 2005

The twelfth amendment was made on June 24, 2006

The thirteenth amendment was made on May 30, 2007

The fourteenth amendment was made on June 13, 2008

The fifteenth amendment was made on June 16, 2009

The sixteenth amendment was made on June 17, 2010

The seventeenth amendment was made on June 17, 2010

The eighteenth amendment was made on June 19th, 2012.

The nineteenth amendment was made on June 28th, 2013.

The twentieth amendment was made on June 23th, 2014.

The twenty-first amendment was made on June 30th, 2015.

The twenty-second amendment was made on June 6th, 2016.

The twenty-third amendment was made on June 19th, 2017.

The twenty-fourth amendment was made on June 13, 2018.

Sinmag Equipment Corporation  
Chairman: Hsieh, Shun-ho

Sinmag Equipment Corporation  
Procedures for Acquisition or Disposal of Assets

Article 1 Purpose

This processing procedure is specially formulated to protect assets and implement information disclosure.

Article 2 Legal basis

The Procedures are established in accordance with Article 36-1 of the Securities Exchange Act and the Standards for the Processing of Assets Acquisition or Disposal by the Publicly Owned Corporation.

Article 3 Scope of Assets

- I. Marketable securities: include stocks, government bonds, corporate bonds, financial bonds, securities representing securities, depositary receipts, subscription (sales) warrants, beneficiary securities and asset-backed securities.
- II. Property (including land, housing and construction, investment property, land use rights, inventory of construction enterprises) and equipment.
- III. Membership card.
- IV. Intangible assets include patents, copyrights, trademark rights, and franchise.
- V. Claims of financial institutions (including receivables, buying exchange discount and loans, and overdue receivables).
- VI. Derivative products
- VII. Assets acquired or disposed of by merger, demerger, acquisition or transfer of shares according to the law.
- VIII. Other important assets.

Article 4 Definition

- I. Derivative commodity: refers to forward contracts, option contracts, futures contracts, leveraged guarantee contracts, exchange contracts, and combinations of the above commodities derived from commodities such as assets, interest rates, exchange rates, index or other interests, etc. The term “forward contract” does not include insurance contracts, performance contracts, after-sales service contracts, long-term lease contracts and long-term import and sales contracts.
- II. Assets acquired or disposed of by merger, demerger, acquisition or transfer of shares according to the law refer to assets acquired or disposed of by merger, demerger or acquisition in accordance with the merger law, financial holding company law, financial institution merger law or other laws, or transferee of the Company shares issued in accordance with the provisions of Article 156(8) of the Company Law.
- III. Related parties and subsidiaries shall be defined according to the regulations stipulated in the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

- IV. Professional appraisers refer to the real estate appraisers or other persons who are engaged in real estate and equipment valuation according to the law.
- V. Date of occurrence of the event refers to the date of signing of the transaction, date of payment, date of consignment transaction, date of transfer, date of Board of Directors' resolution, or other dates that can confirm the counterpart and monetary amount of the transaction, whichever date is earlier. However, for investment that shall be approved by the competent authority, the earlier of the above date or the date of receipt of approval by the competent authority shall prevail.
- VI. Investment in Mainland China refers to investment in the PRC investment or technical cooperation permit stipulated by the Investment Commission of the Ministry of Economic Affairs in Mainland China.
- VII. The term "within one year" refers to one year from the date of acquisition or disposal of assets, without reckoning in the announced part.
- VIII. The term "most recent financial statements" refers to the financial statements that are publicly announced and attested by a CPA before the acquisition or disposal of assets.

Article 5 Amount of investment in non-operating real estate and marketable securities  
The amount of the above assets obtained by the Company and each subsidiary individually is as follows:

- I. The total amount of non-operating property not for business use shall not exceed 15% of the net value.
- II. The total amount of investment in securities shall not exceed 70% of the net value.
- III. The amount of investment in individual securities shall not be greater than 50% of the net value.

Article 6 The professional appraiser and appraisal personnel, accountant, lawyer or the securities underwriter who provides the appraisal report of the Company shall not be a related party to the transaction party.

Article 6-1 If a director expresses an objection to the procedures of acquisition or disposal of assets or other legal requirements that should be approved by the Board of Directors, and has a record or written statement, the Company shall also send the director's objection information to the audit committee.

When the acquisition or disposal of assets are submitted to the Board of Directors for discussion in accordance with the preceding paragraph, the Company shall take into full consideration each independent director's opinions. If an independent director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the Board of Directors' meeting.

The company's major assets or derivative commodity transactions shall be approved by more than half of all members of the Audit Committee and shall be submitted to the Board of Directors for resolution. If there is no consent of more than half of the

members of the Committee, it shall obtain the consent of more than two-thirds of the directors.

Article 6(2) If the Company acquires or disposes of assets through the court auction process, the appraisal report or accountant's opinion shall be replaced by the certification documents issued by the court.

Article 6(3) The company shall not waive its capital contribution to the Lucky Union Limited in the future years; Lucky Union Limited shall not waive its capital contribution to Sinmag Limited in the future years; Sinmag Limited shall not waive its capital contribution to Sinmag Bakery Equipment Sdn. Bhd. (Malaysia), Sinmag Equipment (Wuxi) Co., Ltd., Wuxi New Order Control Co., Ltd., and Lipang Mixing Equipment (Wuxi) Co., Ltd. If the Company has not made any capital increase or disposal of the Company, it shall be approved by a special resolution of the Board of Directors of the Company. If there are any amendments to the above two items, the observatory should input important information on the open information observatory and report to the counter purchase center for reference.

Article 7 Procedures for Acquisition or Disposal of Real Property or Equipment

I. Appraisal and operating procedures

The company's acquisition or disposal of real property and equipment shall be conducted in accordance with the Company's internal control system and the fixed assets processing procedures.

II. Procedures for determining trading conditions and authorization limits

(I) In acquiring or disposing of assets, the Company shall take publicly-announced current value, appraisal value, and real transaction price of nearby real estate into consideration for the transaction criteria and price. The above information shall be compiled into an analysis report and submitted to the chairman. For transaction whose amount is no more than NT\$ 20 million, the transaction shall be submitted to the chairman for approval and reported and recorded in the most recent Board of Directors' meeting on an after-event basis. For those exceeding NT\$ 20 million, the transaction shall be approved by both the audit committee and the board of director.

(II) Acquisition or disposal of equipment shall be made by inquiry, price comparison, price bargaining or bidding. If the amount is less than NT\$ 10 million (inclusive), it shall be approved by the general manager; if the amount is between NT\$ 10 and NT\$ 30 million (inclusive), it shall be submitted to the chairman for approval and reported and recorded in the most recent Board of Directors' meeting on an after-event basis. For those exceeding NT\$ 30 million, the transaction shall be approved by both the audit committee and the Board of Directors.

III. Execution Unit

When the Company acquires or disposes of real property or equipment, decision

shall be submitted in accordance with the jurisdiction of the preceding paragraph, and then executed by the use department, the procurement department and the relevant authority and responsibility department.

#### IV. Appraisal Report on Real Property or Equipment

When the Company acquires or disposes of real estate or equipment, excluding transactions with government agencies, construction of local land, construction of land leases, or acquisition or disposal of equipment for business use, if the transaction amount reaches 20% of the Company's paid-in capital or more than NT\$ 300 million, the appraisal report issued by the professional appraiser shall be obtained before the date of the fact, and the following procedures shall be followed:

- (I) When a fixed price, a specific price or a special price is required as the basis of reference for the transaction price for special reasons, the transaction shall be first approved by the audit committee and approved by the Board of Directors. If there is any change in the future trading conditions, the said transaction shall be handled in accordance with the above-mentioned procedures.
- (II) If the transaction amount reaches NT\$ 1 billion or more, appraisals from two or more professional appraisers shall be obtained.
- (III) If any of the following circumstances occurs to the appraisal result of professional appraiser, the appraisal results of the asset shall be conducted in the following circumstances: The appraisal results of the asset shall be conducted in accordance with the accounting standards adopted by the CPA in accordance with the Accounting Standards for the Financial Research and Development Foundation (hereinafter referred to as the "Accounting Research and Development Foundation"). The CPA shall also engage a CPA to make specific recommendations on the difference between the reason for the discrepancy and the transaction price.
  1. The discrepancy between the appraisal results and the transaction amount is 20% or more of the transaction amount.
  2. The discrepancy between the appraisal results of two or more professional appraisers is 10% or more of the transaction amount.
- (IV) No more than 3 months may elapse between the date of the appraisal report issued by a professional appraiser and the contract execution date. However, if the publicly announced current value of the same period is used and the past six months have not elapsed, the original professional appraiser may issue an opinion.
- (V) If the amount of transactions above is calculated as the amount of the transaction mentioned in Paragraph 1, Article 14, and the amount of the year is calculated as a basis, the amount of appraisal reports or CPA's opinion



from a professional appraiser shall be calculated in accordance with the provisions of the preceding paragraph.

Article 8 Acquisition or disposal of securities investment procedures

I. Appraisal and operating procedures

The Company's acquisition or disposal of securities shall be conducted in accordance with the Company's internal control system investment reversed.

II. Procedures for determining trading conditions and authorization limits

The acquisition or disposal of securities with an amount less than NT\$10 million (inclusive) shall be approved by the general manager. If the amount is more than NT\$10 million and less than NT\$30 million (inclusive), it shall be approved by the chairman of the Board of Directors and reported at the latest Board of Directors' meeting afterwards. If the amount exceeds NT\$30 million, the approval of the audit committee and the approval of the Board of Directors are required.

III. Execution Unit

The Company's acquisition or disposal of securities shall be approved by the financial unit in accordance with the approval of the aforementioned resolution.

IV. Acquisition of expert opinions

For the Company's acquisition or disposal of marketable securities, it shall take the latest financial statements of the underlying company which have been checked by CPC before the facts occur as a reference for evaluating the transaction price. If the transaction amount reaches 20% of the Company's paid-in capital or more than NT\$300 million, it shall consult the accountant before the facts occur to express its views on the reasonableness of the transaction price. If an accountant needs to use an expert reporter, it should be handled in accordance with the stipulations No. 20 of the Auditing Standards Bulletin issued by the Republic of China Accounting Research and Development Foundation. However, this restriction does not apply to any marketable securities with quoted prices in an active market or as otherwise provided by the Financial Supervisory Commission.

The calculation of the amount of transactions above shall be conducted in accordance with Paragraph 1, Article 14, and the term "within the preceding year" shall be calculated as a basis for the year preceding the date of occurrence of the transaction. The appraisal report or CPA's opinion from a professional appraiser shall be calculated in accordance with the procedures for the transaction.

Article 9 Procedures for Acquisition or Disposal of Membership Card or Intangible Asset

I. Appraisal and operating procedures

The Company's acquisition or disposal of membership card or intangible assets shall be conducted in accordance with the Company's internal control system and the fixed assets processing procedures.

II. Procedures for determining trading conditions and authorization limits

(I) In acquiring or disposing of membership, market fair value shall be taken into consideration while deciding on transaction conditions and trading prices. An analysis report shall be submitted to the general manager. For transaction amounts lower than 1% of the Company's paid-in capital or less than NT\$3 million, approval from the general manager is required and shall be reported to the most recent board meeting. For transaction exceeding NT\$3 million, approval from the board shall be obtained prior to executions.

(II) In acquiring or disposing of intangible assets, the Company shall refer expert appraisal report, fair market value, make resolution of trading conditions and transaction price, and compile them into an analysis report and submit them to the chairman. For transaction whose amount is no more than 10% of the Company's paid-in capital or NT\$ 20 million, the transaction shall be submitted to the Chairman for approval and reported and recorded in the most recent Board of Director meeting on an after-event basis. For those exceeding NT\$ 20 million, the transaction shall be approved by both Audit Committee and the Board of Directors.

III. Execution Unit

The Company's acquisition or disposal of membership or intangible assets shall be executed by the user department and relevant authorities and responsible departments after the approval according to the aforementioned jurisdiction.

IV. Appraisal Report of Membership Card or Intangible Asset

Except for transactions with government institutions, transaction amounts that reach 20% of the Company's paid-up capital or NT\$300 million or more shall require an accountant's opinion on the reasonableness of the transaction prices before the date of the actual event. The accountant shall comply with Rule No. 20 of the International Financial Reporting Standards announced by the ARDF.

V. The calculation of the amount of transactions above shall be conducted in accordance with Article 14-1(5), and the term "within one year" refers to one year from the date of acquisition or disposal of assets, without reckoning in the announced part.

Article 10 Procedures for related party transaction

I. In acquiring or disposing of assets, the Company and its related parties shall, in addition to handling relevant resolution procedures and assessing the reasonableness of the transaction conditions in accordance with the provisions of

article 7, article 8 and article 9, obtain the appraisal report or CPA's opinion from the professional appraisers if the transaction amount reaches 10% or more of the Company's total assets. The transaction amount shall be calculated in accordance with the following methods:

1. The amount of each transaction.
2. The cumulative transaction amount of acquisitions and disposals of the same type of underlying asset with the same counterparty within one year.
3. The cumulative transaction amount of real property acquisitions and disposals (cumulative acquisitions and disposals, respectively) within the same development project within one year.
4. The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of the same security within one year.

The term "within one year" refers to one year before the date of occurrence of the current transaction. The period when an appraisal report or CPA's opinion is obtained from professional appraisers according to the procedures shall not be reckoned in.

In addition, when judging whether the transaction object is a related party, the substantive relationship should be considered in addition to paying attention to its legal form.

## II. Appraisal and operating procedures

When the Company intends to acquire or dispose of real property or right-of-use assets thereof from or to a related party, or when it intends to acquire or dispose of assets other than real property or right-of-use assets thereof from or to a related party and the transaction amount reaches 20% or more of paid-in capital, 10% or more of the Company's total assets, or NT\$300 million or more, except in trading of domestic government bonds or bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises, the following information and materials shall be submitted to the audit committee and Board of Directors for approval before the contract is signed or payments made. If there is no consent of more than half of all members of the Audit Committee, it shall obtain the consent of more than two-thirds of all Directors before signing the transaction contract and making payment, and the resolution of the Audit Committee shall be stated in the minutes of the Board of Directors' Meeting.

The terms "all Audit Committee members" and "all Directors" as stated herein shall be counted as the actual number of persons currently holding those positions.

- (I) The purpose, necessity and anticipated benefits of acquisition or disposal of assets.
- (II) The reason for choosing a related party as a transaction object.
- (III) When acquiring real property from related parties, relevant information

for assessing the reasonableness of the predetermined transaction conditions shall be in accordance with paragraph 3 of this article.

- (IV) The date and price of the related party originally acquired, trading object, and its relationships with company and the related party.
- (V) Monthly cash flow forecasts for the year commencing from the anticipated month of signing of the contract, and evaluation of the necessity of the transaction and reasonableness of the funds utilization.
- (VI) An appraisal report issued by the professional appraiser obtained in accordance with the provisions of the first paragraph of this article, or the opinion of the CPA.
- (VII) Restrictive conditions and other important stipulations of the transaction.

The calculation of the amount of transactions mentioned in the preceding paragraph shall be conducted in accordance with paragraph 1 of this article. The term “within one year” as used in the preceding paragraph shall be calculated as a basis for the year preceding the date of occurrence of the current transaction. The part of transaction submitted to the audit committee and approved by the Board of Directors in accordance with the provisions of this Procedure shall not be reckoned in.

In the case of obtaining or disposing of equipment for business use between the Company and its parent company or its subsidiaries, the Board of Directors shall authorize the Chairman to make a decision in the amount between NT\$ 10 million and NT\$ 30 million, and then reported to the most recent Board of Directors for subsequent ratification.

When a matter is reported to the Board of Directors, the opinions of each Independent Director shall be taken into full consideration. If an Independent Director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the Board of Directors’ Meeting.

### III. Assessment of the reasonableness of transaction costs

- (I) The company shall evaluate the reasonableness of transaction costs to related parties in acquiring real property from a related party:
  - 1. Based on the transaction price of related party, plus necessary interest on funding and the cost legally 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. This may not be higher than the maximum non-financial industry lending rate announced by the Ministry of Finance.
  - 2. If a related party has previously set up a mortgage loan to a financial institution, the financial institution’s loan evaluation value shall be assessed by financial institutions. However, the financial institution’s actual loan-backed accumulated value of the subject matter shall be

more than 70% of the total value of the evaluation and the loan period has been over one year. However, this is not applicable if a financial institution and one of the parties involved in the transaction are related to each other.

- (II) In the case of the combined purchase of land and premises of the same subject matter, the transaction costs shall be assessed in accordance with any of the methods listed in the preceding paragraph.
- (III) Where the Company acquires real property from a related party, the Company shall appraise the cost of real property according to III (I) and (II) of this Article and shall entrust a CPA to review the appraisal and render specific opinions.
- (IV) Where the Company acquires real property from a related party, the Company shall operate in accordance with the relevant appraisal and operating procedures of provision II of this Article, other than the appraisal provisions of III (I), (II) and (III) of this article on the reasonableness of the transaction costs:
  - 1. The real estate acquired by the parties concerned is by inheritance or gift.
  - 2. More than five years will have elapsed from the time the Related Party signed the contract to obtain the real property to the signing date for the current transaction.
  - 3. The real property is acquired through signing of a joint development contract with the Related Party, or through engaging a Related Party to build real property, either on the Company's own land or on leased land.
- (V) In the Company's acquisition of real property from a related party, if the appraisal results conducted both in accordance with III (I) and (II) of this Article are lower than the transaction price, it shall be conducted in accordance with III (VI) and (VII) of this Article. However, this restriction does not apply to the following circumstances where objective evidence is raised and the specific opinions of real estate appraisers and CPAs on the reasonability are obtained:
  - 1. Where the related party is someone who acquired undeveloped land or leased land, it may submit a proof of compliance with one of the following conditions:
    - (1) The undeveloped land shall be appraised according to the method prescribed in the preceding article, and the appraisal of the house is based on the construction cost of the related parties plus the reasonable construction profit, which is more than the actual transaction price. The term "reasonable construction profit" shall

be based on the average gross operating profit margin of the related party's construction department for the recent three years or the gross profit margin of the construction industry in the most recent period announced by the Ministry of Finance, whichever is lower.

- (2) There is case transaction of other floors of the same subject building or in neighboring areas within one year, provided that the area and condition are equivalent according to the reasonable appraisal of real estate.
  - (3) In the case of other non-related lease cases within one year on other floors of the same property, the transaction terms are estimated to be equivalent based on reasonable floor price differences in accordance with the practice of real estate lease.
2. The company provides evidences to prove that the transaction conditions of the real estate purchased from the related parties are the same as the transaction cases of other non-related parties in the neighboring areas within one year and the area is similar. Completed transactions involving neighboring or closely valued parcels of land in the preceding paragraph in principle refers to parcels on the same or an adjacent block and within a distance of no more than 500 meters or parcels close in publicly announced current value; transactions involving similarly sized parcels in principle refers to transactions completed by unrelated parties for parcels with a land area of no less than 50% of the property in the planned transaction; within the preceding year refers to the year preceding the date of occurrence of the acquisition of the real property or obtainment of the right-of-use assets thereof.
- (VI) If the Company acquires real property from a related party, the appraisal results shall be conducted in the following paragraphs if the appraisal results are lower than the transaction price in accordance with the provisions (I) to (V) of this Article.
1. The company shall appropriate a special capital reserve in accordance with Article 41(1) of the Securities and Exchange Act for the difference between the transaction price and the appraised cost, and shall not be distributed or used for capital increase. For the Company's investment in the equity method, the Company shall set aside special reserve in proportion to the amount set aside for the said amount in accordance with Article 41(I) of the Securities and Exchange Act.
  2. The audit committee shall comply with Article 218 of the Company

Act.

3. The handling of the Company's items 1 and 2 shall be reported to the Shareholders' Meeting and the details of the transaction shall be disclosed in the annual report and the prospectus.

When the Company appropriates a special surplus reserve by the foregoing provisions, the assets purchased at a high price shall be recognized as a loss or disposition or appropriate compensation or reinstatement, or have other evidence proving reasonableness, and approved by the Financial Supervision and Administration Commission before the special surplus reserve is used.

- (VII) If the Company acquires real property from a related party, the Company shall also comply with provision 3(VI) of this article if there is other evidence indicating that the transaction is not an arm's length transaction.

Article 11 Procedures for Acquisition or Disposal of Claims of Financial Institutions

In principle, the Company does not engage in the transaction of acquiring or disposing of the creditor's rights of financial institutions. If it later intends to engage in the transaction of acquiring or disposing of the creditor's rights of financial institutions, it shall be subject to the approval of the audit committee and the approval of the Board of Directors before formulating its evaluation and operational procedures.

Article 12 Procedures for Acquisition or Disposal of Derivative Products

I. Principles and Policies

(I) Transaction type

1. The derivative financial products engaged by the Company refer to transaction contracts whose value is derived from commodities such as assets, interest rates, exchange rates, indices or other interests (for example, forward contracts, options, futures, interest rates or exchange rates, exchanges, and a combination contract of the above products, etc.).
2. Matters related to bond guarantee transactions shall be handled in accordance with the relevant provisions of the Procedures. The bond transactions with repurchase conditions are not applicable to the procedures.

(II) Operation (Hedging) Strategies

The derivative financial products traded by the Company shall be for the purpose of hedging, and the traded goods shall be selected to avoid the risks arising from the business operations of the Company. The currency held shall be consistent with the foreign currency demand of the Company's actual import and export transactions, and based on the principle that the Company's overall internal positions (only foreign currency income and expenses) are squared off to reduce the Company's overall foreign exchange

risk and foreign exchange operating costs. Transactions for other specific purposes shall be made only after careful evaluation, approval of the audit committee and approval of the Board of Directors.

(III) Powers and responsibilities

1. Finance Department

(1) Traders

- A. Responsible for the formulation of the Company's financial product transactions.
- B. Traders shall regularly calculate positions, collect market information, make trend judgment and risk assessment, and formulate operational strategies which can be basis for transactions after approval.
- C. The transaction shall be executed in accordance with the authorization authority and the established strategy.
- D. If there is a major change in the financial market and the trading staff judges that the established strategy is not applicable, the appraisal report shall be submitted at any time, and the strategy will be re-formulated and approved by the general manager as the basis for trading.

(2) Accountant

- A. Confirmation of transaction execution.
- B. Review whether the transaction has been conducted in accordance with the authorized rights and the formulated strategies.
- C. Evaluate monthly and submit the appraisal report to the general manager.
- D. Accounting Processing.
- E. Reporting and announcement in accordance with the regulations of the Securities and Futures Bureau of the Financial Supervisory Commission.

(3) Deliverers, who execute the delivery tasks.

(4) Review and resolution authority of derivative products

A. Delegation of authorization of the hedge transaction

Authorized Signatory	Daily transaction authority	Net cumulative position trading authority
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General Manager	below US\$0.5M	below US\$1.5m (inclusive)
Chairman	US\$0.5M-1.5M (inclusive)	below US\$3M (inclusive)

- B. Other specific uses of transactions can only be carried out after being approved by the Board of Directors.

2. Auditing Department

Responsible for understanding the appropriateness of internal control in derivative commodity transactions and checking the compliance of the trading department with the operating procedures, analyzing the transaction cycle, making an audit report, and submitting it to the audit committee for inspection before delivery at the end of the month after the completion of the audit project; in addition, if the internal auditors find serious irregularities or that the Company is at risk of heavy losses, they should immediately make a report and submit it for review, and inform the audit committee.

3. Performance Appraisal

(1) Hedging transactions

- A. The company's profit and loss generated from the exchange rate of its financial assets and derivatives shall be the basis of performance appraisal.
- B. To fully grasp and express the evaluation risk of transactions, the Company adopts monthly evaluation method to evaluate profit and loss.
- C. The financial department shall provide foreign exchange position evaluation and foreign exchange market trends and market analysis to the general manager as a management reference and instructions.

(2) Special-purpose transaction

The actual profit and loss is used as the performance evaluation basis, and the accountants shall regularly report the position to management for reference.

4. Setting up of the total contract amount and loss limit

(1) Total contract amount

A. Hedging trading quota

The Finance Department shall grasp the overall position of the Company to avoid transaction risks. The amount of hedging transactions shall not exceed two-thirds of the Company's net position, such as that if more than two-thirds

of the total positions are submitted to the general manager, they shall be reported to the general manager for approval.

B. Specific use transactions

Based on the predict on the market changes, the Finance Department shall formulate strategies and report to the audit committee for approval, and after approval by the Board of Directors, it can be used.

(2) Setting up of the loss limits

A. Hedging transaction is avoiding risks, so there is no need to set a limit for losses.

B. If a transaction is for a specific purpose, after the setting up of a position, a stop-loss point shall be set to prevent from the loss. The stop-loss point shall be set at an upper limit of 10% of the transaction contract amount. If the loss amount exceeds 10% of the transaction amount, it shall be reported immediately to the manager and then to the Board of Directors for discussion of the necessary countermeasures.

C. The maximum amount of loss for individual contract losses is not more than US\$20,000 or 5% of the contract amount, which is lower.

D. The maximum annual loss for the Company's specific purpose of trading operations is US\$300,000.

II. Risk management measures

(I) Credit risk management

Due to changes in various factors in the market, it is easy to cause operational risks of derivative financial products. Therefore, in market risk management, the following principles are followed:

Transaction object: Mainly renowned domestic and foreign financial institutions.

Trading items: Limited to the commodities provided by renowned domestic and foreign financial institutions.

Transaction amount: The amount of uncharged off transactions of the same trading object shall not exceed 10% of the total authorized amount, except for those approved by the general manager.

(II) Market Risk Management

Based on the open foreign exchange market provided by banks, the futures market will not be considered for the time being.

(III) Liquidity Risk Management

To ensure market liquidity, financial products with high liquidity (that is, they can be rolled out in the market at any time) shall be selected. Financial

institutions entrusted with transactions must have sufficient information and the ability to trade in any market at any time.

(IV) Cash Flow Risk Management

In order to ensure the stability of the Company's working capital turnover, the Company's source of funds for derivative commodity transactions is limited to its own funds, and its operating amount should consider the funding requirements for the cash revenue and expenditure forecast for the next three months.

(V) Operational Risk Management

1. The company's authorization quota, operating procedures, and internal audits shall be followed to avoid operational risks.
2. Traders engaged in derivative commodities and operators engaged in confirmation and delivery of derivative commodities shall not act concurrently with each other.
3. The measurement, supervision and control of risks shall be assigned to a different department, and report to the Board of Directors or senior managers with no responsibility for trading or position decision-making.
4. Positions held in derivatives trading shall be assessed at least once weekly. If the hedging transaction is conducted for business needs, the assessment report shall be performed at least twice a month. The assessment report shall be submitted to senior managers authorized by the Board of Directors.

(VI) Product Risk Management

Internal traders shall prepare a complete and accurate professional knowledge for financial products and require banks to fully disclose risks to avoid the risks of financial instruments.

(VII) Legal Risk Management

To prevent legal risks, any document signed with a financial institution shall be inspected by a foreign exchange department and legal department or legal consulting experts prior to official signing.

III. Internal Audit System

- (I) The internal auditor shall regularly review the appropriateness of the internal control of derivatives trading, and check the compliance of the trading department with the transaction procedures for derivative commodity transactions on a monthly basis and analyze the trading cycle and make an audit report. If major violations are discovered, the audit committee shall be notified in writing.
- (II) The internal auditor shall declare the audit report and the annual audit of the internal audit operation according to the provisions of the Financial Supervision and Administration Commission before the end of February of the following year. The improvement status of the abnormality shall be

declared for the future reference in accordance with the provisions of the Financial Supervision and Management Commission no later than the end of May of the next year.

IV. Regular Evaluation Methods

- (I) The Board of Directors shall authorize the senior executives to regularly supervise and evaluate whether the transactions in the derivative commodities are actually handled in accordance with the trading procedures set by the Company, and whether the risks assumed are within the scope of the allowable undertaking. When there is an abnormal situation in the market price assessment report (if the holding position has exceeded the loss), it shall be immediately reported to the Board of Directors and take the appropriate measures.
- (II) Positions held in derivatives trading shall be assessed at least once weekly. If the hedging transaction is conducted for business needs, the assessment report shall be performed twice a month. The assessment report shall be submitted to senior managers authorized by the Board of Directors.

V. The supervision and management principles of the Board of Directors when engaging in derivative commodity transactions

- (I) The Board of Directors shall appoint high-level supervisors to pay attention to the supervision and control of the risk of derivative commodity transactions at any time. The management principles are as follows:
  - 1. Periodically evaluate whether the risk management measures currently used are appropriate and faithfully implemented according to the “Standards for the Processing of Assets Acquisition or Disposal by the Publicly Owned Corporation” and the Processing Procedures for Transactions of Derivative Goods formulated by the Company.
  - 2. Supervise transactions and profit and loss situations. In case of any abnormality, the necessary countermeasures shall be taken and the report shall be immediately submitted to the audit committee and the Board of Directors. The opinions of the independent directors shall be fully considered when submitting the resolutions of the Board of Directors, and the reasons for their consent or objection shall be included in the Board of Directors’ meeting records.
- (II) Regularly evaluate whether the performance of derivatives product transaction meets the established operational strategies and whether the risks are within the Company’s permitted scope.
- (III) When the Company engages in derivative trading, the Company shall authorize the relevant personnel to handle the transaction according to the procedures for engaging in derivative product, and then reports shall be submitted to the most recent Board of Directors’ meeting.

(IV) When the Company engages in derivative product transaction, it shall establish a memorandum book. The type and amount of the derivative commodity transaction, the date of adoption by the Board of Directors, and the matters to be carefully assessed according to the IV (II) and V (I) and (II) of this article shall be recorded in details in the memorandum book for reference.

Article      Processing procedures for merger, demerger, acquisition or transfer of shares

13            I.    Appraisal and operating procedures

(I) For the merger, demerger, acquisition or transfer of shares, before the resolution of the Board of Directors is convened, the Company shall invite accountants, lawyers or securities underwriters to express their opinions on the rationality of the share exchange ratio, the purchase price or the cash or other property of the allotted shareholders, and submit them to the audit committee and the Board of Directors for discussion and approval. However, if the Company merges its subsidiaries directly or indirectly holding 100% of the issued shares or total capital, or merges between its subsidiaries directly or indirectly holding 100% of the issued shares or total capital, the reasonable opinions of the experts are not necessary.

(II) The company shall prepare an open document for the important agreed contents and related matters regarding merger, demerger or acquisition before the shareholders' meeting, submit it together with the expert opinions according to I (1) of this Article and the notice of the shareholders' meeting to the shareholders for their reference as to whether they agree to the merger, demerger or acquisition. However, this restriction shall not apply to those who, according to other laws, are exempted from holding shareholders' meetings to decide on merger, demerger or acquisition matters. In addition, if the shareholders' meeting of a company participating in merger, demerger or acquisition is unable to convene, resolve or reject a proposal due to insufficient attendance, voting rights or other legal restrictions, the Company participating in merger, demerger or acquisition shall immediately make public the reasons for the occurrence, subsequent processing operations and the expected date of holding the shareholders' meeting.

II.    Other precautions

(I) Date of Board of Directors' meeting: A company participating in merger, demerger or acquisition shall hold a meeting of the Board of Directors and shareholders on the same day to decide on matters relating to merger, demerger or acquisition, unless otherwise stipulated by law or with the prior consent of the Financial Regulatory Commission due to special factors.

(II) The company shall convene a Board of Directors' meeting on the day of the transaction, unless another act provides otherwise or is notified of the

financial supervisory commission to be approved by the Financial Supervisory Commission.

- (III) The company participating in the merger, demerger, acquisition or share transfer of the listed company or the stock trading in the securities firm's business premises shall make the following information in full written record and keep it for five years for verification.
1. Personnel basic information: including the title, name and identity No. (for foreigners, passport number) of all persons involved in the merger, demerger, acquisition or transfer of shares or the implementation of the plan before the disclosure of the information.
  2. Date of important matters: Including the date of signing letter of intent or memorandum, entrusting financial or legal adviser, signing contract and Board of Directors, etc.
  3. Important documents and proceedings: Including merger, demerger, acquisition, or transfer of shares, letter of intent or memorandum of understanding, important contracts and board proceedings.
- (IV) The company that participates in the listing of mergers, segmentation, acquisitions or transfers of shares or the trading of shares in the business premises of a securities firm shall, within two days from the date of the adoption of the resolution of the Board of Directors, report the information of item 1 (basic personnel information) and item 2 (date of important matters) of this article to the competent authority in accordance with the prescribed format in the Internet Information System for reference.
- (V) Where the Company involved in the merger, demerger, acquisition or transfer of shares, if there is a company that is not listed or whose shares are traded in the business premises of a securities firm, the Company shall sign an agreement with the Company and deal with it in accordance with the provisions 3 and 4 of this article.
- (VI) Confidentiality commitments: All participants involved in the merger, demerger, acquisition, or transfer of shares shall be required to issue a written letter of confidentiality to commit not to disclose the contents of the plan before the information is made public, nor do they use their own names or under the names of other people to buy or sell shares and other marketable securities with equity property of all the companies related to the merger, demerger, acquisition, or transfer of shares of.
- (VII) Principles for determining and changing the share exchange ratio or acquisition price: in the participation in merger, demerger, acquisition or transfer of shares, the share exchange ratio or acquisition price shall not be arbitrarily changed except in the following circumstances, and changes shall be stimulated in the contract of merger, demerger, acquisition or transfer of

shares:

1. Cash capital increase, issuance of corporate bonds, distribution of shares, issuance of corporate bonds, preferred shares with warrants, stock warrants, and other equity-based securities.
2. disposal the Company's major assets and other activities that affect the Company's financial business.
3. Major disasters, major technological changes and other events affecting the rights and interests of shareholders or securities prices.
4. Any adjustment to the Company's stock repurchase by any party participating in the merger, demerger, acquisition, or transfer of shares.
5. Changes in the number of entities or companies participating in the merger, demerger, acquisition, or transfer of shares.
6. Other conditions stipulated in the contract change and have been disclosed publicly.

(VIII) The contract shall contain the following contents: the contract of merger, demerger, acquisition or transfer of shares shall specify the rights and obligations of participating in merger, acquisition or transfer of shares, and shall specify the following matters:

1. Handling of breach of contract
2. Principles for handling equity-type securities previously issued or treasury stock previously bought back by a company that is extinguished in a merger or through a merger basis.
3. The number of treasury stock that shall be repurchased according to the law after calculating the base date of the exchange calculation ratio and their principles of disposal.
4. The method of handling changes in the number of participating entities or companies.
5. Expected execution progress and expected completion schedule.
6. The relevant procedures of the expected convening dates of shareholders' meeting based on laws when a plan is overdue and still undone.

(IX) After public disclosure of the information, if any company participating in a merger, demerger, acquisition, or transfer of shares intends further to carry out another merger, demerger, acquisition, or transfer of shares with another company, any procedure or legal action already completed for the original merger, split, acquisition, or transfer of shares shall be carried out anew, with exceptions for cases where the number of participating companies is decreased, and where the shareholders' meeting resolved to authorize the Board of Directors to alter the limits of authority, this company shall be exempt from reconvening of shareholders' meeting to generate another

resolution.

- (X) If a company participating in a merger, demerger, acquisition, or transfer of a company is not a publicly owned company, the Company shall sign an agreement with its signatures and shall comply with the provisions of this article (2).

Article      Information Disclosure Procedures

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- I. If the Company acquires or disposes of assets in the following circumstances, it shall, by nature and in accordance with the prescribed format, declare the relevant information by public notice within 2 days from the date of the occurrence of the facts:
  - (I) Acquiring or disposing of immovable property from the related party, or acquiring or disposing of other assets other than the real property with the related person, and the transaction amount reaches 20% of the Company's paid-in capital, 10% of the total assets or more than NT\$300 million. However, this restriction does not apply to trading of government bonds, bonds under repurchase and resale agreements, or to issue or repurchase domestic money market funds issued by domestic securities investment trust enterprises.
  - (II) Merger, demerger, acquisition, or transfer of shares.
  - (III) The loss of transaction in derivative goods has reached the maximum amount of all or individual contract losses specified in the processing procedures.
  - (IV) Where the type of asset acquired or disposed is equipment for business use, the transaction object is not a related party, and the transaction amount reaches NT\$500 million.
  - (V) Acquisition of real estate property by 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, in which the amount the Company is expected to invest is NT\$500 million or above.
  - (VI) Assets transactions, claims disposed of by a financial institution, or investment in a subsidiary in the Mainland China, where the transaction amount reaches 20% or more of the Company's paid-in capital or NT\$300 million. However, this does not apply to the following circumstances:
    - 1. Trading of government bonds.
    - 2. Securities trading in the domestic and overseas securities exchange or the business premise of the securities exchange, or subscription of ordinary corporate bonds or of general bank debentures without equity characteristics that are offered and issued in the domestic primary market.
    - 3. Trading of bonds under repurchase and resale agreements, or



subscription or redemption of domestic money market funds issued by domestic securities investment trust enterprises.

The amounts of transactions mentioned in the preceding paragraph shall be calculated as follows:

1. The amount of each transaction.
2. The cumulative transaction amount of acquisitions and disposals of the same type of underlying asset with the same counterparty within one year.
3. The cumulative transaction amount of real property acquisitions and disposals (cumulative acquisitions and disposals, respectively) within the same development project within one year.
4. The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of the same security within one year.

The term “within the preceding year” as used in the preceding paragraph shall be calculated as a basis for the year preceding the date of occurrence of the current transaction. The period when announcement has been made in accordance with the regulations shall be exempted from re-counting.

II. The time limit for handling announcements and declarations

The company’s acquisition or disposal of assets shall be made public if the transaction amount reaches the standards for reporting purposes, and shall be announced within 2 days counting from the date of occurrence of the event.

III. Announcement and declaration procedures

- (I) The company shall, on a monthly basis, input the information of the Company and its non-domestic publicly issued subsidiaries engaging in derivative product transactions as of the end of last month into the information reporting website designated by the financial regulatory commission before the tenth day of each month in accordance with the prescribed format.
- (II) When the Company is required to announce the project according to the regulations, if there is any error or omission at the time of the announcement, All items shall be re-announced and declared within 2 days from the date of notification.
- (III) In the acquiring or disposing of its assets, the Company shall keep the relevant contracts, minute book, memorandum book, appraisal report, opinions of accountants, lawyers or securities underwriters in the Company for at least five years, unless otherwise stipulated by law.

IV. After the transaction announcement and declaration by the Company in accordance with the provisions of the preceding paragraph, if one of the following circumstances occurs, the relevant information shall be submitted to the website

designated by the Financial Supervisory Commission for public announcement within 2 days from the date of the occurrence of the facts:

1. There are changes, terminations or rescission of relevant contracts signed in 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. There are changes in contents of the declaration in the original announcement.

Article The Company's subsidiaries shall comply with the following provisions:

- 15
- I. Subsidiaries shall also formulate the "Procedures for Acquisition or Disposal of Assets" according to the Standards for the Processing of Assets Acquisition or Disposal by the Publicly Owned Corporation, and submit and report to the Board of Directors of the Company after being approved by the Board of Directors of the subsidiary. The same procedures shall be followed for its amendment.
  - II. If a subsidiary is not a domestic publicly owned corporation, the Company shall handle the announcement and declaration when the assets acquired or disposed of by the subsidiary meet the announcement and declaration standards stipulated in the Standards for the Processing of Assets Acquisition or Disposal by the Publicly Owned Corporation.
  - III. In the subsidiary's disclosure standards in the preceding subparagraph, the "20% of the Company's paid-in capital or 10% of the total assets" is based on the Company's paid-in capital or total assets.

Article The provision of 10% of the total assets in this processing procedure is calculated based on the total assets in the most recent individual financial report as required by the securities issuer's financial reporting standards.

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If the Company's shares have no nominal amount or the denomination per share is not NT\$10, the transaction amount of 20% of paid-in capital shall be set out in the Procedures shall be calculated based on 10% of the equity vested in the owner of the parent company.

Article Penalty provision

16

If the employees of the Company are committed to the disposal of assets and disposal of assets, the Company shall regularly report the compliance with the Procedures for the Handling of Assets and Liabilities and penalties imposed on the Employee's Manual according to the severity of the regulations.

Article Implementation and Amendment

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The company's "Procedures for Acquisition or Disposal of Assets" shall be approved by more than half of the members of the audit committee, submitted to the Board of Directors for resolution, and then reported to the shareholders' meeting for approval. The same procedure shall be followed for amendment.

If any matter has not been approved by more than one-half of all members of the audit

committee, the consent of more than two-thirds of all directors shall be obtained, and the resolution of the audit committee shall be set forth in the proceedings of the Board of Directors.

All audit committee members and all directors as used herein shall be counted as the actual number of persons currently holding those positions.

When the Company has submitted the “Procedures for Acquisition or Disposal of Assets” to the Board of Directors for discussion, the Company shall take into full consideration each independent director’s opinions. If an independent director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the Board of Directors’ meeting.

Article      Supplementary Provisions

18            Any matters not covered by the Procedures shall be governed by the relevant laws and regulations.

Sinmag Equipment Corporation  
Procedures for Loaning of Funds

Article 1 Purpose

In order to provide guidance for the operating procedures of the Company's capital loaning to others, this operating procedure is formulated in accordance with the relevant provisions of "Guidelines for the Handling of Capital Loaning and Endorsement Guarantee of Publicly Owned Corporation" issued by the Financial Supervision and Administration Commission of the Executive Yuan. Any matters not covered by the Procedures shall be governed by the relevant laws and regulations.

Article 2 The Object of Capital Loaning

In accordance with the Company Law, the funds of the Company shall not be loaned to shareholders or any person except for the following circumstances.

1. A subsidiary which the Company holds 50% of voting shares directly and indirectly having business transactions or having the necessity of short-term financing.

The term "short-term" as used in the preceding paragraph refers to one year. However, when the Company's business cycle is longer than one year, the business cycle shall prevail.

2. A foreign company which the Company holds 100% of voting shares directly and indirectly has business or short-term financing requirement.

Article 3 Total amount of funds and the limit of amount loaned to individual objects

- I. When the Company's funds are loaned to a company with business dealings, the total loaning amount shall not exceed 40% of the net value according to the most recent financial statements audited or reviewed by the CPA; the amounts of individual loans shall not exceed the amount of the transaction business amount between the two parties in the most recent year. The amount of business transaction refers to the amount of purchase or sales between the two parties in the most recent year, whichever is higher.
- II. When the Company's funds are loaned to a company for short-term financing, which is necessary for the Company, the individual loans and the total amount of loans shall not exceed 40% of net value according to company's most recent CPA audit or reviewed financial statements.
- III. When the Company loan funds to a foreign company which the Company directly and indirectly holds 100% of the voting shares, the amount shall not exceed 60% of the net value according to company's most recent financial statements audited by accountants.

Article 4 Financial duration and calculation method

- I. The duration of each capital loan period shall not exceed one year from the date of loan.
- II. Interest of loans is calculated on a monthly basis and the loan interest rate shall not be less than the highest of the Company's short-term loans to the general financial institution.
- III. Unless otherwise specified, interest shall be paid once a month and the borrower shall be notified one week before the agreed interest payment date to pay interest on time.

Article 5 Reviewing Procedures

- I. The borrower shall issue an application form to the Company for the loan, which shall be described in detail, and the amount, duration, use, and the provision of guarantee shall be provided to the Company. The credit information and financial information shall be provided to the Company for credit investigation.
- II. The financial unit shall conduct a detailed review of the information obtained, including the following procedures:
  1. The necessity and reasonableness of the loans.
  2. Credit investigation and risk assessment of the borrower.
  3. Impact on the Company's operational risks, financial conditions and shareholders' equity.
  4. Whether the collateral and the value evaluation of the collateral shall be obtained?
- III. In addition to the subsidiary which the Company holds 50% of the voting shares, the promissory notes or collateral of same amount shall be provided. The provided collateral shall be set up as mortgages to ensure the Company's creditor's rights.
- IV. The collateral, except the land and marketable securities, shall be insured against fire. The amount of insurance shall be no less than the replacement cost value of the collateral; The company shall be added as the beneficiary in the insurance policy. The subject matter, name, quantity, place of deposit and conditions stated in the insurance policy shall be in conformity with conditions for granting loans of the Company.
- V. Before loaning funds to others, the Company shall carefully assess whether it conforms to the "Guidelines for the Processing of Funds loaning and Endorsement Guarantee of Publicly owned corporation" stimulated by the securities authorities and the provisions of this operating procedure. Together with the appraisal results according to Article 5(2), it shall be approved by more than half of the members of audit committee, and be submitted to the Board of Directors for resolution. Without the approval of more than one-half of all the members of the board of auditors, the approval of more than two-thirds of all the directors shall be obtained, and no other person shall be authorized to make a decision.

- VI. The loaning between the Company and its subsidiaries, or between subsidiaries, shall be approved by the audit committee and resolved by the Board of Directors. The chairman of the Board shall be authorized to appropriate sub-loans or revolving transfers to the same loaning object within a period not exceeding one year. Except for no limit of authorized amount for the funds loaning between the foreign companies which the Company directly and indirectly hold 100% of the voting shares, the authorized amount of loaning fund of the Company or its subsidiaries to an individual enterprise shall not exceed 10% of the net value according to the most recent CPA audited or reviewed financial statements.
- VII. When the Company conducts its capital loans matters, the financial unit shall establish a memorandum book for recording loaning object, amount, date of approval by the Board of Directors, date of capital loan and matters subject to review and evaluation in accordance with the provisions, in the financial statements for review.
- VIII. When the Company intend to loan funds to others, the opinions of the independent directors shall be fully considered. If the independent directors have objections or reservations, they shall be set forth in the minutes of the Board of Directors' meeting.
- IX. When the loan is not in conformity with the object of the "Guidelines for the Handling of Capital Loaning and Endorsement Guarantee of Publicly Owned Corporation" or when the amount exceeds the limit, the Company shall formulate an improvement plan and send the relevant improvement plan to the audit committee, and conduct the improvement plan according to schedule.

Article 6 Subsequent control measures for loans and advances

- I. After the loan is appropriated, regular attention shall be paid to the financial, business and credit status of the borrower and guarantor. In the event of any provision of collateral, attention shall be paid to any change in the value of the collateral. If the value of the collateral is in significant impairment, it shall be noted to the borrower to make a quick supplement as soon as possible. Two months before the loan is due, the borrower shall be notified to settle the principal and interest or to proceed with the extension.
- II. When the borrower settles the loan due for repayment upon maturity, the interest accrued shall be calculated first and paid off with the principal before the promissory note, receipt for a loan and other certificates of creditor's rights can be cancelled and returned to the borrower.
- III. If the borrower applies for cancellation of the mortgage, please first check whether there is any balance of the loan and decide whether to cancel the mortgages.
- IV. The company shall evaluate the capital loans and situation and set aside sufficient reserves for bad debts, disclose relevant information in the financial statements and provide relevant information to the CPA for execution of necessary audit

procedures.

Article 7 Handling of overdue claims

In the event of overdue and uncollectible claims, legal counsel shall be consulted to take legal action to secure the claims of the Company.

Article 8 Procedures for controlling and managing loans of funds to others by subsidiaries.

- I. If the subsidiary of the Company intends to carry out a loan to other parties, the Company shall set “Guidelines for the Handling of Funds and the Endorsement and Guarantee” in accordance with the “Guidelines for Handling of Loaning of Funds and Making of Endorsements/Guarantees,” and shall comply with the procedures stipulated in the Regulations Governing Loaning of Funds to Others.
- II. The subsidiary shall prepare a memorandum book of endorsement and guarantee for others in the previous month (excluding) and submit it to the Company on or before the 10th day of each month.
- III. The internal auditors of the subsidiary shall also audit the fund loan, the operating procedures and other execution process at least quarterly and prepare written records accordingly. If any material violation is found, the Company’s audit unit shall send written records to the Audit Committee. The internal auditing unit of the Company shall submit written information to the Audit Committee.
- IV. When the auditing personnel of the Company perform audit according to the annual audit plan, the Company shall also keep abreast of the execution process of the subsidiary’s funds lending to other parties. If any deficiencies are found, they shall continuously keep track of the improvement status and report the implementation report to the chairman and the general manager.

Article 9 Declaration and announcement Procedures

- I. For loaning funds to the Company and its subsidiaries, according to the stipulations of the regulator, the balance of loans and advances to the Company and its subsidiaries shall be announced within 2 days commencing immediately from the date of occurrence of the event:
  1. The balance of loans to other parties of the Company and its subsidiaries reaches 20% or more of the Company’s net value as stated in the latest financial statements.
  2. The balance of loans to a single enterprise by the Company and its subsidiaries reaches 10% or more of the Company’s net value as stated in the latest financial statements.
  3. The amount of capital to be added to the Company or its subsidiaries reaches NT\$10 million and reaches 2% of the Company’s net value in the most recent financial statements.
- II. If a subsidiary of the Company is not a public owned corporation, the Company shall make public announcement on behalf of the subsidiary in respect of any of the matters referred to in the preceding paragraph.

Date of occurrence of an event, refers to the date of signing of the transaction signing date, date of payment, date of Board of Directors meeting, or other date that can confirm the transaction object and amount of transaction.

Article 10 Internal Auditing

The internal auditor shall audit the operating procedures and execution process of the loaning funds to other parties at least quarterly and prepare written records accordingly. If any material violation is found, the internal auditing unit shall immediately notify the Audit Committee.

Article 11 Penalties imposed on the violation

If the Company's managers and organizers violate this procedure and cause damage to the Company's rights and interests, they shall be reported to the Company for assessment in accordance with the relevant personnel management measures of the Company and punished according to the seriousness of the case.

Article 12 Implementation and Amendment

The formulation of this operating procedure shall be approved by more than one-half of all members of the audit committee, and shall be submitted to the Board of Directors for resolution and then submitted to the shareholders' meeting for approval before implementation. If it is not approved by more than one-half of the members of the audit committee, it shall be approved by more than two-thirds of all the directors, and shall be implemented after the resolution of the audit committee is stated in the minutes of the Board of Directors' meeting and approved in the shareholders' meeting. If a director expresses his objection and has a record or written statement, the Company shall submit his objection to the shareholders' meeting for discussion. The same procedures shall be followed for amendments.

When it is discussed in the Board of Directors' meeting, the opinions of each independent director shall be fully considered and the specific opinions and reasons for assent or dissent and assent or dissent and their reasons for dissent shall be included in the minutes of the Board of Directors' meeting.



Sinmag Equipment Corporation  
Procedures for Endorsement and Guarantees

Article 1 Purpose

To strengthen the Company's internal control over external endorsement, reduce the business risk and guarantee matters, the operating procedures are established in accordance with the provisions of the Regulations Governing Loaning of Funds and Making Endorsements/Guarantees by the Public Owned Corporation. Matters not covered in this procedure shall be handled in accordance with relevant laws and regulations.

Article 2 Scope of Application

The endorsement guarantees referred to in this operating procedure include financing endorsement guarantees, customs endorsement guarantees and other endorsement guarantees.

- I. Financing endorsement/guarantee shall refer to the bill discount financing, the endorsement or guarantee for the purpose of financing the other companies, and the guarantee for non-financial undertakings by issuing bill for the purpose of financing for the Company.
- II. Customs duty endorsement/guarantee refers to the endorsement or guarantee for the Company or other companies related to tax matters.
- III. Other endorsements/guarantees refer to the endorsements or guarantees that cannot be included in the two items mentioned in the preceding two paragraphs.  
When the Company provides the movable property and real estate as pledge and mortgage for the guarantee of other companies' loaning, it shall also be handled in accordance with the provisions of this operating procedure.

Article 3 Endorsement Object

- I. The company shall make endorsements or guarantees for the following companies:
  1. A company with 50% or more of the voting shares held by the Company directly and indirectly.
  2. Endorsements and guarantees shall be made to companies with 90% or more of the voting shares held by the Company directly and indirectly. However, before the endorsements and guarantees are made, the Company shall report to the Board of Directors of the Company for approval. The amount shall not exceed 10% of the Company's net value according to the most recent CPA audit or reviewed financial statements. However, this does not apply to the endorsements or guarantees for companies with 100% or more of the voting shares held by the Company directly and indirectly.
- II. The Company shall, based on the contract, provide the guarantee of the Company or the joint venture to the investee company based on the contractual

requirements or the joint venture agreement, or due to the joint investment relationship, all the shareholders shall endorse and guarantee the investee company according to their shareholding ratio, or the same industry shall be engaged in the sale of the Company's shares in accordance with the provisions of the Act, or the other guarantees shall be given to the Company in accordance with the provisions of the Act for the Sale of the Shares.

Capital contribution mentioned in the preceding paragraph shall mean capital contribution directly or indirectly by a company holding 100% of the voting rights.

Article 4 Amount of endorsement

- I. The total amount of endorsement/guarantee provided by the Company shall not exceed 50% of the Company's net value as stated in the latest CPA's audit or reviewed financial statements.
- II. The amount of the Company's endorsement/guarantee for a single enterprise shall not exceed 50% of the Company's net value as stated in the latest CPA's audit or reviewed financial statements.
- III. When undertaking endorsement guarantees due to business relations, the endorsement guarantees of the Company for a single enterprise shall be limited to the amount of business transactions between the two parties in the latest year. The amount of business transaction refers to the amount of purchase or sales between the two parties in the most recent year, whichever is higher.
- IV. The total amount of endorsement/guarantee provided by the Company and its subsidiaries shall not exceed 50% of the Company's net value as stated in the latest CPA's audit or reviewed financial statements. The amount of endorsement/guarantee provided to a single enterprise shall not exceed 50% of the Company's net value as stated in the latest CPA's audit or reviewed financial statements.

Article 5 Hierarchy of decision-making authority and delegation thereof

- I. When the Company provides endorsement for a guaranteed company, the appraisal results according to Article 7(2) shall be approved by more than half of all members of the audit committee and shall be submitted to the Board of Directors for resolution. If there is no consent of more than half of the members of the committee, it shall obtain the consent of more than two-thirds of the directors, and the resolutions of the audit committee shall be stated in the proceedings of the Board of Directors' meeting. If the Company considers it necessary, the Board of Directors may authorize the chairman to decide on the matter within NT\$200 million. After the Board of Directors concludes the matter, it shall be ratified by the Board of Directors and submitted to the next annual shareholders' meeting for future reference.
- II. When the Company makes endorsements/guarantees for others, the opinions of

each independent director shall be fully considered and the specific opinions and objection expressing assent or dissent and the reasons for dissent shall be included in the minute book of the board meeting.

Article 6 Seal use management and custody procedures

- I. The dedicated chop for endorsement/guarantee is the seal of the Company registered at the Ministry of Economic Affairs. The relevant seal depositary shall be kept by the dedicated personnel approved by the Board of Directors, and the bill shall be sealed with the relevant regulations in accordance with the prescribed operating procedures. The same procedure shall be followed when any change is made.
- II. When acting as guarantor for a foreign company, the guarantee letter issued by the Company shall be signed by the person authorized by the Board of Directors.

Article 7 Endorsement Procedures

- I. The company shall carefully assess whether the Company comply with the “Guidelines for Handling of Funds and Endorsement and Guarantee” and the Procedures for the Public Owned Corporation’s Endorsements or Guarantees as stipulated by the competent regulator before making endorsements or guarantees for others.
- II. Review procedures include:
  1. The necessity and reasonableness of endorsement/guarantee
  2. Credit investigation and risk assessment of the endorsed object.
  3. Impact on the Company’s operational risks, financial conditions and shareholders’ equity.
  4. Whether the collateral and the value evaluation of the collateral shall be obtained?

The collateral is not necessary for the purpose of providing endorsements and guarantees for the subsidiaries whose 50% or more of the voting shares are held by the Company directly or indirectly.

- III. When the Company has made necessary endorsements and guarantees due to business needs, and exceeds the amount specified in the endorsement guarantee operation procedure and meets the conditions specified in this procedure, it shall be submitted to the Board of Directors for resolution after the approval of the audit committee, and shall be jointly guaranteed by more than half of the directors for possible losses caused by the over-limit amount, and shall amend the endorsement guarantee procedures and report to the shareholders’ meeting for ratification. If it is not approved at the shareholders’ meeting, plans shall be made to eliminate the excess within a certain period of time. In the discussion of the Board of Directors referred to in the preceding paragraph, the opinions of the independent directors shall be fully taken into account, and the opinions and reasons for their consent or objection shall be recorded in the records of the Board of Directors.

- IV. When the Company conducts endorsements and guarantees, the financial unit shall establish a memorandum of understanding for endorsement and guarantee items, amount, and the date of approval by the Board of Directors, the date of the implementation of the endorsement and guarantee, and the items for review for further reference.
- V. Upon the expiration of the term of the guarantee endorsement, the financial entity shall take the initiative to notify the endorsee to take back the guaranty bill retained by the bank or creditor's institution and cancel the relevant deed of guaranty.
- VI. When the endorsed object is not in conformity with the object of the "Guidelines for the Handling of Capital Loaning and Endorsement Guarantee of Publicly Owned Corporation" or when the amount exceeds the limit, the Company shall formulate an improvement plan and send the relevant improvement plan to supervisors, and conduct the improvement according to the plan.
- VII. When the Company or its subsidiary company endorses a guarantee for a subsidiary company whose net value is less than one-half of the paid-in capital, in addition to the provisions of the preceding paragraph, the internal auditors of the Company shall at least quarterly audit procedures for endorsement guarantee and its implementation, and make written records. If significant irregularities are found, the audit committee and the Board of Directors shall be notified in writing.

If the subsidiary's shares have no nominal amount or a nominal amount other than NT\$10, the paid-in capital calculated in accordance with subparagraph 7 shall be calculated as capital stock plus capital reserve - the total amount of issued premium.

#### Article 8 Control procedures for endorsements/guarantees provided by subsidiaries

- I. If the subsidiary of the Company intends to make endorsements/guarantees for others, the Company shall set the endorsement/guarantee operating procedures in accordance with the "Guidelines for the Handling of Capital Loaning and Endorsement Guarantee of Publicly Owned Corporation," and shall comply with the procedures set out in the Procedures for Loaning of Funds to Others.
- II. The subsidiary shall prepare a list of endorsement and guarantee for others in the previous month (excluding) and submit it to the Company for the details on or before the 10th day of each month.
- III. The internal auditors of the subsidiary shall audit the procedures for endorsement and guarantee and their execution process at least quarterly and prepare written records accordingly. If a material violation is found, it shall be immediately reported in writing to the Audit Committee of the Company. The internal auditing unit of the Company shall submit written information to the Audit Committee.
- IV. When the auditor of the Company conducts an audit, they shall be able to keep abreast of the execution process of the subsidiary's endorsement/guarantee operations. If any deficiencies are found, they shall continuously keep track of the execution process and prepare the tracking report to the chairman and the general

manager.

Article 9 Announcement and Declaration Procedures

- I. The company shall announce the balance of endorsement guarantees of the Company and its subsidiaries in accordance with the relevant provisions of the competent authority. In addition, if the balance of endorsement guarantees reaches one of the following criteria, the Company shall make a declaration within two days from the date of occurrence of the facts:
  1. The balance of endorsement and guarantee of the Company and its subsidiaries reaches 50 % or more of the Company's net value as stated in the latest financial statements.
  2. The balance of endorsements and guarantees made by the Company and its subsidiaries to a single enterprise reaches 20% or more of the Company's net value as stated in the latest financial statements.
  3. The balance of endorsements and guarantees made by the Company and its subsidiaries to a single enterprise reaches NT\$10 million and the total balance of endorsement and guarantee, long-term investment, and capital lending of the Company reaches 30% or more of the Company's net value as stated in the latest financial statements.
  4. The added amount of endorsement/guarantee made by the Company or its subsidiaries reaches NT\$30 million and reaches 5% of the Company's net value in the most recent financial statements.
- II. If a subsidiary of the Company is not a public owned company, and has any of the matters referred to in the preceding paragraph, the Company shall make the declaration on its behalf.

Article 10 Assessment or loss

The Company shall evaluate or recognize the contingent loss of endorsement or guarantee and disclose the endorsement information in the Company's financial statements, and provide relevant information to the CPA for the audit procedures necessary.

Article 11 Internal Auditing

The internal auditor shall audit the operating procedures and its execution process at least quarterly and prepare written records accordingly. If any material violation is found, the Audit Committee shall be immediately notified in writing.

Article 12 Penalties imposed on the violation

If the Company's managers and organizers violate this procedure and cause damage to the Company's rights and interests, they shall be reported to the Company for assessment in accordance with the relevant personnel management measures of the Company and punished according to the seriousness of the case.

Article 13 Implementation and Amendment

The formulation of this operating procedure shall be approved by more than one-half of

all members of the audit committee, and shall be submitted to the Board of Directors for resolution and then submitted to the shareholders' meeting for approval before implementation. If it is not approved by more than one-half of the members of the audit committee, it shall be approved by more than two-thirds of all the directors, and shall be implemented after the resolution of the audit committee is stated in the minutes of the Board of Directors' meeting and approved in the shareholders' meeting. If a director expresses his objection and has a record or written statement, the Company shall submit his objection to the shareholders' meeting for discussion. The same procedures shall be followed for amendments.

When it is discussed in the Board of Directors' meeting, the opinions of each independent director shall be fully considered and the specific opinions and reasons for assent or dissent and assent or dissent and their reasons for dissent shall be included in the minutes of the Board of Directors' meeting.

Sinmag Equipment Corporation  
Rules of Procedure for Shareholders' Meetings

Article 1 Basis of the rules

To establish a sound governance system and strengthen the supervisory and management functions for the Company's shareholders' meeting, the Rules are formulated in accordance with the Code of Practice of the Corporate Governance for TWSE/TPEx Listed Companies.

Article 2

The rules of procedure for the Company shareholders' meetings, except as otherwise provided by law or the Articles of Association, shall be in accordance with the provisions of these Rules.

Article 3 Notices of Shareholders' Meeting

Unless otherwise provided by law, the shareholders' meeting of the Company shall be convened by the Board of Directors.

The company shall, 30 days prior to the regular shareholders' meeting, or 15 days prior to the extraordinary meeting of shareholders, make electronic files of the notice of meeting, the power of attorney, the cause of action and explanatory materials on various motions concerning admission, discussion, appointment or removal of directors, and other relevant information and send it to the Market Observation Post System (MOPS). And 20 days before the regular shareholders' meeting or 15 days before the extraordinary shareholders' meeting, and electronic file of the agenda handbook and supplementary information shall be sent to the Market Observation Post System (MOPS). 15 days before the shareholders' meeting, the shareholders' meeting agenda handbook and supplementary information shall be prepared for shareholders to obtain a timely request and displayed in the Company and the Company's professional shareholder services agency, and they shall be distributed at the meeting.

The reasons for convening a meeting and public announcements shall be stated in the meeting notice. With the consent of addressees, the meeting notice may be given in electronic form.

The matters of selecting or dismissing directors, changing of association, spin off, merger, division or subparagraph 1 of Article 185 of the Company Act, Article 26-1 and Article 43-6 of the Securities Exchange Law, Article 56-1 and Article 60-2 of the Processing Guidelines for Issuer's Collection and Issuance of Valuable Securities shall be listed in the cause of convening the meeting and shall not be raised by temporary motion.

Shareholders holding 1% or more of the total number of issued shares may submit a written proposal to the Company for a regular shareholders' meeting. However, the number of the proposal is limited to one, the proposals that are more than one shall not be included in the agenda. If the circumstances in Article 172(1)4 of the Company Act

are proposed by a shareholder, the Board of Directors may not list it as a proposal.

Prior to the stock transfer closure date and before the regular shareholders' meeting, the Company shall publicly announce and handle shareholders' proposals, the location and period of submission. The period for submission of shareholder proposals shall not be less than 10 days.

A proposal submitted by a shareholder shall be limited to 300 words and proposals exceeding 300 words shall not be included in the agenda. A shareholder who submitted a proposal shall attend the general shareholders' meeting in person or by proxy, and shall participate in the discussion of the proposal.

The company shall notify the shareholders of the results before the date of the notice of the meeting, and shall include the resolutions stipulated in this Article in the notice of the meeting. For proposals by shareholders that are not included in the agenda, the board shall explain the reasons in the shareholders' meeting.

#### Article 4 Proxy Attendance and Delegation of Authority

For each shareholders' meeting, a shareholder may appoint a proxy to attend the meeting by providing a power of attorney issued by the Company, stating the scope of the proxy's authorization.

A shareholder shall issue a power of attorney, limited to one person, which shall be delivered to the Company 5 days prior to the date of the shareholders' meeting. When a written proxy is delivered, whichever one received first shall prevail. However, this restriction does not apply to the withdrawal of prior proxy declaration.

After the power of attorney is delivered to the Company, if a shareholder wishes to attend a shareholders' meeting in person or exercise his/her voting rights in writing or electronically, he shall, two days prior to the shareholders' meeting, issue the Company a written notice regarding the withdrawal of the proxy. In case of late cancellation, the voting right exercised by the proxy shall be adopted.

#### Article 5 Principle of Convening Shareholders' Meeting

The place of a shareholders' meeting shall be the Company location or a place where all shareholders are easy to attend. The meeting shall be held at a venue after 9 AM or not later than 3 PM. The meeting shall be held in a place agreed by all shareholders.

#### Article 6 Preparation of Sign-in Book and Other Documents

The notice of meeting of the Company shall state the time and place of registration to shareholders, and other matters needing attention.

The registration time of shareholders mentioned in the preceding paragraph shall be at least 30 minutes before the meeting begins. There shall be clear signs at the registration area and adequate personnel shall be designated for handling the registration procedure. Shareholders or proxies (hereinafter referred to as the shareholders) shall attend the shareholders' meeting. The Company shall not offer a written record of the shareholders' meeting. The Company shall not request the shareholders to attend the meeting for the purpose of providing for the request of the proxy documents; the solicitors who are



soliciting by the solicitors shall bring their identification documents for verification.

The Company shall prepare an attendance book for attending shareholders, or attending shareholders submit the attendance cards in lieu of signing.

The Company shall furnish attending shareholders with the meeting agenda handbook, annual report, attendance card, speaker's slips, voting slips and other meeting materials. Where there is an election of directors (including independent directors), pre-printed ballots shall also be furnished.

When a government unit or a judicial person is a shareholder, a representative of a shareholder attending a meeting is not limited to one. When a juristic person is appointed to attend a shareholders' meeting, it may designate one person to attend the meeting.

#### Article 7 Chairman and Chief Executive Officer

If a shareholder is convened by the Board of Directors, the chairman shall be the chairman of the board. If the chairman asks for leave or cannot exercise his/her power for some reason, the vice chairman shall act as his/her proxy. If there is no vice chairman or if the vice chairman asks for leave or cannot exercise his/her power for some reason, the chairman shall appoint a managing director to act as his/her proxy. If there are no managing directors, the chairman shall appoint a director to act as his/her proxy. Where the chairman of the board has not appointed a proxy, the managing director or the directors shall appoint one person as chairman among themselves.

The chairman referred to in the preceding paragraph shall be the managing director or director who serves for six months or more, and understand the Company's financial operations. The same rules will prevail to the Chairman who is the proxy of the judicial person.

Shareholders' meetings convened by the Board of Directors shall be held by chairman of the board. The Chairman shall be held by a majority of the Directors, and a majority of the functional committee members shall be present at least one-half of the Board and the attendance record shall be recorded in the minute book.

If a shareholders' meeting is convened by a convener other than the Board of Directors, the convener shall be the chairman. If there are two or more conveners, they shall elect one chairman from among themselves.

The company may designate its attorneys, certified public accountants, or related persons to attend the shareholders' meeting.

#### Article 8 Recording of the Shareholder's Meeting

The company shall, upon receiving the shareholders' report, keep recording the entire shareholders' meeting, the proceedings and the counting of voting.

The aforementioned video information shall be kept for at least one year. If, however, a shareholder files a lawsuit pursuant to Article 189 of the Company Act, the ballots shall be kept until the conclusion of the litigation.

#### Article 9 Calculation of the Number of Shares

Attendance at shareholders' meetings shall be calculated based on the number of shares.

The number of attended shares shall be calculated according to the number of shares issued by the Company and sign-in cards, plus the number of shares that may be exercised in writing or electronically.

When the noticed meeting time is up, the chairman shall call the meeting to order immediately. Provided, however, that a majority of the total number of shares issued is not represented at the meeting, the chairman may postpone the meeting. The postponement is limited to two times and the total delayed time shall not be more than one hour. If the quorum is not met after two postponements, the chairman shall declare the meeting failed to be convened.

If the aforementioned two postponements still fail according to the preceding paragraph, if the number of shares that represent more than one-third of the total number of issued shares is still less than one-third of the total number of issued shares, the tentative resolution may be determined as a tentative resolution, and the shareholders will be notified of the tentative resolution for each one month to convene a new meeting within one month.

If, prior to conclusion of the meeting, the attending shareholders represent a majority of the total number of shares, the chairman may resubmit the tentative resolution for a vote by the shareholders' meeting pursuant to Article 174 of the Company Act.

#### Article 10 Proposal Discussion

If a shareholders' meeting is convened by the Board of Directors, the meeting agenda shall be set by the Board of Directors. The meeting shall be conducted in the order set by the agenda, and the resolution shall not be changed without the resolution of the board of shareholders.

The provisions of the preceding paragraph apply to a shareholders' meeting convened by a convener other than the Board of Directors.

Before the end of the proceedings (including provisional motions), the chairman shall not announce the adjournment of the meeting without a resolution. If the chairman violates the rules of procedure and announces the adjournment, the other members of the Board of Directors shall promptly assist the attending shareholders to elect another chairman and continue the meeting with the consent of the more than half of the voting rights of the shareholders present.

The chairman shall give sufficient explanation and opportunity for discussion to the proposals and the amendments or provisional motions put forward by the shareholders. When the chairman is of the opinion that a proposal has been discussed sufficiently to put to a vote, the chairman may announce the closure of the discussion and call for a vote.

#### Article 11 Shareholder's Speech

Before speaking, an attending shareholder must fill in a speaker's slip specifying the subject of the speech, the shareholder account number (or attendance card number) and account name, and the sequence of the speech shall be determined by the chairman.

A shareholder who has submitted a speaker's slip but does not actually speak shall be

deemed to have not spoken. When the content of the speech does not correspond to the subject given on the speaker's slip, the spoken content shall prevail.

Each shareholder shall not speak more than twice on the same proposal without the consent of the chairman, and shall not speak for more than five minutes at a time. The chairman shall stop the shareholder from speaking if the shareholder violates the regulations or exceeds the scope of the topic.

When a shareholder attends the meeting, other shareholders may not speak or interrupt unless they have sought and obtained the consent of the chairman. The chairman has the right to stop any violation.

When a judicial person shareholder appoints two or more representatives to attend the shareholders' meeting, only one of the representatives for the same proposal may speak. After the shareholders' speech, the chairman may respond in person or designate relevant personnel to respond.

#### Article 12 Calculation of number of shares and the recusals system

Voting at a shareholders' meeting shall be calculated based on the number of shares.

Resolutions of the board of shareholders regarding the number of shares of non-voting shareholders shall not be counted as the total number of shares issued.

When a shareholder's interest in the meeting may lead to damage to the interests of the Company, the shareholder shall not vote and shall not exercise his voting rights on behalf of other shareholders.

The number of shares unexecuted voting rights under the preceding paragraph shall not be calculated as part of the voting rights represented by attending shareholders.

When a person accepts the entrustment of more than two shareholders at the same time, the voting rights of the person acting shall not exceed 3% of the total number of shares issued, except for trust undertakings or the stock agency approved by the regulator. If the voting rights exceed 3%, the voting rights representing the exceeding part shall not be counted.

#### Article 13 Voting, monitoring and counting methods

A shareholder shall be entitled to one vote per share, except the non-voting shares under Article 179 (2) of the Company Act.

When the Company convenes a shareholders' meeting, shareholders may exercise their voting rights in writing or electronically; when exercising voting rights in writing or electronically, the methods shall be stated in the shareholders' meeting notice. A shareholder exercising voting rights in writing or electronically shall be deemed to have attended the meeting in person. However, the shareholder's meeting shall be deemed to have waived his/her rights.

A shareholder intending to exercise voting rights in writing or electronically as stated in the preceding paragraph, its intention shall be delivered to the Company 2 days before the shareholders' meeting. When a duplicate declaration is delivered, which ever one is received earlier shall prevail. However, those who express their intention before revoking

the declaration shall not be subject to this restriction

If a shareholder wishes to attend a shareholders' meeting in person after the exercise of his voting rights in writing or electronically, the shareholder shall, two days prior to the meeting of shareholders' meeting, cancel his intention to exercise the voting rights referred to in the preceding paragraph in the same manner as he exercised his voting rights; In case of late cancellation, the voting right shall be exercised in writing or electronically. Where a shareholder is entitled to exercise voting rights in writing or electronically and a proxy is appointed to attend a shareholder's meeting, the voting right exercised by the proxy shall prevail.

Except as otherwise provided in the Company Act and in the Company's Articles of Association, a proposal shall be adopted by a majority of the attending shareholders who attend a meeting. At the time of a vote, the chairman or designated personnel shall announce the total number of voting rights represented by the attending shareholders, and the shareholders shall then conduct the vote for each proposal case by case. On the same day the meeting is held, the results of consent, objection or abstentions for each proposal shall be entered into the MOPS.

When there is an amendment or an alternative to a proposal, the chairman shall present the amended or alternative proposal together with the original proposal and decide which shall be put to a vote first. If one of the proposals has been passed, the other proposals shall be deemed rejected, and no further voting shall be required.

The chairman shall appoint the controller of ballot and counting personnel for the votes. However, the controller of ballot shall be one of the shareholders.

Vote counting or election of the meeting shall be conducted at an open public at the venue of the shareholders' meeting. After counting, the results of voting shall be announced on the spot immediately after counting and recording.

#### Article 14 Election

When selecting a director in the meeting, the election of a director shall be conducted in accordance with the applicable election and appointment rules of the Company. The results of the election shall be announced on the spot immediately, including the names of the elected directors and the numbers of votes elected.

The ballots for the election referred to in the preceding paragraph shall be sealed with the signatures of the controller of ballot and kept properly and safely for at least one year. If, however, a shareholder files a lawsuit pursuant to Article 189 of the Company Act, the ballots shall be kept until the conclusion of the litigation.

Article 15 Minutes and Signatures of Meetings

Matters resolved in the shareholders' meeting shall be recorded in the minute book of the meeting and be handled in accordance with Article 183 of the Company Act.

Article 16 Announcements

The company shall compile a statistical statement of the number of shares obtained by solicitors and the number of shares on behalf of the proxies at the date of a shareholders' meeting, and shall disclose the details in the meeting.

If matters put to a resolution at a shareholders meeting constitute material information under applicable laws or regulations or under Taiwan Stock Exchange Corporation (or GreTai Securities Market) regulations, the Company shall upload the content of such resolution to the MOPS within the prescribed time period.

Article 17 Rank and Security

The Chairman may direct the security personnel to help maintain rank at the meeting.

Article 18 Break and Resume of Meeting

When the meeting is held, the Chairman may announce a break. When a force majeure event occurs, the Chairman may decide to temporarily suspended the meeting and announce the time for the meeting to be resumed depending on the conditions.

The board of shareholders may decide to find another venue to continue the meeting if the venue cannot be used at that time before the end of the agenda (including provisional motions) scheduled by the board of shareholders.

The shareholders' meeting shall be postponed or renewed within five days in accordance with Article 182 of the Company Law.

Article 19

These Rules shall be implemented after approval by the shareholders' meeting. The same procedure applies for amendments.

Article 20

The shareholders' meeting agreed to implement these Rules on April 30, 2003.

The first amendment was made on June 24, 2006.

The second amendment was made on June 19, 2012.

The third amendment was made on June 28, 2013.

The fourth amendment was made on June 30, 2015.

The fifth amendment was made on June 6, 2016.

The sixth amendment was made on June 19, 2017.

Sinmag Equipment Corporation  
Rules for Election of Directors

Article 1

To select directors fairly, justly and publicly, this procedure shall be formulated in accordance with the Code of Practice for Listed Over-the-counter Corporate Governance.

Article 2

Except as otherwise stimulated by law or the Articles of Association, elections of the directors of the Company shall be conducted in accordance with this Procedure.

Article 3

The selection of directors of the Company shall take into account the overall configuration of the Board of Directors. The composition of the Board of Directors shall be in a diversified manner and appropriate diversification guidelines should be developed for its own operations, operational style and development needs, including but not limited to the following two standards:

- I. Basic conditions and values, including gender, age, nationality and culture etc.
- II. Professional knowledge skills, including professional background (such as law, accounting, industry, finance, marketing, or technology), professional skills and industry experience etc.

All members of the Board of Directors shall possess the knowledge, skills and literacy required to perform their duties. The overall abilities of the board shall be as follows:

- I. Business judgment ability
- II. Accounting and financial analysis ability.
- III. Business management ability.
- IV. Crisis management ability.
- V. Knowledge of the industry.
- VI. International market perspective.
- VII. Leadership.
- VIII. Decision-making ability.

The directors shall have more than half of the seats and shall not be a spouse or a relative within the second degree of kinship.

The Board of Directors of the Company shall adjust the composition of the Board of Directors according to the results of performance evaluation.

Article 4

The qualifications of the independent directors of the Company shall be in accordance with the provisions of the “Measures for the Establishment of Independent Directors of Public Offering Companies and Measures to Be Followed.”

The election of independent directors of the Company shall be in compliance with the

provisions of the “Measures for the Establishment of Independent Directors of Public Offering Companies and Measures to Be Followed,” and shall be implemented in accordance with the “Code of Practice for Listed Over-the-counter Corporate Governance.”

#### Article 5

The election of directors shall be conducted in accordance with the candidate nomination system set out in Article 192 (1) of the Company Act. In order to review the qualifications of directors, their academic background and whether there are the circumstances listed in Article 30 of the Company Law, no other qualifications proof documents shall be arbitrarily added. The review results shall be submitted to shareholders for reference for the selection of suitable directors

If the dismissal of a director results in a board with less than five directors, the Company shall hold a by-election at the next shareholders meeting. However, when the number of directors fall short by one third of the total number prescribed in the Company’s Articles of Association, the Company shall call a temporary shareholders’ meeting within 60 days from the date of occurrence to hold a by-election to fill the vacancies.

If the number of independent directors is less than that stimulated in Article 14 (2) 1 of the Securities Exchange Act and the relevant provisions of the listing examination criteria of Taiwan Stock Exchange, or the specific criteria as prescribed in Article 10 (1) 8 of the “Rules Governing the Review of Securities for Trading on the TPEx” of the Republic of China, they shall be re-elected at the most recent shareholder meeting; when all the independent directors are dismissed, they shall convene a shareholder’s provisional election by-election within 60 days from the date of the occurrence of fact.

#### Article 6

The cumulative voting system shall be adopted for the election of directors. Each share shall have the same voting rights as the number of directors to be elected. One person may be collectively elected, or several persons may be allocated for election.

#### Article 7

The Board of Directors shall prepare electoral votes equal to the number of directors to be elected, fill in their weights, and distribute to the shareholders presenting at the shareholders’ meeting. The name of the voters shall be replaced by attendance card number printed on electoral votes.

#### Article 8

The directors of the Company shall, in accordance with the quotas set out in the Articles of Association, calculate the voting rights of the independent directors and the non-independent directors respectively. The winners of the election votes shall be elected in turn, and if more than two persons have the same number of votes and exceed the prescribed quota, they shall be determined by drawing lots for those who have the same

votes, and the chairman shall draw lots for those who is not present.

#### Article 9

Before the beginning of the election, the chairman shall appoint a number of controller of ballot and tally clerks with shareholder status to perform various related functions. The ballot boxes shall be prepared by the Board of Directors and publicly checked by the controller of ballot before voting.

#### Article 10

If a candidate is a shareholder, a voter must enter the candidate's account name and shareholder's account number in the "candidate" column of the ballot; for a non-shareholder, the voter shall enter the candidate's full name and identity card number. However, when the government or legal person shareholder is the votee, the name of the government or legal person should be included in the name column of the elected person in the electoral votes. The name of the government or legal person and the name of their representative shall also be included. When there are several representatives, the name of the representatives should be filled separately.

#### Article 11

An election vote is invalid in the following circumstances:

- (I) The ballot used is not prepared by the Board of Directors.
- (II) A blank ballot is put into the ballot box.
- (III) The writing is unclear and indecipherable or altered.
- (IV) Where the candidate is a shareholder, the candidate whose name and shareholder account number do not match with that in the shareholders' name book; where the candidate is a non-shareholder, the name and identity card number of the candidate is not consistent with each other.
- (V) There are other words, in addition to the candidate's account name (name) or shareholder account number (identity card number), and the number of voting rights allotted.
- (VI) The name of the candidate entered in the ballot is identical to that of another shareholder, with no shareholder account number or identity card number filled in the ballot.

#### Article 12

The ballots shall be counted on site immediately after the voting is completed. The results of the votes shall be announced by the Chairman on the spot immediately. The elected Directors shall be given a notice of the election by the Board of Directors of the Company. The ballots for the election referred to in the preceding paragraph shall be sealed with the signatures of the controller of ballot and kept properly and safely for at least one year. If, however, a shareholder files a lawsuit pursuant to Article 189 of the Company Act, the ballots shall be kept until the conclusion of the litigation.



Article 13

If there are any outstanding issues in the Regulations, the issue shall be handled in accordance with the provisions of the Company Act and the Company's Articles of Association.

Article 14

The Procedures shall be implemented after approval by the Shareholders' Meeting. The same procedure applies to amendments.

Article 15

The Rules were approved by the Shareholders' Meeting for implementation on April 30, 2003.

The first amendment was made on June 24, 2006.

The second amendment was made on June 30, 2015.

The third amendment was made on June 6, 2016.

The fourth amendment was made on June 19, 2017.

Sinmag Equipment Corporation  
Shareholding of Directors

- I. The company's paid-in capital is NT\$ 502,302,420 and the total number of issued shares is 50,230,242 shares.
- II. According to Article 26 of the Securities and Exchange Act, the minimum number of shares required to be held by all Directors shall be 4,018,419 shares. As the Company has established an Audit Committee, there is no provision for the number of shares required by the Supervisors to be held. (Note)
- III. As of 2019 Annual Shareholders' Meeting (April 16, 2019), the number of shares recorded in the Shareholder Roster is the following, and the number of shares held by the shareholders and all directors recorded in the Shareholder Register is in accordance with Article 26 of the Securities and Exchange Act.

Title	Name	Elected	Shares held when elected		Number of shares held recorded in the shareholder's roster book on the book closure date	
		Date	Number of Shares	Shareholding Ratio:	Number of Shares	Shareholding Ratio:
Chairman	Hsieh, Shun-ho	105.6.6	2,136,490	4.40%	2,211,267	4.40%
Director	Lue, Guo-horng	105.6.6	2,102,782	4.33%	2,176,379	4.33%
Director	Wu, Yao-tsung	105.6.6	1,728,132	3.56%	1,788,616	3.56%
Director	Chang, Jui-jung	105.6.6	368,098	0.76%	380,981	0.76%
Director	Chuang, Hsin-i	105.6.6	0	0.00%	0	0.00%
Director	Hsieh, Ming-ching	105.6.6	1,351,672	2.79%	1,398,980	2.79%
Independent Director	Chan, Shih-hung	105.6.6	0	0.00%	0	0.00%
Independent Director	Sun, Chia-chun	105.6.6	0	0.00%	0	0.00%
Independent Director	Tu, San-chien	105.6.6	0	0.00%	0	0.00%
Number of Shares Held by all Directors and Shareholding ratio			7,687,174	15.84%	7,956,223	15.84%

Note: According to Article 2 of the "Rules Governing the Equity Percentage of the Company's

Director and Supervisors and the Audit Implementation Rules,” if more than two independent directors are elected, the number of shares held by all directors and supervisors other than the independent directors will be reduced to 80%.

[Appendix 8]

The effect of proposed stock dividends in this Shareholders' Meeting on the Company's operating performance, earnings per share, and return on equity:

The company did not have any proposed distribution of stock dividends in 2019, and the Company does not need to make any financial forecast according to regulations, therefore it is not applicable.

Thank you for attending the General Shareholders'  
Meeting!

Any comments or suggestions will be appreciated.